2013 SENATE APPROPRIATIONS

SB 2014

Senate Appropriations Committee

Harvest Room, State Capitol

SB 2014 January 21, 2013 Job # 17417

Committee Clerk Signature	Hose Saning	
Explanation or reason for int	roduction of bill/resolution:	

☐ Conference Committee

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under its management.

Minutes: Testimony attached # 1-3

Becky J. Keller - Legislative Council Sheila Peterson & Laney Herauf, OMB

Chairman Holmberg called the committee to order on SB 2014. Roll call was taken. All committee members were present.

Chairman Holmberg handed out the Executive Budget Salary increases.

Karlene Fine, Executive Director and Secretary, Administrative Office

Testified in favor of SB 2014

Testimony attached # 1 in the Administration section of the SB 2014 Industrial Commission testimony book

Lynn Helms, Director, Dept. of Mineral Resources

Testified in favor of SB 2014

Testimony attached # 1 in the DMR (Dept. of Mineral Resources) section of the SB 2014 Industrial Commission testimony book, pages 1- 23.

(15:44) Vice Chairman Bowman: As we've seen demand for FTEs go up because of this activity, will those jobs be gone when the wells start to level off?

Lynn Helms: We've always built our budget covering the peaks with contingency positions and we did that again in this budget request. We believe these FTEs are needed for the base budget and then there is a group of engineering techs that are contingency positions that are more on a temporary basis.

As the drilling rigs peak and go away, they will be plugging abandon wells. As they move into that phase, they will plug hundreds of wells and they will witness every plugging. The people that are being requested here will be needed long term.

Senator Mathern: When you are talking about safety and failed wells, should these positions be filled earlier or now?

Lynn Helms: Currently, we have three positions that we are trying to fill from the current budget. We need to get those positions filled but we are experiencing salary competition and housing problems. We have had two really good applicants for the Williston position but they didn't take the job because they couldn't find housing. We'll talk with subcommittee about pieces of this bill that we should accelerate.

(19:24) **Senator Carlisle**: When we talk about market and housing problems, we are going to have to address how to handle these because several agencies have the same problem. Will we have to address each individual agencies budget request?

Lynn Helms continued to explain the budget. Referred to page five and talked about special waste landfills and the need for two fulltime geologist positions. He explained the need for the additional ftes and the use of the temporary positions.

(27:10) **Senator Warner:** When we have temporary positions and use them for a long time we want to make sure the State is dealing justly with them in regard to offering them compensation for insurance and things like that. How long are these temps in service?

Lynn Helms: The bulk of our temps are college students that are attending school at Bismarck State College or the University of Mary. They will be working nine or ten months. We have been treating them pretty well because when they come back to school, they ask if they can go to work for us again. One third of these individuals have been with us for two years. We do feel we need to be moving them into fulltime positions and offer salary and benefits. Most of the people we would move into these fte positions have been with us for two years.

Senator Warner: Your proposals include these people?

Lynn Helms: Yes.

Chairman Holmberg: Sees that they are also using geology and engineering students at UND as temps.

Lynn Helm: We make aggressive use of them in the core and sampling library. As a result of the students working in the library, many of them have fallen in love with geology, and the geology department has seen abundant growth from the activity with these temps.

(33:20) **Chairman Holmberg** announced a subcommittee that will be working on this budget: Senator Carlisle, Senator Erbele and Senator Mathern.

Lynn Helm will go into more detail with the subcommittee on these budget pages. He highlighted the need for more litigation funding (36:20) (page 13 of testimony).

Lynn Helm explained how they arrived at their request. They used the 2011 Hay Group Study? This is a study that Job Service ND does of all the jobs across the state. They compare the salaries of their geologists and engineers and administrative assistance to what people are getting paid in a market in a particular area.

(45:53) **Senator Wanzek:** In the oil bearing rock analysis could you be more specific?

Lynn Helm: We have long been intrigued by geothermal anomaly around Bismarck. We know that it is here but poorly defined and we need a lot more temperature information to figure it out. There is an additional feature near Jamestown. There is high carbon content shale and there is a large structure that runs through that area and a geothermal anomaly there. Yes' we're very intrigued by Stutsman County. We're not the only ones to think this way. Exxon Mobil was presenting this very same idea to map out the burial history of the rocks and what temperatures and carbon contents are.

Senator Robinson: Regarding salaries and housing compensation, is there a schedule to accommodate all agencies with additional dollars for housing.

Sheila Peterson: Legislative Council did pull those out of the books on all agencies that are involved in housing shortages. Located in the Legislative Council's book, with the bright yellow cover.

(49:36) **Karlene Fine**, Executive Director and Secretary of the Industrial Commission Her written testimony found in Administration tab and also referred to the Renewable Energy Program tab section of the SB 2014 Industrial Commission testimony book.

Al Anderson, Commissioner, ND Department of Commerce and Chairman, Renewable Energy Council Testified in favor of SB 2014 Testimony attached # 2 -Testimony of Al Anderson Testimony attached # 3 - Renewable Energy Program brochure

Chairman Holmberg asked if there had been a hearing on SB 2027.

Al Anderson: There has been a hearing. They are very similar so which ever mechanism the legislature goes forward with, we will be supporting.

(1:01:24) **Chairman Holmberg**: SB 2027 bill will be heard next week in appropriations and will go to the same subcommittee of SB 2014.

Vice Chairman Bowman: How long will it take before we stabilize the rig count? The more rigs you have, the more people looking for housing. If we reverse that, how many years do you think it will be before housing will not be an issue?

Al Anderson: We've been able to pull together more than a dozen different studies. One of the studies addresses Senator Bowman's concerns. It was done by Richard Radke, NDSU, who looked at the need for housing across the state. In the energy industry, there are really two different types of jobs, the drilling jobs are tied directly to the rig count and are very transit; As you drill each additional well it becomes a production or maintenance role, so for every well that we drill it puts more permanent people coming into the state. Dr. Radke's information says it is going to take 14 years to drill up just the known Bakken wells; this does not include any of the other formations. With every well we continue to add we are going to have housing issue for the next decade.

Senator Gary Lee: If EPA or federal government would change that program - what would renewable interests be by the oil industry?

Al Anderson: The renewable fuel standard helps push the traditional fuels to link more closely with the renewable fuels. I don't think there will be any changes in the renewable fuel standards at least for the next four years. EmPower realizes that added value is part of the future for the state.

Senator Robinson: Asked if the house took action to reduce the fiscal note of HB 1029.

Al Anderson: I believe that is correct. I think the reduction of the fiscal note was reduced to 20 million. I think the need is very significant and long term. We're looking at a onetime push to get dollars early on and reduce later.

Senator Robinson: We have critical housing shortage in Jamestown and Valley City. It's important that we come thru this session with support to provide housing statewide.

Al Anderson: North Dakota has seen a major change from out migration to major in migration. We have job opportunities throughout the state. In the past we have not been in the mode of building many homes.

Senator Mathern: Your chart of counties taking advantage of the block grants seems to be in smaller communities. There are not very many from larger cities. Are the larger cities not interested?

Al Anderson: In that Federal program it prevented larger cities from participating in program.

(1:10:24) **Jean Schafer (Lobbyist # 154**), ND Water Users Association and Water Resource Districts

Testified in favor of SB 2014

No written testimony.

I'm pleased to be here today to tell you that the water folks have passed a resolution in support of funding for renewable energy and energy conservation from the Resources Trust Fund. We haven't always been here testifying that we have all these water needs coming out of the resources trust fund, but the resolution in support is germane, specific to this language that was outlined in the governor's budget. The water community is in support of this bill.

Dale Niezwaag (Lobbyist # 067) Member of the EmPower Commission, Member of NDARE (ND Alliance for Renewable Energy), Basin Electric Power Cooperative Testified in favor of SB 2014

No written testimony.

From Empower, we support the funding for the renewable energy grant and renewable energy council. From NDARE's perspective, we've always been supportive of water projects, but are very glad to see the opening up and using all of the resources trust fund for energy conservation and renewable energy as it was originally intended. So we appreciate the efforts to open that project up. From Basin Electric's standpoint, when we look at what has been going on as far as laws or regulations on coal power plants, be they new or existing, we don't see a change it that stance. We think those regulations and laws will continue. In almost all programs being talked about, whether they are renewable or whether they're carbon credits or things like that, there are normally always credits for renewable energies. Taking the time to put money into research for renewable energy we think will pay some long term dividends.

Harlan Fuglesten (Lobbyist #107) - ND Assoc. of Rural Electric Cooperatives

Testified in favor of SB 2014

No written testimony.

I also want to reiterate our organization's support for the governor's initiative in using 1% of the resources trust fund for renewable energy for the renewable energy development fund and to work with the Department of Commerce on Energy Conservation. We think they're both very important.

(1:13:27) **John Dwyer**, President and CEO, Lignite Energy Council

Chairman, Lignite Research Council, gave some history of state and industry dollars invested. (Tab LRP of the SB 2014 Industrial Commission testimony book)

Mike Jones, Director, Lignite Research Program R&D Program

VP, Lignite Energy Council

Testified in favor of SB 2014

Testimony attached # 1 in the LRP section (Lignite Research Program) of the SB 2014 Industrial Commission testimony book.

Break

(1:31:30) **Karlene Fine**, Executive Director and Secretary, Administrative Office Testimony attached # 1 in the Transmission Authority of the SB 2014 Industrial Commission testimony book.

Sandi Tabor, Director, ND Transmission Authority

Testified in favor of SB 2014

No written testimony.

Our study showed that within the 22 counties of the Williston Bakken or Basin in ND we would see a 52% increase in population, between now and 2032. We are going to see a steep and significant continued growth in temporary housing needs between now and

2022. After that time it will start going down gradually until it starts blending in with the permanent housing needs. We still have significant housing issues. In the study we looked at three different things: we looked at historical data; looked at population; and electrical needs of infrastructure. The study showed that the electric baseload needs for ND by 2032 will triple. There are tremendous infrastructure needs. Basin will be looking at building a 200 mile transmission line to Tioga. This line has to be in service by 2016. We are facing issues with landowners and easement. The Study helped to hone in what they've seen in internal numbers. The numbers were staggering.

(1:39:21) **Karlene Fine** - Executive Director and Secretary, Administrative Office Testimony attached # 1 in the OGRP tab (Oil & Gas Research Program) of the SB 2014 Industrial Commission testimony book. There is a History of the program, mission statement, general criteria, grant round timelines and grant round process & procedures, current projects of interest, and Oil and Gas Research Council members and staff. The chart shows how the funds flow in for the revenues and how we anticipate the expenditures for the current biennium and into the next.

(1:42:28) Karlene Fine, Executive Director and Secretary, Administrative Office Testimony attached # 1 in the OGRP tab (ND Pipeline Authority) of the SB 2014 Industrial Commission testimony book. The Pipeline Authority issues a quarterly newsletter in addition to making numerous presentations to the Legislative interim committee and public. In addition, Mr. Kringstad hosts webinars on topics of interest to producers, developers, as well as the general public. His most recent webinar was on the topic of Natural Gas Flaring Alternatives. She explained the Bentek Study dealing with natural gas production growth through 2025. She referenced the two charts, one on oil production and one on gas production.

Justin Kringstad, Director, ND Pipeline Authority, explained the charts in ND Pipeline Authority section.

Senator Carlisle: The peak of the action is in 2021 and 2022, if I am reading the chart correctly.

Justin Kringstad: Yes, considering what we know today.

Senator Mathern: Is there an application for a transmission line for the oil refinery by three affiliated tribes.

Justin Kringstad: Those are considered intrastate pipelines and are not reflected in the charts. If they come into service they would require pipeline construction or trucking.

Senator Mathern: Do they go to your agency for a permit?

Justin Kringstad: The Public Service Commission would have to approved or permit that project.

Senator Wanzek: Do you see potential for shortages of rail services for energy or agriculture?

Justin Kringstad: The railroads have had cutbacks in coal but oil is picking up the slack. As of now the railroads have been able to move the additional volume. No big disruption yet but it is something that is on peoples radar.

(1:49:54) Ron Ness, ND Petroleum Council

Testified in favor of SB 2014

No written testimony

We are strongly in support of additional FTEs that were put in the Governor's budget for the Department of Mineral Resources. It is critical that we have these and make sure they all have good base pay. The employees are in tremendous demand and once they are trained they become even more valuable.

DeAnn Ament, Executive Director, ND Public Finance Authority

Testified in favor of SB 2014

Testimony attached # 1 in the Public Finance Authority tab of the SB 2014 Industrial Commission testimony book.

Senator Robinson: What type of interest are the entities looking at?

DeAnn Ament: The Capital Financing Program is our market program and interest is whatever we sell the bonds for. We did a twenty year bond issue and our net interest cost was under 3%. The revolving program is a fixed rate, it had been 2.5% until December 31, 2010 and as market conditions changed that is a 2% loan for 20 years.

Senator Robinson: Do you get involved with refinancing?

DeAnn Ament: Yes, we do get involved in refinancing.

Senator Gary Lee: Are these sold as revenue bonds an held by your agency or how are they handled.

DeAnn Ament: They are public sale. In our Capital Financing Program we do a competitive bond issue where our financial advisor, PFM puts it out on the applicable sites. That's how we sell the capital financing. We do a negotiated sale for our state revolving fund program and work with underwriters.

Senator Gary Lee: So they can be tax free or taxable bonds?

DeAnn Ament: Yes.

Senator Wanzek: When subdivisions make requests, do you do the analysis to determine if they can afford it. Is the state limited to how much they can finance?

DeAnn Ament: Yes, they submit an application and these programs are based on the ability to pay. We will not borrow money if we think we wouldn't be repaid. If we get a request, we will work with them if they can't afford it.

Karlene Fine: (reading from page 2 under Administration tab)

Chairman Holmberg: There are revenue bonds within the budget that are paid off by the funds that are raised. They are done mostly in the university system.

Karlene Fine: Our bonds are called appropriation bonds.

Chairman Holmberg: Why don't we just take all our bonds and pay them off with cash.

Karlene Fine: We are better off paying on schedule without the penalty for early payment.

Vice Chairman Grindberg: With the dormitory bonds are these backed by the full faith and credit of the state of North Dakota in the event of a default.

Karlene Fine: No, they are not. They have to be based strictly on the revenues of dorm fees.

Senator Mathern: Is there an additional cost when we have the appropriation bonding authority versus a direct bonding by a state agency.

Karlene Fine: Not sure I am following the question. When the Department of Transportation did their bonding they went to the market directly. They still have to get authority from the Legislature.

Senator Carlisle requested to meet Karlene after Mill & Elevator.

Chairman Holmberg adjourned until this afternoon.

Senate Appropriations Committee

Harvest Room, State Capitol

SB 2014 01-21-2013 Job 17477

L	Conference Committee		
Committee Clerk Signature	alice Delzer		
Explanation or reason for introduction of bill/resolution:			
A Bill for an Appropriation for the	Industrial Commission - Housing Finance Agency		
Minutes:	See attached testimony		

Chairman Holmberg called the committee back to order on Monday, January 21, 2013 at 1:35 pm In reference to SB 2014, Housing Finance Agency - Industrial Commission. All committee members were present. Becky J. Keller, Legislative Council and Sheila Peterson, OMB were also present. We will continue with the presentations from the Department and we are starting with Housing Finance.

- (1:00)Mike Anderson, Executive Director of the North Dakota Housing Finance Agency: Testified in favor of SB 2014 and provided Testimony attached # 1 HFA tab. Section 1, subdivision 5 of SB 2014 the 2013-15 budget proposal for the Agency and will be provided solely through special funds.
- (7.15) The 2013 annual cap that we will be allocating is \$2,590,000, and that number could change if there is a small amount of credits that get turned back that were not used on existing projects.
- (9:30) Refers to page 1 of charts and gives statistics.
- (11.23) Returns to testimony page 3, paragraph 3.
- (12:35) Explained graphs.

(18:15) Vice Chairman Bowman: The question I have is, when you finance these houses with this very low rate, is there any length of time that people have to keep the houses, so it doesn't relate back to an inflationary deal where you keep them for five years and sell them because you have made \$10,000 on realty investment and you have paid very little in interest, low income houses?

Mike Anderson: If you are talking about the borrower's obligation to stay in the home for so long, no, there is no requirement for that. That would put them at a disadvantage especially at declining interest rate environment. Certainly, from our financial statement, our trust adventure, the longer those loans are on the books, the better it is for our financial statement simply because of the spread that we would make on those loans. It doesn't help the agencies strength from a financial standpoint but the borrowers have a right to do that.

Senate Appropriations Committee SB 2014 - Housing Finance Agency (Industrial Commission) 01-21-2013 Page 2

Senator Carlisle: Do they require insurance like a "regular loan"?

Mike Anderson: If you are talking about loan insurance or mortgage insurance, the vast majority of our loans have either a government backed guarantee or insurance or a private mortgage insurance. We will accept loans without insurance as long as there is at least 20% equity. That is equity that eligible to our standards. We do have uninsured loans in our portfolio. I think we are talking about 10%-12% of our portfolio.

(20:40) Mike Anderson: Returns to written testimony page 4.

(23.36)Vice Chairman Grindberg: How long you've been doing this?

Mike Anderson: I have been with the agency 30 years and this is my 4th time.

Vice Chairman Grindberg: With everything you have talked about and what has been proposed in the executive budget, do you feel confident it will meet the needs for the next two years? Do you see that at the end of the next biennium we will be back to normal or will it last through the end of the decade?

Mike Anderson: In all candor, a \$50 million program isn't going to fix the problem, but it is going to go a long ways toward that. The housing needs assessment is projecting household growth out through 2025. When I was giving you statistics, I was only talking about the first 5 year quadrant of that timeframe. Even with what's going on today, it's not going to satisfy the market rate housing needs across the state. This is a problem across the state. We are hearing from the Jamestowns, Valley Citys, and Carringtons that they are seeing people move there from western North Dakota. We are also seeing oil workers who are bringing their families to that part of the state and working for their shift and then coming back to their families. The dynamics of what is going on is a statewide problem. I don't think we are going to solve this problem. I know at some point and time there has to be a limit of what we try to do at any given time. We look at this as a two year window. Every year, we are going to get closer to satisfying the housing demand. Trying to plan beyond the biennium may not be smart growth.

Vice Chairman Grindberg: I like that answer.

Senator Mathern: Is all the language for the incentive fund here, or is it in the House Bill too?

Mike Anderson: HB 1029 addresses the program itself and addresses the \$20 million work of tax credits. The appropriation that the Governor is asking for another \$30 million is in this bill here. There is nothing in here other than that that addresses the housing incentive fund.

Senator Mathern: Why is that in two separate bills?

Mike Anderson: I guess I cannot answer that other than the appropriation obviously would come through the Industrial Commission budget and that is the only way I can assume it is done that way.

Senate Appropriations Committee SB 2014 - Housing Finance Agency (Industrial Commission) 01-21-2013 Page 3

Carlene: 1029 was an interim bill and then the Governor felt it should be in this bill for the \$30 million because it tied to the Housing Finance Agency.

Chairman Holmberg: The Governor has no control over where the legislature puts interim bills.

Carlene: Exactly right.

Senator Robinson: That was heard in the House last week, correct?

Mike Anderson: HB 1029, an amendment to that bill was heard last Friday and it is scheduled for the floor right now.

Senator Robinson: Do you know if the House removed the \$20 million?

Mike Anderson: The House Bill committee lowered it down from a \$50 million program down to a \$20 million program. I was just informed that it passed the House 85 to 5 with the \$20 million housing incentive fund and that is all tax credits. We're not done addressing this. We still feel there's a need.

Chairman Holmberg: Anyone else going to testify?

(29.56) Cal Klewin, Economic Development Association of North Dakota: Testimony attached # 2.

(31.56) Chairman Holmberg: Moves to BND testimony to continue bill on additional set of minutes.

Senate Appropriations Committee

Harvest Room, State Capitol

SB 2014 01-21-2013 Job # 17478

☐ Conference Committee			
Committee Clerk Signature	alice Dehor		
Explanation or reason for introduction of bill/resolution:			
A Bill for an appropriation for the Industrial Commission - Bank of North Dakota.			
Minutes:	See attached Testimony		

Chairman Holmberg called the committee to order on Monday, January 21, 2013 at 3:00 pm In reference to SB 2014, Industrial Commission - Bank of North Dakota. All committee members were present. Becky J. Keller, Legislative Council and Sheila Peterson, OMB were also present.

Eric Hardmeyer, President and CEO Bank of North Dakota: Testified in favor of SB 2014 and provided Testimony attached # 1- Tab BND.

(21:48) Senator Mathern: In light of the changes in student loan activity, what is triggering the need of additional staff?

Eric Hardmeyer: As you can see and as you look at our portfolio, you see the student loan portfolio continues to grow even though we are not making federal loans anymore. We will continue to have to service those loans for the whole existence. Those loans will run out over the next ten to fifteen years. While it's true that we are not making the federal student loans anymore, those were for the most part automated. So as a freshmen you come in and sign a promissory note; you don't have to do that year 2, 3, 4, or 5. That isn't what took up the FTE's; it's the collection part of it and the counseling part of it that will continue to be there as long as we are in the student loan business.

(23:19)Eric Hardmeyer: (Continued on testimony, page 8)

(33:54)Chairman Holmberg: I am going to ask Becky to give us a memo on which we look at what the legislature has done with current earnings and undivided profits last session and the session before the last two sessions, and then the recommendations in the executive budget this session. I know the legislature has done a lot of switching away from encumbering your undivided profits. If you recall three sessions ago was the last time we took out \$60 million, otherwise we had for a while been taking \$60 million per biennium and then in the executive budget now we do have a number of these transfers which depending

Senate Appropriations Committee SB 2014 - Bank of North Dakota -Industrial Commission 01-21-2013 Page 2

on how you look at them, show up in different locations. Becky, which would be helpful to the subcommittee so that they can track where we are at so when we have to explain what is going on in 2012, we can do that. The legislators like to be reminded of what we have done historically.

Vice Chairman Grindberg: We have not taken \$60 million for some time. In the past we have appropriated the PACE money, which is not the case now. From a simple standpoint, now you are standing on your own two feet and you are investing your own capital and managing the bank without legislative directives as far as where some of those proceeds are coming or going. Is that correct?

Eric Hardmeyer: I would say that is a fair assessment.

Vice Chairman Grindberg: What do we have to do to get you to go to 30% return?

Eric Hardmeyer: 20% is rather pretty fair. We are rather comfortable and we hope you are too.

Senator Kilzer: In these economic times is it really necessary and a good idea for buy-downs? And are buy-downs increasing or decreasing more? What is the history of BND with these buy-downs?

Eric Hardmeyer: I have provided you all of the appropriations since the creation of these funds in my testimony. The buy-downs really are there to provide incentives for certain elements of the economy that you want to encourage. Right now, I think we all agree the economy is doing very well, but there are certain pieces of it right now that we need to encourage. I go back to affordable housing where we continue to look at a big demand there. The idea of AGPACE was to help farmers to diversify away from commodity based farming and get into diversifying their farming operations. Over the years commodity farming has become profitable. There are other pieces of it that we are encouraging. I think it is a matter of the legislature, if you think it's appropriate to, to provide those incentives?

Chairman Holmberg: Do we find ourselves in an awkward position, particularly when you are talking about affordable housing, when various communities have very different matrixes when it comes to affordable housing. You might have one city in the northeast that says you have to have this much park for any development you have. You have to pay the specials; as a developer you have to pay half the specials up front, whereas in other cities you do not. How does that city in the northeast dip into programs like affordable housing when their matrixes are different? There is a vast difference, as I understand it, between how housing is treated in one city as it is over another. That is part of the problem with making housing affordable.

Eric Hardmeyer: That is a good question. It reminds me that I needed to tell you that the \$12 million we have set aside for flex PACE is across the whole state. The \$3 million that we have for the previous short session is just geared for the oil impacted areas. To answer your question, that's why we believe the definition of what is affordable lies with each community. We are not here proposing specifically what is affordable because it varies. We are proposing that local housing authorities determine what is affordable. We also

Senate Appropriations Committee SB 2014 - Bank of North Dakota -Industrial Commission 01-21-2013 Page 3

have another bill that Bob Humann has been tracking and has been testifying on that will say that part of the community match would also take the forms of in-kind things instead of just cash. The way Flex PACE works is that it reduces the interest rate, and a sum of money put into an escrow account. 75% of it comes from the bank and 25% comes from the community. What we are proposing is that the 25% that comes from the community can come from other things than cash. It can be donated lands, donated infrastructure, or buildings. What we have found is that many of the communities, in western North Dakota for example, have been putting a lot of money into infrastructure and meeting their needs and are strapped for cash. We are working with the House IBL on that.

Chairman Holmberg: Keep in mind we have had many discussions regarding in-kind and its misuse in the higher education community. One thing though, some years ago there were legislators around this table that instituted the beginning entrepreneurial loan program and that is one of those programs where I wondered if what Vice Chairman Grindberg was talking about has come to fruition. I mean we finally gave you flexibility what you in the industry need to do and now you are not back in front of us for any bills anymore.

Eric Hardmeyer: That is correct. What we have done there is provided flexibility to the Bank of North Dakota. The program itself grows as the bank grows because we can guarantee a percentage of our capital. You also allow us the opportunity to buy loan policy. Things that we can control internally and with the Industrial Commission we can change the guarantee percentage and the loan amount. That is a great example of you putting your trust in the Bank of North Dakota, that we have the pulse of what is going on in the economy and that we react and change accordingly.

Chairman Holmberg: Commented on prior sponsors.

Senator Carlisle: On page 8, when you are talking about the PACE fund, you said \$12 million is for affordable housing, is that correct?

Eric Hardmeyer: That is correct.

Senator Carlisle: Then you go over to the testimony Mr. Anderson gave on the housing and financing page 2, the agencies first home loan program, are they both for affordable housing?

Eric Hardmeyer: When we talk about affordable housing, I think for the most part we are talking about multi-family apartment complexes. For example what we have done with this program is allowed a developer to carve out a number of units from a building to be affordable. He may carve out 12 units in a 48 unit building to be affordable. We are talking about multi-family not single family. Mike's program generally touches on single family homes.

Senator Carlisle: So you are buying down the developer's loan?

Erick Hardmeyer: That is correct.

Senate Appropriations Committee SB 2014 - Bank of North Dakota -Industrial Commission 01-21-2013 Page 4

Senator Carlisle: Where is the risk for an entrepreneur? If you are a developer, it sounds like a pretty good idea. We just heard the other day that we over built motels so they want tourism money so we can fill more rooms - we have a little problem here.

Eric Hardmeyer: We are getting on the risk at some point in this economy you are going to over build something. The first thing that's going to get hit is motels. As people move out of motel rooms and into apartments now available and affordable, you'll see vacancy rates in motels pop up. I continue to think that we are not there yet on multi-family apartments.

Chairman Holmberg: That has been around as an issue in development for generations.

Senator Warner: Just a thought. Some of the new hotels are extended stay; they have kitchens and the ones I have seen photos of look quite nice. Do you think at some future time we might be converting some of those into low income housing?

Eric Hardmeyer: I think the developer would do whatever he needs to do to. A complex means revenue. I will tell you when I got into banking in the 1980's, it was right on the heels of the bust cycle and working in the loan department, there were several hotels in Williston area and a lot of them turned into senior housing and I think that certainly can happen.

Chairman Holmberg: Moved on to additional department testimony for SB 2014.

Senate Appropriations Committee

Harvest Room, State Capitol

SB 2014 01-21-2013 Job # 17479

☐ Conference (Committee		
Committee Clerk Signature All	ie Helser		
Explanation or reason for introduction of bill/resolution:			
A Bill for an appropriation for the Industrial Commission - Mill and Elevator.			
Minutes:	See attached testimony		

Chairman Holmberg called the committee to order on Monday, January 21, 2013 at 4:00 pm in regards to SB 2014 - Industrial Commission - Mill and Elevator. All committee members were present. Becky J. Keller, Legislative Council and Sheila Peterson, OMB were also present. The subcommittee for SB 2014 is Senator Carlisle, Chairman; Senator Erbele and Senator Mathern.

Vance Taylor, President and General Manager of the North Dakota Mill and Elevator testified in favor of SB 2014 and provided written Testimony attached # 1- Tab State Mill. Next page graphs - shipments and operating costs. And Bushels Ground and Acres Required. The increase shows (4.50) On Markets and Competition. We just finished our certification and we are quite proud of that. We do have a large amount of Economic Impact. We have a Strategic Plan 2013. For our Budget Requests all operating funds are generated internally at the Mill. The increases represents 4 new FTEs. (10.54) The largest portion of our utility bill is the electrical expense. Four items, wages and benefits, utility expense, repair expense and insurance expense reflect the increase in our requested appropriations. (15.01)

Chairman Holmberg: On the section 14, it wasn't too many years ago we were requiring in the budget a certain amount that had to be transferred and if you didn't have the money, you didn't have the profits, you would have to borrow money from the BND, so that you could pay what the state said your share of the state general fund was and then we changed that to 50%, Was that 2009 or 2011 when we made that change. You would know that history and our subcommittee needs to know that because you are making another change in that which now would allow the Industrial Commission to give the general fund less than what the budget would anticipate. Could you give them that history?

Vance Taylor: That was 2009 when that change was made and our remaining profits were set at 50%.after the 5% contribution to the Ag field tax fund. Before that, going back probably 30 years, we averaged about 50% of our profits going into the general fund

Senate Appropriations Committee SB 2014 - Mill and Elevator (Industrial Commission) 01-21-2013 Page 2

Vice Chairman Bowman: (16.46) When you talk about the quality of the product that you sell, the other day we had testimony that there is a certain variety of Duram that is suppose to be of superior quality. Do you coordinate with NDSU and NCI because they do the milling tests and all of that. Do you try to buy that product and market it because it's suppose to be better and should generate more business?

Vance Taylor: We try to stay as close to that as we can. I'm a member of the wheat committee that works with NDSU to decide where the funds should go for that type of development and the Duram research is also included in that. We work with NDSU, member of Wheat Quality Council that watches wheat varieties we're also member of the Duram growers, we try to stay as involved as we can. Product quality and yields are very important to us, it drives a lot of our business so we want the right varieties to be planted.

Senator Carlisle: So your union contract is right in the middle of the biennium. It comes up in June of 2014. He was told yes. Now if you get the 4 new FTE's are they automatically union or how do you determine their pay scales?

Vance Taylor: Only one would be union, the car checker. The supervisor and two office positions are non-union.

Senator Carlisle: Founding increase in the mill has 0, is that because of their contract on the equity and market?

Becky J. Keller: I believe that is correct.

Chairman Holmberg: What happens in the budget if you estimate that it was going to be \$3..6M and Industrial Commission reduced it to 3.4 because of profits, we would just lump it. Because we would have given them the authority to do that.

Senator O'Connell: I need a little back ground on the Agriculture field tax. Have you got the history of that?

Vance Taylor: in general it's funds used for funding new projects in the ag area for entrepreneurs that are trying to start value added projects that would benefit the ag sector.

Chairman Holmberg: Becky J. Keller will get us the rest of the information on that and the subcommittee can have that information.

Senator Erbele: I don't remember the outcome of last session's activities, I recognize in the FTE's there was a car checker and sales positions that you requested last time. What did you get on those?

Vance Taylor: No, We didn't get any of those.

Senator Erbele: You had a nice increase in sales even without that. He was told that was true through the nice efforts of their sales department.

Chairman Holmberg: It is a very competitive business.

Senate Appropriations Committee SB 2014 - Mill and Elevator (Industrial Commission) 01-21-2013 Page 3

Vance Taylor: It's super competitive. We compete with every flour mill east of the Rockies, as well as the business to the east so being able to have enough people to make the right kind and number of contacts with customers out there is very important to us.

Chairman Holmberg: It's impressive that you have such a good penetration into PA and NY. If I was a sales person I'd work on FI and HI.

Senator Erbele: Was there some transfer last time from mill and elevator to Rural Leadership of North Dakota (RLND)?

Vance Taylor: Yes, the transfer was \$60,000.

Senator Wanzek: Do we have any completive edge because of our location? (23/09)

Vance Taylor: yes, that's one of the biggest advantages we have being located in wheat country, especially where the best wheat in the world is grown, being able to go out there with personal relationships with farmers and elevator managers in that zone to buy our wheat, bringing in the highest quality definitely gives us an advantage. Location and people and work ethic are the two biggest advantages that we have.

Chairman Holmberg anyone else wish to testify. None. We will close this portion of our hearing on 2014

Carlene Fine, Industrial Commission: Thank you for the time you gave us today. We have some flour sacks for you. We've left you some sacks for the ninety years recognition.

The hearing was closed on SB 2014.

Senate Appropriations Committee

Harvest Room, State Capitol

SB 2014 subcommittee February 1, 2013 Job # 18138

☐ Conference Committee			
Committee Clerk Signature	Rose Laning		
Explanation or reason for introduction of bill/resolution:			
This is a subcommittee hearing on the State Industrial Commission.			
Minutes:	Testimony attached # 1-4		

Chairman Carlisle opened the subcommittee hearing on SB 2014. Senator Erbele and Senator Warner were also present.

Legislative Council - Becky J. Keller OMB - Pam Sharp

Karlene Fine, Executive Director and Secretary, Administrative Office Handed out attachment #1

Lynn Helms, Director, Dept. of Mineral Resources

Spoke from handout - He addressed the question of unitization in regards to the Little Missouri State Park and why they are promoting unitization. Unitization is a legal process where we convert all the individual mineral leases into one single lease. That can only be done if 60% of the mineral owners and 60% of the operators want it done. They put together a plan and bring it to the Commission.

(7:35) Discussed horizontal drilling.

(10:44) They have 28 engineers and 11 geologists for a 39 which are unclassified and the other 35 are classified positions. Out of the new positions, the 23 that they requested, 6 would be unclassified and 17 would be classified.

(11:38) Handed out attachment # 2 - Current Permanent Staff Ideal Attachment # 3 - Activity Growth Chart

Senator Erbele asked about classified and unclassified employees.

Lynn Helms: Classified means they have been assigned a class by HRMS (Human Resources) so there is a salary range. Unclassified employees mean that they serve at the

Senate Appropriations Committee SB 2014 subcommittee February 1, 2013 Page 2

pleasure of their supervisor but there is no salary range assigned so they are allowed to be more flexible. They still get the full benefits and have access to the grievance procedures.

Explained the attachments and discussed the need for FTEs.

(30:34) Testimony attached # 4 - ND Dept. of Mineral Resources.

This is information looking at the activity and some of the risk factors. The budget is built around the facts on page 4.

(page 9) **Lynn Helms** said you can have awesome resources like Alaska, but set your tax at 25% and have problems with the federal government and have negative production growth. On the other hand, you can have great resources like CA, set your production extraction taxes at zero, but impose regulations and corporate income taxes that give you negative production growth. You want to find yourself in the middle somewhere.

Discussed other bills in the legislature and whether cap or percentage is the driver.

(41:40) Sandi Tabor - Lignite Energy Council

The EmPower Commission talked about providing a steady stream of resources for the Renewable Research Council. The \$3M dollars was thought to be a good starting point for permanent funding. It would also be good to give them some flexibility as time grows and they have more money as they see more projects. We also recognize that we need to cap it. There was concern of no cap recommended by the governor in SB 2014 because then the sky's the limit and it could turn into significant funding. The EmPower Commission has also expressed the importance of value added study for renewables and that's why we included it in SB 2027.

(44:05) Ron Ness, ND Petroleum Council - the discussion with EmPower was that we modeled the renewable education research council after the oil and gas education which had a very hard cap of 1%. What we've done here is find a permanent funding source out of the oil tax revenues for the renewable research council. We strongly support the cap. The area of discussion in the Senate Natural Resources Committee was really the 5% - and why that was presented. If oil production goes down, there was an amount equal that was sufficient enough to at least ensure they had their \$3M. Whether you want to enroll these provisions into the Industrial Commission budget or whether you want a stand-alone bill, that's up to you guys, but the entire commission worked hard on this particular language and is in 100% agreement to both provisions regarding funding.

(45:52) **Lynn Helms**: The 5% protects you from the downside and the cap protects you from the upside. It gets you a band that you can control the bottom falling out or the top blowing off.

(46:45)

Eric Hardmeyer, President and CEO, Bank of North Dakota

Senator Carlisle wanted to discuss the PACE program and why are we doing buy downs?

Discussed loan losses. Their loan losses have continued to decline. Their loan losses or charge offs for the whole year were over \$3M and when you spread that over a loan

Senate Appropriations Committee SB 2014 subcommittee February 1, 2013 Page 3

portfolio that is in excess of \$3B, that is a very small percentage. It's much below industry average.

Senator Carlisle asked about SB2187 where the hospitals were asking for \$150M.

Eric Hardmeyer: The funding for that is not coming from the bank. It takes the form of a loan program. These will be investment loans that are made to hospitals, medical facilities throughout the state. They will use their expertise to put the loan together, structure the deal in concert with the program where they put a task force together. They've asked for two different amendments; a 1% interest rate that will be charged which will cover the administration fees, and governance that requests an audit.

Senator Kilzer - District 47

Who is on the hook for \$150M if the loan is unable to be repaid?

Eric Hardmeyer: My understanding is that the state would be - through the SIF fund (Strategic Investment Fund).

Senator Warner asked if there was a way of limiting access to the trauma side of the hospitals because of the great expense and guaranteeing that some of would come to the strategic oil side.

Eric Hardmeyer: They hadn't considered that, but the task force that is put together for this may be the entity to look at it.

He added that the BND is authorized to carry 176.5 FTE and today there are near 172. We are in the process of advertising and recruiting for three of those positions. As we look forward to the next biennium, and trying to be proactive, we know that we are going to have needs in compliance, lending and other areas and it's critical that we have the authority to add FTEs. I understand the idea of limiting growth, but when the bank has grown from \$210 to \$4B in assets - and today it's \$6.5B in assets, we have to have the support and the people to administer the growth of the programs.

Senator Carlisle said the Mill & Elevator and Housing are the other two parts to still look at. He closed the hearing.

Senate Appropriations Committee

Harvest Room, State Capitol

SB 2014 Subcommittee 02-05-2013 Job # 18333

☐ Conference Committee			
Committee Clerk Signature	Ulie Delzer		
Explanation or reason for introduction of bill/resolution:			
A Subcommittee hearing for the State Industrial Commission.			
Minutes:	Attached testimony		

Chairman Carlisle called the subcommittee to order on Tuesday, February 05, 2013 at 4:00 pm in regards to SB 2014 in the Harvest Room. All members were present: Senators Carlisle, Erbele, Warner. Becky J. Keller from Legislative Council and Pam Sharp from OMB were also present.

Senator Erbele - Asks Mr. Taylor what he sees the future being and to what does he attribute to his increase in sales.

Vance Taylor, ND Mill & Elevator - Replies we do have some new capacity coming on line. We have a big shut down project the K mill, once completed it will increase capacity and will add another million bushels. With total sales of over 300M per year, it is lot for each sales person to do if we want to continue to grow and do sales in the right way, maintaining customer service; it needs another person in that department. They also spend a lot of time on credit issues.

Senator Erbele - Asks what the most critical position is to be filled.

Mr.Taylor - Replies, the 2nd shift supervisor is a critical one but they are all critical in their own way. He goes on to explain the different shifts that they have and what those responsibilities are.

Senator Erbele - Asks what employees would be Union of the new four requests you have.

Mr. Taylor - Responds that it would be just the rail car position. The other three are salaried.

Chairman Carlisle - States there are 131 FTE's, and the contract is up in 2014.

Senate Appropriations Committee SB 2014 Subcommittee 02-05-13 Page 2

Senator Warner - Asks Karlene Fine for Carlen about an allocation of money for the Mill last session.

Karlene Fine, Director Industrial Commission - Replies that was an amendment that was added last session to their line item, that group has not come in and asked for it yet. We had spent \$60,000 it is left in that line item, it will be kept at the Mill unless it's appropriated.

The shift we are making on the language in the statute, 50% of their profits by statute has to go to the general fund and they are asking that that amount be reduced and discussed with OMB, the mill has a number of projects coming that is needing those funds.

Mr.Taylor - Outlines the projects they are currently working on and what they see coming. He says their level of business is pretty consistent; they are a little bit slower this time of year which allows them to shut down a mill to complete a project. He does not think there would be any differences throughout the year when they need more or less liquidity. In the spring when road restrictions go on it might drop a little bit. The bank has been great to us. We have a high level of borrowing all the time.

Senator Warner - Understand the only reason for retaining profits would be for the capital projects.

Mike Anderson - Housing Finance Agencies - He explains his hand-out #1.

Chairman Carlisle - Asks why residents over 65 will increase.

Mr. Anderson - Replies it is people aging out. He explains fixed income seniors.

Chairman Carlisle - He says the fastest growing segment is 85 and over.

Mr. Anderson - He says there is a young work force coming to the state but also we are keeping our young people because there are jobs for them. He explains what the \$15 million dollar program would do.

Senator Warner - Asks if they have some sense that there is enough supply there to fill the \$50M.

Mr. Anderson - Responds that they definitnately do. He explains they committed all \$50 million to those projects in less than one year.

Senator Warner -Asks if the fund is used to his discretion.

Mr. Anderson - He says they will allow them to designate to a community or project or we can allocate those funds as they are needed.

Senator Warner - Asks if they allow them to designate a certain class of employees or more general population.

Senate Appropriations Committee SB 2014 Subcommittee 02-05-13 Page 3

Mr. Anderson - Explains how they prioritize where projects should go. His concern is if all they have is tax credits to allocate the projects they can approve projects but they can't start until they get the tax credits in for those projects. With an appropriation they can be put in the fund immediately and the projects don't have to wait.

Jolene Kline, **Planning and Housing Development** - Explains how low income units are triggered.

Senator Warner - Said he is unclear about who owns the building.

Ms.Kline - She relates the ownership interest in a project. She added it benefits a company's employees but not the company.

Mr. Anderson - Says that 3 units are required to be rent restricted and income restricted. The company's ability to earmark would be limited proportionately to the amount of their contribution.

Chairman Carlisle - Asks how would you administer that?

Mr. Anderson - Says they are already land use restricted but also they put a lien on the property. They also monitor the projects on an annual basis.

Senator Warner - Asks the when loans are paid off, if then they can be privatized at 100% market rate.

Mr. Anderson - Explains the types of liens and loans they use on the properties.

Chairman Carlisle - Tells the committee there will be another meeting on this.

Karlene Fine -Testimony attached # 2.

Chairman Carlisle dismissed the subcommittee on SB 2014.

Senate Appropriations Committee

Harvest Room, State Capitol

SB 2014 Subcommittee 02-11-2013 Job # 18690

L	Conference Committee			
Committee Clerk Signature	alece Delace			
Explanation or reason for introd	uction of bill/resolution:			
A subcommittee hearing in regards to State Industrial Commission				
Minutes:	Attachment			

Chairman Carlisle called the subcommittee to order on Monday, February 11, 2013 at 11:00 am in the Harvest Room. Senator Erbele and Senator Warner were also present. Becky J. Keller from Legislative Council and Laney Herauf from OMB were present.

Senator Erbele - Proposes an amendment. 13.8164.01001 attached # 1.

Becky J. Keller - States that the amendment is for the Industrial Commission and continues to explain what the amendment does the dollar amounts allocated, also provides legislative intent to the oil and gas fund. She goes on to say they took two studies out, 2027 and 2029, we combined it into one. She says they did remove the president of the Northern Alliance of Independent Producers from the membership of the Oil and Gas Research Counsel. It will change the amendment to seven members.

Justin Dever - ND Dept. of Commerce - Asks for a clarification on the energy conservation fund and if it would still receive half of one percent and it was stated that would not change.

Senator Carlisle - Asks what the reporting mechanism will be.

Dever -States there is a reporting requirement to legislative management before September first, 2014

Chairman Holmberg - Asks if this would be held until he gets an answer on housing.

Senator Carlisle - States they will move the amendment with the added correction understood.

Senator Erbele moves amendment 13.8164.01001 with correction of 7 members

Senator Warner seconded

Senate Appropriations Committee SB 2014 Subcommittee 02-11-13 Page 2

Discussion - none

Vote - All yes - Motion passes

Karlene Fine - Executive Director of ND Industrial Commission - See attachment #2

Senator Warner - Asks if the industrial commission is on record as having to approve these projects. He asks if there is a motion, or are they still in the talking stage.

Fine - Replies they are still in the talking stages. The Commission does not act on them until they have a specific dollar amount. They are aware of all these projects.

Senator Carlisle - States they are comfortable with the +4 FTE, and 1 will be a member of the union. He asks Mr. Helm for the new rig count.

Lynn Helms - States we are at 185, refer to page 3 on attachment #2. He mentions what is happening in terms of rig count, they have met with 12 of the biggest Bakken operators, and they plan to add 15 rigs in the second quarter of 2013. They are stilling to be back to 200 by midyear; which is the FTE's we are asking for in our budget, that 200 with the FTE's they have requested would put us at an ideal number of engineers and engineering techs. He goes on to explain the projected rig count.

Chairman Holmberg - Stated when the focus became 170 rigs there is a certain amount of sales tax that would evaporate in this budget projection that would be there if they would have said 180 to 200 rigs.

Helms - Explains what they did taking the sales tax numbers and separating it from the rig count because the drilling efficiency is changing rapidly. He explains they tied the sales tax number to the number of wells that will be constructed in the 2013-1015 biennium.

Senator Carlisle - Asks if with 200 rigs, there is enough FTE in your portfolio.

Helms - Responds they have a contingency if the well count goes over 200. He states they have the processes in place to deal with the waste generation that is going on. He says they are going to add field inspectors and the health department is adding personnel. He says if we continue on the path that we are on, we should have the right number of personnel and the right rules in place to manage semi-closed loop drilling and utilize those additional special waste disposal sites, we are very happy with the processes we have in place.

Senator Warner - Asks about radio activity in mining.

Helms - Explains he has a meeting with Health Dept. officials and a committee that the ND Petroleum Council has put together to look at Natural Occurring Radio Active Material (NORAM). He continues to explain the waste issue where the waste depositories are.

Senator Carlisle - Close the subcommittee.

Senate Appropriations Committee

Harvest Room, State Capitol

SB 2014 Subcommittee 02-18-2013 Job #19141 (9:00)

Committee Clerk Signature	Mier	Delsen	
Explanation or reason for introduction	n of bill/resolution:	0	
A Subcommittee hearing on Industrial Co	ommission		
Minutes:	Vote		

Conference Committee

Chairman Carlisle, Senator Erbele and Senator Warner, committee members present.

Allen H. Knudson from Legislative Council and Pam Sharp from OMB were present.

Senator Carlisle - States we've adopted the amendments before to roll 2027 and 2029 into the budget. There is an amendment 13.8164.01004 by Senator Bowman.

Senator Erbele moved the amendment Senator Warner seconded

Discussion

Lynn Helms - Explains what this amendment does is require when the industrial commission does their rules, this particular rule regarding reserve pits that it be reviewed with the possibility some of the restrictions would be possibly relaxed so Red River Wells in Bowman County would be allowed to use reserve pits. What it does us the next time we do rule making that this particular rule be on the list and we allow operators and public to comment on whether or not they should be allowed to use reserve pits for wells that are drilled in formations other than the Bakken and Three Forks.

Senator Carlisle - Says it's the red river formation, the Bakken and Three Forks are a part of this.

Senator Warner - Says he is uncomfortable with carving out exemptions based on geography and the rule making process changes within the legislature based on what's good for the overall state

Senator Carlisle - Calls for vote

Senate Appropriations Committee SB 2014 2/18/2013 Page 2

Vote #1 - 2 yes, 1 no Motion passes

Chairman Holmberg - Mentions the Minot situation. There may be other issues that come up after this goes to the House or conference committee.

Senator Warner moved do pas as amended Senator Erbele seconded

Vote #2 - 3 yes Motion passes

Senator Carlisle will take it to full committee

Senate Appropriations Committee

Harvest Room, State Capitol

SB 2014 02-21-2013 Job # 19357

	Conference Committee	
Committee Clerk Signature	afre Delser	
Explanation or reason for introdu	uction of bill/resolution:	
A BILL regarding the Industrial Cor	mmission (Do Pass as Amended)	
Minutes:	See attached testimony	

Chairman Holmberg called the committee to order on Thursday, February 21, 2013. All committee members were present except Senator Mathern.

Brady Larson -Legislative Council Sheila Peterson- OMB

Senator Carlisle presented Testimony attached # 1 Proposed Amendment #13.8164.01006. We rolled SB 2027 and 2029 in to this bill. Those two bills early on were \$300,000 each for the study. We made a total of \$500,000 and they are going to be run through the Commerce budget. These studies were not included in the Governor's budget they came out of a couple interim commission studies. We also in as part of 2029 we increased funding to \$6 Million dollars for the oil and gas research program. The legislative intent with special emphasis be given to awarding funds to value added processing projects. Obviously this is because all the oil play our West and if we can hatch any new ideas it will be worth it. The other part of 2027 was the renewable energy research program. 5% of monies are going to be credited to resource trust fund as a \$3 million dollar cap. The Governor's budget was at a little over \$2.7 Million so this may set the cap at \$3 million. It takes a person out of the oil and gas research council and it goes from 10 to 9 people; seven voting 2 non-voting; one member then the Northern Alliance and Independent Producers is no longer active so we took that out of there. Then there is an amendment that directs the Industrial Commission and Mineral Resources including your rural renew rural induced that deals with reserve pits and the impact of that rural and wells drilled outside the Baaken and Three Forks. These are formations. The other ones are the Red River and Mission Cameron, this was his amendment for his area when we had our subcommittee discussion there were some questions. It wasn't unanimous on the amendment so if there are any questions, I've alerted Senator Bowman to explain his position on that.

Senate Appropriations Committee SB 2014 02-21-13 Page 2

Overall, salary we had that salary correction that other budgets have had. The same with special funds, the bank, Housing finance, okay then a value added market study that basically an extra \$500,000 with the Department of Commerce that was those 2 \$300,000 minus the \$100,000. There is some increase to the Renewable Energy Program in it added into their but came out of the Resources Trust Fund. The big one is oil and gas research plus \$6M to the program; the decrease ultimately is from our friend the SIF fund. The special studies included in 2027 and 2029 were not in the Governor's budget they came out of those two committees. That basically is the amendment.

Senator Carlisle moved the amendment 01006. 2nd by Senator Erbele.

Chairman Holmberg: Discussion on the amendments.

Vice Chairman Grindberg: Remind us again about the \$30M for housing finance.

Senator Carlisle: We didn't make any change to that. If we adopt the amendment I'll tell you about the housing.

Chairman Holmberg Senator Bowman has...

Senator Grindberg I show it listed as a Senate change.

Becky J. Keller We changed the date.

Senator Carlisle The date was changed because of a couple of other budgets, mainly DOT, and the water so we, put this in the issue of full transparency that's why that it shows as it does.

Becky J. Keller The original version of the bill made it a transfer for the 1113 biennium, we changed the date for the transfer to take place anytime from the effective date of the act through the 13-15 biennium. So rather than effecting the beginning balance for budget status it will now go into the 13-15 transfers.

Chairman Holmberg We did the same with Dot, it is not duplicative as far as your reports are concerned?

Becky J. Keller: We'll take it out of the beginning balance and then put it up into the 2013-2015 numbers.

Chairman Holmberg It becomes carry over and then we spend it. He was told yes.

Senate Appropriations Committee SB 2014 02-21-13 Page 3

Senator Carlisle It's an issue of full transparency that is where the money is.

Vice Chairman Bowman I like to explain why Section 21 is in this bill. We've had an oil company that has drilled wells in our county for over 40 years. When we had the flood a couple of years ago, there were some pits that spilled into the Little Missouri River and they came up with the rule that pretty much outlawed all the pits now. This company has drilled and never had a problem ever in 40 years, they want to drill 4 more wells. There is a process that they can go through but it's extremely hard to get that rule changed. All this rule does and this by the way was written but the Industrial Commission, it wasn't my writings, but it gives them an opportunity to review and if they can revise that rule that would give them the opportunity to look at it and hopefully from an economic standpoint because it's costing us a whole lot of dollars if they can't have any more drilling. This isn't just in Bowman County; this is in all of those other areas in the state that are not in the Baaken and Three Forks. Now why did they exclude them from what I was told, they excluded them because of the number of requests they would have immediately because it saves an oil company about \$450,000 dollars by adding that rule. And those marginable wells that they drill and that come in at 30 barrels a day, they can't economically afford to do that with that extra cost. So, this might spur a little oil activity if they decide to change the rules. It doesn't say they have too, but it does say that they have to review it. They brought this forward and I put this in. I had another bill drafted that would've done or forced them to do it, but I didn't think that was the right way to go because they have a lot more power than I do, so by working with them. Lynn Helms was involved in this and we think this is the right approach to do that. It's going to take until April of the following year, before that rule could be applicable, right? Yes that's right. So it's going to take a little time but it does give an opportunity to look at that rule and see if it should be changed.

Senator O'Connell: The Spearfish formation would be included in that too then right? All the other formation?

Senator Bowman Every formation other than the Baaken and Three Forks.

Senator Warner I resisted the amendment. On this particular point I think the Industrial commission needs to be following best practices. I think that they have the wisdom and wherewithal to make decisions on the applicability of the semi-loop system. I think semi-loop is a nice compromise in many ways of where is an open pit. Because this is only calls for a review, it is not mandated the change I think we're okay with going forward with it, but I just want to be on record to say that I think the Industrial Commission needs to be following the Best Practices, rather than signaling out individual formations for special treatment.

Senate Appropriations Committee SB 2014 02-21-13 Page 4

Chairman Holmberg: We have a motion and a 2nd. Voice vote on amendments. Carried.

Senator Carlisle moved a do pass on SB2014 as amended. 2nd by Senator Warner.

Does everybody understands that 2014 where we have the Bank of North Dakota, the Mill, the Housing Finance, Public finance, and the Department of Mineral Resources. Under the Department of Mineral Resources, the money is coming primarily from the General Fund. We are looking at adding 22 employees net, 23 employees and one employee that was removed from the FTE account because it is funded from another continuing appropriation funding. Of the 23 employees, 12 are going to be deployed in the oil field; 3 are trigger contingent employees if the well count hits 15,000. Just a couple of months ago, the well count was over 11,000 and the counts producing then jection wells. One employer will be deployed out of Grand Forks, 10 will be in the Bismarck office. Mr. Helms and Carline Fine explained to us what they need and as you know over the years, he's been pretty solid on his employee count. What we're booking is working off of a eualla value bed of 200 wells and these FTE's will handle that many wells from our best projections. (More explanation of bill 11:00-16:03)

A Roll Call vote was taken. Yea: 12; Nay: 0; Absent: 1.

Senator Carlisle will carry the bill.

The hearing was closed on SB 2014.

PROPOSED AMENDMENTS TO SENATE BILL NO. 2014

- Page 1, line 4, after "reenact" insert "subsection 1 of section 54-17.6-05 and"
- Page 1, line 4, replace the second "and" with a comma
- Page 1, line 4, after "57-51.1-07" insert ", and 57-51.1-07.3"
- Page 1, line 5, after "fund" insert ", the oil and gas research council membership, the oil and gas research fund,"
- Page 1, line 6, after the semicolon insert "to provide for a value-added market opportunities for renewable energy resources and oil and gas study; to provide for a report to the legislative management;"

legislative management;"			
Page 1, replace line 18 with:			
"Salaries and wages	\$12,059,220	\$5,824,123	\$17,883,343"
Page 2, replace lines 1 through 3 with	h:		
"Total all funds Less estimated income Total general fund	\$61,542,969 46,766,756 \$14,776,213	\$1,986,719 (5,815,082) \$7,801,801	\$63,529,688 40,951,674 \$22,578,014"
Page 2, replace lines 9 through 11 wi	th:		
"Bank of North Dakota operations Capital assets Total special funds	\$45,587,155 1,266,000 \$46,853,155	\$6,274,253 (521,000) \$5,753,253	\$51,861,408 745,000 \$52,606,408"
Page 3, replace line 8 with:			
"Salaries and wages	\$6,516,277	\$928,822	\$7,445,099"
Page 3, replace line 12 with:			
"Total special funds	\$38,590,046	\$2,279,861	\$40,869,907"
Page 3, replace lines 18 through 20 v	with:		
"Grand total general fund Grand total special funds Grand total all funds	\$24,176,213 <u>179,281,834</u> \$203,458,047	\$28,901,801 <u>7,401,279</u> \$36,303,080	\$53,078,014 <u>186,683,113</u> \$239,761,127"
Page 4, after line 4, insert:			
"Housing incentive fund		0	30,000,000"
Page 4, replace lines 10 through 12 v	with:		
"Total all funds Total special funds Total general fund		\$38,299,400 10,000,000 \$28,299,400	\$31,560,800 0 \$31,560,800"

- Page 5, line 23, remove "biennium beginning"
- Page 5, line 24, replace "July 1, 2013," with "period beginning with the effective date of this Act"
- Page 5, line 29, replace "biennium beginning July 1, 2013," with "period beginning with the effective date of this Act"
- Page 6, line 3, replace "biennium beginning July 1, 2013," with "period beginning with the effective date of this Act"
- Page 6, line 7, replace "biennium beginning July 1, 2013," with "period beginning with the effective date of this Act"
- Page 6, line 10, remove " 2011-13 BIENNIUM"
- Page 6, line 14, replace "2013" with "2015"
- Page 6, line 15, remove "The office of management and budget shall transfer the funds provided under this"
- Page 6, replace line 16 with:

"SECTION 12. APPROPRIATION - DEPARTMENT OF COMMERCE. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$500,000, or so much of the sum as may be necessary, to the department of commerce for the purpose of conducting a study to evaluate value-added market opportunities for renewable energy resources and oil and gas under section 13 of this Act, for the biennium beginning July 1, 2013, and ending June 30, 2015.

SECTION 13. VALUE-ADDED MARKET OPPORTUNITIES FOR RENEWABLE ENERGY RESOURCES AND OIL AND GAS STUDY - REPORT TO THE LEGISLATIVE MANAGEMENT.

- 1. During the 2013-14 interim, the department of commerce shall conduct a study to evaluate value-added market opportunities related to renewable energy resources and oil and gas.
- 2. The department of commerce shall cooperate with the energy policy commission in conducting this study.
- The department of commerce shall report its findings and recommendations to the legislative management before September 1, 2014."
- Page 6, line 18, remove "APPROPRIATION -"
- Page 6, line 20, remove "appropriated"
- Page 7, after line 9, insert:

"SECTION 16. AMENDMENT. Subsection 1 of section 54-17.6-05 of the North Dakota Century Code is amended and reenacted as follows:

 The oil and gas research council is composed of <u>eightseven</u> members, four of whom must currently be engaged in and have at least five years of active experience in the oil and natural gas exploration and production industry. The council consists of:

- a. Four members appointed by the governor from a list provided by the North Dakota petroleum council. The governor may reject the list and request the council to submit a new list until the appointments are made.
- b. One member appointed by the governor from a list provided by the North Dakota association of oil and gas producing counties. The governor may reject the list and request the association to submit a new list until the appointment is made.
- c. The executive director of the North Dakota petroleum council or the executive director's designee.
- d. The president of the northern-alliance of independent-producers-or-the president's designee.
- e. A county commissioner from an oil producing county appointed by the governor.
- f.e. The director of the oil and gas division and the state geologist shall serve on the council as advisory nonvoting members."

Page 7, line 30, remove "One-half"

Page 7, line 31, replace "of one" with "Five"

Page 8, line 1, after "fund" insert ", not to exceed three million dollars per biennium"

Page 8, after line 20, insert:

"SECTION 19. AMENDMENT. Section 57-51.1-07.3 of the North Dakota Century Code is amended and reenacted as follows:

57-51.1-07.3. Oil and gas research fund - Deposits - Continuing appropriation.

There is established a special fund in the state treasury to be known as the oil and gas research fund. Before depositing oil and gas gross production tax and oil extraction tax revenues in the general fund, property tax relief sustainability, strategic investment and improvements fund, or the state disaster relief fund, two percent of the revenues must be deposited monthly into the oil and gas research fund, up to fourten million dollars per biennium. All moneys deposited in the oil and gas research fund and interest on all such moneys are appropriated as a continuing appropriation to the council to be used for purposes stated in chapter 54-17.6.

SECTION 20. LEGISLATIVE INTENT - OIL AND GAS RESEARCH FUND. It is the intent of the legislative assembly that the industrial commission give special emphasis to value-added processing of oil and gas projects in the awarding of funds from the oil and gas research fund during the biennium beginning July 1, 2013, and ending June 30, 2015.

PITS. It is the intent of the sixty-third legislative assembly that the industrial commission's department of mineral resources oil and gas division include in its next administrative rules review and revision process, the effect of provisions included in North Dakota Administrative Code section 43-02-03-19.5 relating to reserve pits for drilling mud and drill cuttings from shallow wells drilled and completed outside of the

Bakken and Three Forks formations for the biennium beginning July 1, 2013, and ending June 30, 2015."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2014 - Summary of Senate Action

	Executive Budget	Senate Changes	Senate Version
Industrial Commission	ū		
Total all funds	\$63,356,975	\$172,713	\$63.529.688
Less estimated income	40,937,857	13,817	40,951,674
General fund	\$22,419,118	\$158,896	\$22,578,014
Bank of North Dakota		f I	
Total all funds	\$52,452,928	\$153,480	\$52,606,408
Less estimated income	52,452,928	153,480	<u>52,606,408</u>
General fund	\$0	\$0	\$0
Harris - Florida Account			
Housing Finance Agency Total all funds	#40 000 000	\$00.007.000	#70 000 007
701011 0111 101100	\$40,862,039	\$30,007,868	\$70,869,907
Less estimated income	40,862,039	7,868	40,869,907
General fund	\$0	\$30,000,000	\$30,000,000
Mill and Elevator		1	
Total all funds	\$52,255,124	\$0	\$52,255,124
Less estimated income	52,255,124	0	52,255,124
General fund	\$0	\$0	\$0
Commerce Department			
Total all funds	\$0	\$500,000	\$500,000
Less estimated income	0	0	0
General fund	\$0	\$500,000	\$500,000
Bill total		,	
Total all funds	\$208,927,066	\$30,834,061	\$239,761,127
Less estimated income	186,507,948	175.165	186,683,113
General fund	\$22,419,118	\$30,658,896	\$53,078,014
General Iuliu	Ψ ∠∠,4 19, 110	φυυ,000,090	φυσ,070,014

Senate Bill No. 2014 - Industrial Commission - Senate Action

	Executive Budget	Senate Changes	Senate Version
Salaries and wages Operating expenses Capital assets Grants - Lignite research Grants - Bond payments	\$17,710,630 6,330,576 5,800 19,500,000 19,809,969	\$172,713	\$17,883,343 6,330,576 5,800 19,500,000 19,809,969
Total all funds Less estimated income	\$63,356,975 40,937,857	\$172,713 13,817	\$63,529,688 40,951,674
General fund	\$22,419,118	\$158,896	\$22,578,014
FTE	98.75	0.00	98.75

Department No. 405 - Industrial Commission - Detail of Senate Changes

	Corrects Executive Compensation Package ¹	Total Senate Changes
Salaries and wages Operating expenses Capital assets Grants - Lignite research Grants - Bond payments	\$172,713	\$172,713
• •	\$172 713	\$172 713

Total all funds Less estimated income	13,817	13,817
General fund	\$158,896	\$158,896
FTE	0.00	0.00

¹Funding is added due to a calculation error in the executive compensation package.

This amendment provides for the following:

- Amends Section 57-51.1-07.3 to increase the amount allocated to the oil and gas research fund from \$4 million to \$10 million per biennium.
- Amends Section 57-51.1-07 to provide for 5 percent of the amount of oil extraction tax revenue allocated to the resources trust fund, not to exceed \$3 million per biennium, to be transferred to the renewable energy development fund. The executive recommendation provided for an allocation of one-half of 1 percent with no maximum.
- Amends Section 54-17.6-05 to reduce the size of the Oil and Gas Research Council from eight to seven members by removing the representative from an organization that is no longer active the Northern Alliance of Independent Producers.
- Provides legislative intent relating to the oil and gas research fund and administrative rules for reserve pits.

Senate Bill No. 2014 - Bank of North Dakota - Senate Action

	Executive Budget	Senate Changes	Senate Version
Capital assets	\$745,000		\$745,000
BND operations	51,707,928	153,480	51,861,408
	\$52,452,928	\$153,480	\$52,606,408
Total all funds			
Less estimated income	52,452,928	153,480	52,606,408
	\$0	\$0	\$0
General fund			
FTE	179.50	0.00	179.50

Department No. 471 - Bank of North Dakota - Detail of Senate Changes

	Corrects Executive Compensation Package ¹	Total Senate Changes
Capital assets BND operations	153,480	153,480
Total all funds Less estimated income	\$153,480 153,480	\$153,480 153,480
General fund	\$0	\$0
FTE	0.00	0.00

¹Funding is added due to a calculation error in the executive compensation package.

Senate Bill No. 2014 - Housing Finance Agency - Senate Action

	Executive Budget	Senate Changes	Senate Version
Salaries and wages	\$7,437,231	\$7,868	\$7,445,099
Operating expenses	3,791,758		3,791,758
Grants	29,533,050		29,533,050
HFA contingencies	100,000		100,000
Housing incentive fund		30,000,000	30,000,000
Total all funds	\$40,862,039	\$30,007,868	\$70,869,907
Less estimated income	40,862,039	7,868	40,869,907

General fund	\$0	\$30,000,000	\$30,000,000
FTE	46.00	0.00	46.00

Department No. 473 - Housing Finance Agency - Detail of Senate Changes

	Corrects Executive Compensation Package ¹	Provides Transfer to Housing Incentive Fund ²	Total Senate Changes
Salaries and wages Operating expenses Grants HFA contingencies	\$7,868		\$7,868
Housing incentive fund		30,000,000	30,000,000
Total all funds Less estimated income	\$7,868 7,868	\$30,000,000 0	\$30,007,868 7,868
General fund	\$0	\$30,000,000	\$30,000,000
FTE	0.00	0.00	0.00

¹Funding is added due to a calculation error in the executive compensation package.

Senate Bill No. 2014 - Commerce Department - Senate Action

	Executive Budget	Senate Changes	Senate Version
Market Study		\$500,000	\$500,000
	\$0	\$500,000	\$500,000
Total all funds Less estimated income	0	0	0
General fund	\$0	\$500,000	\$500,000
FTE	0.00	0.00	0.00
1 12			

Department No. 605 - Commerce Department - Detail of Senate Changes

	Adds Funding for a Value- Added Market Study'	Total Senate Changes
Market Study	\$500,000	\$500,000
Total all funds Less estimated income	\$500,000 0	\$500,000 0
General fund	\$500,000	\$500,000
FTE	0.00	0.00

¹This amendment adds an appropriation for the Department of Commerce to provide for a value-added market study on renewable energy resources and oil and gas.

²Provides for a transfer of \$30 million from the general fund to the housing incentive fund during the 2013-15 biennium. The executive budget provided for the transfer to occur during the 2011-13 biennium.

This amendment amends Section 11 of the bill to provide that the transfer of \$30 million from the general fund to the housing incentive fund be made during the period beginning with the effective date of the Act and ending June 30, 2015. The executive budget provided for the transfer to be made in the 2011-13 biennium.

Date: 2-18-1	3
Roll Call Vote #	

2013 SENATE STANDING COMMITTEE ROLL CALL VOTES

Senate Appropriations			Sul	Com	mittee
☐ Check here for Conference (Committe	ee	-01004		
Legislative Council Amendment Nu	mber ¿	en	nend Do	sse	el.
Action Taken)
Motion Made By Erlule		Se	econded By	ne	n
Senators	Yes	No	Senator	Yes	No
Chariman Ray Holmberg	1.00		Senator Tim Mathern	1.00	1
Co-Vice Chairman Bill Bowman			Senator David O'Connell		
Co-Vice Chair Tony Grindberg			Senator Larry Robinson		
Senator Ralph Kilzer			Senator John Warner		1
Senator Karen Krebsbach			Condition Contribution		
Senator Robert Erbele	1/				
Senator Terry Wanzek		/			
Senator Ron Carlisle	V				
Senator Gary Lee					
				-	
				1	
Total (Yes)	2	N	。/		
Absent					
Floor Assignment					

Date: 2 . 18 - 13

Roll Call Vote #_______

2013 SENATE STANDING COMMITTEE ROLL CALL VOTES

BILL/RES	OLUTIO	N NO.	2011	c.rh	
Senate Appropriations			Dut	Com	mitte
Check here for Conference (Committe	ee			
Legislative Council Amendment Nu	mber	Л			
Action Taken	,	q	Pa		
Motion Made By	Vay	S	econded By	ner	38
Senators	Yes	No	Senator	Yes	No
Chariman Ray Holmberg			Senator Tim Mathern		
Co-Vice Chairman Bill Bowman			Senator David O'Connell		
Co-Vice Chair Tony Grindberg			Senator Larry Robinson		
Senator Ralph Kilzer			Senator John Warner	1	
Senator Karen Krebsbach					
Senator Robert Erbele	1				
Senator Terry Wanzek		/			
Senator Ron Carlisle	1/				
Senator Gary Lee					
Total (Yes)	3	No	. 0		
Absent					
Floor Assignment					

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

Date:_	2	-21	<u>-13</u>
_			

Roll Call	Vote#	1
Non Can	VUIC #	- 1

2013 SENATE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. _2014 Senate Appropriations Committee Check here for Conference Committee Legislative Council Amendment Number 13.8164.01006 Action Taken Carlisle Seconded By Motion Made By Yes **Senators** Yes No Senator No Senator Tim Mathern Chariman Ray Holmberg Co-Vice Chairman Bill Bowman Senator David O'Connell Co-Vice Chair Tony Grindberg Senator Larry Robinson Senator Ralph Kilzer Senator John Warner Senator Karen Krebsbach Senator Robert Erbele Senator Terry Wanzek Senator Ron Carlisle Senator Gary Lee (Yes) No Total Absent

Floor Assignment

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

Date: <u>2-21-1</u>3

Roll Call Vote #_____

2013 SENATE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 2014

Senate Appropriations				Comi	mittee
☐ Check here for Conference C	Committe	ee			
Legislative Council Amendment Nu	_				
Action Taken	o Pa	ss 0	is amended		
Motion Made ByCarlisl	<u>e</u>	Se	econded By War	ner	
Senators	Yes	No	Senator	Yes	No
Chariman Ray Holmberg	1		Senator Tim Mathern	a	
Co-Vice Chairman Bill Bowman	//		Senator David O'Connell	1	
Co-Vice Chair Tony Grindberg	1		Senator Larry Robinson	V	
Senator Ralph Kilzer	2/		Senator John Warner	V	1 3
Senator Karen Krebsbach	1				
Senator Robert Erbele	/				
Senator Terry Wanzek	1/				
Senator Ron Carlisle		-			
Senator Gary Lee	/				
				-	
Total (Yes)	2	N	0 0		
Absent	/				
Floor Assignment	Can	lu	le		
If the vote is on an amendment, brief	efly indica	te inte	nt:		

REPORT OF STANDING COMMITTEE

- SB 2014: Appropriations Committee (Sen. Holmberg, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (12 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2014 was placed on the Sixth order on the calendar.
- Page 1, line 4, after "reenact" insert "subsection 1 of section 54-17.6-05 and"
- Page 1, line 4, replace the second "and" with a comma
- Page 1, line 4, after "57-51.1-07" insert ", and 57-51.1-07.3"
- Page 1, line 5, after "fund" insert ", the oil and gas research council membership, the oil and gas research fund,"
- Page 1, line 6, after the semicolon insert "to provide for a value-added market opportunities for renewable energy resources and oil and gas study; to provide for a report to the legislative management;"

Page 1.	replace	line	18	with:	
---------	---------	------	----	-------	--

Page 1, replace line 18 with:			
"Salaries and wages	\$12,059,220	\$5,824,123	\$17,883,343"
Page 2, replace lines 1 through 3 wi	th:		
"Total all funds Less estimated income Total general fund	\$61,542,969 46,766,756 \$14,776,213	\$1,986,719 (5,815,082) \$7,801,801	\$63,529,688 40,951,674 \$22,578,014"
Page 2, replace lines 9 through 11 v	vith:		
"Bank of North Dakota operations Capital assets Total special funds	\$45,587,155 1,266,000 \$46,853,155	\$6,274,253 (521,000) \$5,753,253	\$51,861,408 745,000 \$52,606,408"
Page 3, replace line 8 with:			
"Salaries and wages	\$6,516,277	\$928,822	\$7,445,099"
Page 3, replace line 12 with:			
"Total special funds	\$38,590,046	\$2,279,861	\$40,869,907"
Page 3, replace lines 18 through 20	with:		
"Grand total general fund Grand total special funds Grand total all funds	\$24,176,213 <u>179,281,834</u> \$203,458,047	\$28,901,801 7,401,279 \$36,303,080	\$53,078,014 <u>186,683,113</u> \$239,761,127"
Page 4, after line 4, insert:			
"Housing incentive fund		0	30,000,000"
Page 4, replace lines 10 through 12	with:		

Page 5, line 23, remove "biennium beginning"

"Total all funds

Total special funds

Total general fund

\$31,560,800

\$31,560,800"

\$38,299,400

10,000,000

\$28,299,400

Page 5, line 24, replace "July 1, 2013," with "period beginning with the effective date of this Act"

- Page 5, line 29, replace "biennium beginning July 1, 2013," with "period beginning with the effective date of this Act"
- Page 6, line 3, replace "biennium beginning July 1, 2013," with "period beginning with the effective date of this Act"
- Page 6, line 7, replace "biennium beginning July 1, 2013," with "period beginning with the effective date of this Act"
- Page 6, line 10, remove " 2011-13 BIENNIUM"
- Page 6, line 14, replace "2013" with "2015"
- Page 6, line 15, remove "The office of management and budget shall transfer the funds provided under this"
- Page 6, replace line 16 with:

"SECTION 12. APPROPRIATION - DEPARTMENT OF COMMERCE. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$500,000, or so much of the sum as may be necessary, to the department of commerce for the purpose of conducting a study to evaluate value-added market opportunities for renewable energy resources and oil and gas under section 13 of this Act, for the biennium beginning July 1, 2013, and ending June 30, 2015.

SECTION 13. VALUE-ADDED MARKET OPPORTUNITIES FOR RENEWABLE ENERGY RESOURCES AND OIL AND GAS STUDY - REPORT TO THE LEGISLATIVE MANAGEMENT.

- During the 2013-14 interim, the department of commerce shall conduct a study to evaluate value-added market opportunities related to renewable energy resources and oil and gas.
- The department of commerce shall cooperate with the energy policy commission in conducting this study.
- The department of commerce shall report its findings and recommendations to the legislative management before September 1, 2014."
- Page 6, line 18, remove "APPROPRIATION -"
- Page 6, line 20, remove "appropriated"
- Page 7, after line 9, insert:

"SECTION 16. AMENDMENT. Subsection 1 of section 54-17.6-05 of the North Dakota Century Code is amended and reenacted as follows:

- The oil and gas research council is composed of eightseven members, four of whom must currently be engaged in and have at least five years of active experience in the oil and natural gas exploration and production industry. The council consists of:
 - Four members appointed by the governor from a list provided by the North Dakota petroleum council. The governor may reject the list and

request the council to submit a new list until the appointments are made.

- b. One member appointed by the governor from a list provided by the North Dakota association of oil and gas producing counties. The governor may reject the list and request the association to submit a new list until the appointment is made.
- The executive director of the North Dakota petroleum council or the executive director's designee.
- d. The president of the northern-alliance of independent producers or the president's designee.
- e. A county commissioner from an oil producing county appointed by the governor.
- f.e. The director of the oil and gas division and the state geologist shall serve on the council as advisory nonvoting members."
- Page 7, line 30, remove "One-half"
- Page 7, line 31, replace "of one" with "Five"
- Page 8, line 1, after "fund" insert ", not to exceed three million dollars per biennium"
- Page 8, after line 20, insert:

"SECTION 19. AMENDMENT. Section 57-51.1-07.3 of the North Dakota Century Code is amended and reenacted as follows:

57-51.1-07.3. Oil and gas research fund - Deposits - Continuing appropriation.

There is established a special fund in the state treasury to be known as the oil and gas research fund. Before depositing oil and gas gross production tax and oil extraction tax revenues in the general fund, property tax relief sustainability, strategic investment and improvements fund, or the state disaster relief fund, two percent of the revenues must be deposited monthly into the oil and gas research fund, up to fourten million dollars per biennium. All moneys deposited in the oil and gas research fund and interest on all such moneys are appropriated as a continuing appropriation to the council to be used for purposes stated in chapter 54-17.6.

SECTION 20. LEGISLATIVE INTENT - OIL AND GAS RESEARCH FUND. It is the intent of the legislative assembly that the industrial commission give special emphasis to value-added processing of oil and gas projects in the awarding of funds from the oil and gas research fund during the biennium beginning July 1, 2013, and ending June 30, 2015.

SECTION 21. LEGISLATIVE INTENT - ADMINISTRATIVE RULES - RESERVE PITS. It is the intent of the sixty-third legislative assembly that the industrial commission's department of mineral resources oil and gas division include in its next administrative rules review and revision process, the effect of provisions included in North Dakota Administrative Code section 43-02-03-19.5 relating to reserve pits for drilling mud and drill cuttings from shallow wells drilled and completed outside of the Bakken and Three Forks formations for the biennium beginning July 1, 2013, and ending June 30, 2015."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2014 - Summary of Senate Action

	Executive Budget	Senate Changes	Senate Version
Industrial Commission			
Total all funds	\$63,356,975	\$172,713	\$63,529,688
Less estimated income	40,937,857	13,817	40,951,674
General fund	\$22,419,118	\$158,896	\$22,578,014
Bank of North Dakota			
Total all funds	\$52,452,928	\$153,480	\$52,606,408
Less estimated income	52,452,928	153,480	52,606,408
General fund	\$0	\$0	\$0
Housing Finance Agency			
Total all funds	\$40,862,039	\$30,007,868	\$70,869,907
Less estimated income	40,862,039	7,868	40,869,907
General fund	\$0	\$30,000,000	\$30,000,000
Mill and Elevator			
Total all funds	\$52,255,124	\$0	\$52,255,124
Less estimated income	52,255,124	0	52,255,124
General fund	\$0	\$0	\$0
Commerce Department			111
Total all funds	\$0	\$500,000	\$500,000
Less estimated income	0	0	0
General fund	\$0	\$500,000	\$500,000
Bill total			
Total all funds	\$208,927,066	\$30,834,061	\$239,761,127
Less estimated income	186,507,948	175,165	186,683,113
General fund	\$22,419,118	\$30,658,896	\$53,078,014

Senate Bill No. 2014 - Industrial Commission - Senate Action

	Executive	Senate	Senate
	Budget	Changes	Version
Salaries and wages	\$17,710,630	\$172,713	\$17,883,343
Operating expenses	6,330,576		6,330,576
Capital assets	5,800		5,800
Grants - Lignite research	19,500,000		19,500,000
Grants - Bond payments	19,809,969		19,809,969
Total all funds	\$63,356,975	\$172,713	\$63,529,688
Less estimated income	40,937,857	13,817	40,951,674
General fund	\$22,419,118	\$158,896	\$22,578,014
FTE	98.75	0.00	98.75

Department No. 405 - Industrial Commission - Detail of Senate Changes

	Corrects Executive Compensation Package ¹	Total Senate Changes
Salaries and wages Operating expenses Capital assets Grants - Lignite research Grants - Bond payments	\$172,713	\$172,713
Total all funds Less estimated income	\$172,713 13,817	\$172,713 13,817
General fund	\$158,896	\$158,896
FTE	0.00	0.00

¹Funding is added due to a calculation error in the executive compensation package.

This amendment provides for the following:

- Amends Section 57-51.1-07.3 to increase the amount allocated to the oil and gas research fund from \$4 million to \$10 million per biennium.
- Amends Section 57-51.1-07 to provide for 5 percent of the amount of oil extraction tax revenue allocated to the resources trust fund, not to exceed \$3 million per biennium, to be transferred to the renewable energy development fund. The executive recommendation provided for an allocation of one-half of 1 percent with no maximum.
- Amends Section 54-17.6-05 to reduce the size of the Oil and Gas Research Council from eight to seven members by removing the representative from an organization that is no longer active--the Northern Alliance of Independent Producers.
- Provides legislative intent relating to the oil and gas research fund and administrative rules for reserve pits.

Senate Bill No. 2014 - Bank of North Dakota - Senate Action

	Executive	Senate	Senate
	Budget	Changes	Version
Capital assets	\$745,000	153,480	\$745,000
BND operations	51,707,928		51,861,408
Total all funds	\$52,452,928	\$153,480	\$52,606,408
Less estimated income	52,452,928	153,480	52,606,408
General fund	\$0	\$0	\$0
FTE	179.50	0.00	179.50

Department No. 471 - Bank of North Dakota - Detail of Senate Changes

	Corrects Executive Compensation Package ¹	Total Senate Changes
Capital assets BND operations	153,480	153,480
Total all funds Less estimated income	\$153,480 153,480	\$153,480 153,480
General fund	\$0	\$0
FTE	0.00	0.00

¹Funding is added due to a calculation error in the executive compensation package.

Senate Bill No. 2014 - Housing Finance Agency - Senate Action

	Executive	Senate	Senate
	Budget	Changes	Version
Salaries and wages	\$7,437,231	\$7,868	\$7,445,099
Operating expenses	3,791,758		3,791,758
Grants	29,533,050		29,533,050
HFA contingencies	100,000		100,000
Housing incentive fund		30,000,000	30,000,000
Total all funds	\$40,862,039	\$30,007,868	\$70,869,907
Less estimated income	40,862,039	7,868	40,869,907
General fund	\$0	\$30,000,000	\$30,000,000
FTE	46.00	0.00	46.00

Department No. 473 - Housing Finance Agency - Detail of Senate Changes

	Corrects Executive Compensation Package ¹	Provides Transfer to Housing Incentive Fund ²	Total Senate Changes
Salaries and wages Operating expenses Grants HFA contingencies	\$7,868		\$7,868
Housing incentive fund		30,000,000	30,000,000
Total all funds Less estimated income	\$7,868 7,868	\$30,000,000	\$30,007,868 7,868
General fund	\$0	\$30,000,000	\$30,000,000
FTE	0.00	0.00	0.00

¹Funding is added due to a calculation error in the executive compensation package.

²Provides for a transfer of \$30 million from the general fund to the housing incentive fund during the 2013-15 biennium. The executive budget provided for the transfer to occur during the 2011-13 biennium.

This amendment amends Section 11 of the bill to provide that the transfer of \$30 million from the general fund to the housing incentive fund be made during the period beginning with the effective date of the Act and ending June 30, 2015. The executive budget provided for the transfer to be made in the 2011-13 biennium.

Senate Bill No. 2014 - Commerce Department - Senate Action

	Executive Budget	Senate Changes	Senate Version
Market Study		\$500,000	\$500,000
Total all funds Less estimated income	\$0 0	\$500,000	\$500,000 0
General fund	\$0	\$500,000	\$500,000
FTE	0.00	0.00	0.00

Department No. 605 - Commerce Department - Detail of Senate Changes

	Adds Funding for a Value- Added Market Study'	Total Senate Changes
Market Study	\$500,000	\$500,000
Total all funds Less estimated income	\$500,000 0	\$500,000 0
General fund	\$500,000	\$500,000
FTE	0.00	0.00

¹This amendment adds an appropriation for the Department of Commerce to provide for a value-added market study on renewable energy resources and oil and gas.

2013 HOUSE APPROPRIATIONS

SB 2014

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division

Medora Room, State Capitol

SB2014 March 7, 2013 Recording Job# 19555

Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide legislative intent; to provide an appropriation; to provide a contingent appropriation; to authorize transfers; to amend and reenact sections 54-18-19 and 57-51.1-07 of the North Dakota Century Code, relating to the resources trust fund and the transfer of North Dakota mill and elevator profits to the general fund; and to declare an emergency.

Minutes:

Chairman Thoreson: Opened the hearing on SB2014. All members were present.

Becky Keller, Fiscal Analyst, ND Legislative Council: See attachment 1.

Chairman Thoreson: I'm looking at page 8 and 9; the end of the list on page 9. Is that where we're looking for that?

Becky Keller: Page 7 is where the total changes are for house bills.

Chairman Thoreson: Then on page 8 is that correct?

Becky Keller: Page 9 is the total senate changes.

Becky Keller continued with her explanation.

Karlene Fine, Executive Director and Secretary, ND Industrial Commission: See testimony attachment 2.

Lynn Helms, Director, ND Department of Mineral Resources: See testimony attachment 2.

16:25

Chairman Thoreson: How is that identified? Do they notify you or do your inspectors find that?

Lynn Helms: Our inspectors find that and then we have a staff of currently one full time person and one temp person who look at cement bond log and every casing inspection log. If a well is going to be hydraulically fractured, before they can "frack" the well, they have to submit a cement bond log and casing inspection log. They also have to pull the well head off and photograph the top joint and submit those to us to be checked. We're finding every year about 200 wells don't measure up and would be in danger of failing during the frack job; so we require them to be repaired and that's in our Bismarck office.

Representative Kempenich: Is that pressure variance on the cement?

Lynn Helms: That is one way and we also require pressure testing of the casing and that has to be submitted to another group in our office to be checked before they go ahead with the frack job. Since we implemented those rules, we've had zero well bore failures. We were having six a year prior to that.

Representative Kempenich: What prompted all this?

Lynn Helms: The Franchuk well southwest of Killdeer in Dunn County was the worst of the six that year. We were seeing repeated failures coming from that process.

Lynn Helms continued with his testimony.

20:27

Representative Kempenich: When they proof the meters, do you have somebody that follows that up?

Lynn Helms: They hire a certified meter proofer to come out and take the meter apart or set up a proofing meter on it and test the meter to make sure it's accurately measuring. We used to try to witness 10% of the meter tests; what we do now is we watch them proof a meter on a quarterly basis to make sure that meter proofer is doing his job correctly.

Representative Kempenich: You certify the tester?

Lynn Helms: That's correct.

Lynn Helms continued with his testimony.

26:41

Representative Kempenich: How long have you been advertising for these vacant positions?

Lynn Helms: One Williston position has been advertised since July 1, 2012 and the other two have been advertised since December 10, 2012. We've had two people accept a verbal job offer for the Williston position; and then get to Williston and be unable to find affordable housing. They then decided to take an alternative job in Montana in a completely different field.

Representative Kempenich: What is the salary range and what would it take to hire those?

Lynn Helms: We're offering for these field inspector positions 90% of market; which is \$58,000.00 starting salary for an engineer or geologist and about \$50,000.00 for an engineering tech. What we'd like to do is get housing allowance as a one-time funding for this biennium to resolve that situation. We think by 2015 that the housing situation will have corrected itself.

Representative Kempenich: We're hearing that around Williston they haven't come down in price for apartments; but the vacancies have increased. Are these classified or unclassified positions?

Lynn Helms: These are about 50/50; half classified, half unclassified. The engineering technicians are classified and the engineers and geologists are unclassified.

Lynn Helms: See testimony attachment 3.

33:10

Representative Glassheim: Are the new positions in green for 2013-2015? I only count 17 or 18 rather than 22.

Lynn Helms: The green ones would be where we're replacing a temp from page 10 with an FTE; so 15 of the 22 net are replacement of a temp and then 7 additional ones on top of that.

Representative Guggisberg: Is this median price for a home or is it a 2 bedroom house?

Lynn Helms: This was designed to be median price for a single family dwelling.

Lynn Helms continued with his testimony.

Representative Kempenich: How hard has it been to get the temps or have they been traveling back and forth between different areas?

Lynn Helms: We've had good success at hiring temps. We hire a lot of U of Mary and BSC students; but, as you would expect, it's a constant turnover.

Representative Kempenich: They're exiting at about the time they're understanding the job?

Lynn Helms: That's correct.

Representative Kempenich: Do you have a core group of people?

Lynn Helms: We do and we'd like to expand that core group with some additional full-time people. We have some long term temps where people have retired and then have come back to work 20-25 hours per week.

Lynn Helms continued with his testimony.

40:54

Chairman Thoreson: What type of requests are you getting from the public for mapping?

Lynn Helms: The typical request is for a map that shows all the permits that have been issued or are pending for an area. They're coming a lot from citizens who want to check the drilling activity on their land and a lot from contractors who are trying to grow their business.

Lynn Helms continued with his testimony.

42:09

Representative Glassheim: Do you charge for those maps or are they considered something the government does for people?

Lynn Helms: I'll be talking about the oil and gas reservoir data fund. We charge for those maps and for that data and we put it in that fund. It's used then to buy equipment.

44:24

Representative Kempenich: How many engineers do you have on staff right now?

Lynn Helms: I believe 17 of our field inspection staff are petroleum engineers. That is enough to handle 185 rigs. We are almost perfectly sized for today's rig count. If we get these 10 or 15 additional rigs, that's what these additional engineers would focus on.

Representative Kempenich: So this is in anticipation of what you're thinking?

Lynn Helms: That's correct.

46:14

Representative Kempenich: Do we have people in place to follow up some of this?

Lynn Helms: We're very fortunate in the last round of hiring that we hired a person in Williston who is putting together a training program to train two inspectors in each district to be able to respond to dumping events or spill events.

Representative Sanford: Could you share your calculation in determining what should be the dollar value of that fund that was included in the bill.

Lynn Helms: Right now we have \$2 million in that fund. We have zero orphan wells but we have in excess of 100 abandoned wells; wells that have been neglected for 12 months and could fall into that orphan well category. We have enough money in there to clean up one major salt water spill or 20 orphaned wells. As the well count grows and we reach that 40,000-50,000 number, we anticipate that we'll go from 100 abandoned wells to 3,000 abandoned wells. We'll need the money to deal with as many as 1,000 wells. At the same time our bonding will increase; so we did the calculation based on having 1,000 orphaned

wells and needing \$75 million in order to do the proper cleanup if no responsible party can be found.

Lynn Helms continued with his testimony.

51:40

Vice Chairman Brandenburg: When those people come in and examine those rocks, are they paying a fee to look at those rocks? Is it provided to them for a service?

Lynn Helms: That service is provided to those people for free. It was done basically for business development. We control all the rocks that are in the library; so they have to get back into the proper bin. If they sample those rocks, we have to make a record of what they sampled and took away with them. We have a rule where we require that whatever they learned from that sample has to go into a file so that we don't have to continually repeat destructive tests.

54:49

Representative Kempenich: What's your outlook on this? Who has been doing this in the past?

Lynn Helms: That's correct. These are people who will have to have some experience in this area because it's very specialized in terms of how oil, gas, and salt water are measured. We need more help at looking at salt water measurement and tracking in the state. We have a number of experienced people in Bismarck and our district supervisors that are all eligible for retirement right now. With the market salary money that you've given us and the recruitment and retention bonus salary, we've been able to retain those people and we've been able to move them around 90% of market.

Representative Guggisberg: Do you still see that happening where they'll stay, get a few years of experience and they leave? Was that just initially during the boom?

Lynn Helms: That was when the boom initially started. As a result, the legislature declassified the engineers and geologists and gave us more freedom in dealing with their salaries.

Lynn Helms continued with his testimony.

58:53

Chairman Thoreson: What's our well count now?

Lynn Helms: The total active well count is 9,433.

Representative Kempenich: Are they drilling these or are they using old wells?

Lynn Helms: They've run out of old wells that can pass the test. They are almost all new drills now.

Vice Chairman Brandenburg: You have 23 FTE's and you said 22 FTE's when we first started talking. Is there one being dropped or have we missed one?

Lynn Helms: One FTE is an engineer who's going to move out of the general fund into carbon dioxide storage; so it's a net 22.

Vice Chairman Brandenburg: Are the salaries for these 22 FTE's on the green sheet? Are they matching up?

Lynn Helms: Yes. I looked at the green sheet and I think they're all matching up.

Representative Kempenich: On the CO2 fund, is that a fund that's set up right now? Is it something that you're starting?

Lynn Helms: I'll cover that on page 25.

Lynn Helms continued with his testimony.

1:03

Chairman Thoreson: Where are we at time wise on that? Do we think it's imminent or immediate?

Lynn Helms: I think we're looking at that soon. The indication from EPA is that they're going to finalize their diesel fuel guidance in April or May. So we may end up tapping into the current \$1 million fund that you have for the EPA. The Bureau of Land Management has withdrawn their proposed fracking rule and are planning to put a new rule out about that same time with the hope of adopting it sometime this year.

Vice Chairman Brandenburg: Is the \$1 million enough? If we do get into a lawsuit that costs more than that \$1 million before the next session; do we have language in law to do that?

Lynn Helms: I don't think we have the language in law to increase that amount. What we do have in place is a gentlemen's agreement with 11 other states who plan to join in on that; so we'll have a nice pile of money and 12 IOGCC member states that would join us in that litigation. We may want to look at some language to be able to get additional money during the interim.

Representative Guggisberg: If we could get language so the budget section could approve the money, could we remove the \$1 million?

Lynn Helms: I'm not sure. I haven't had that conversation with leadership.

106:56

Vice Chairman Brandenburg: Is there something in Bismarck that you could use for a building?

Lynn Helms: We have explored storing that in other places. One of the reasons it's there is for the geological engineers and geology students.

Lynn Helms continued with his testimony.

1:10

Chairman Thoreson: Would that be your staff going out and fixing it or would that be hiring a contract to do this?

Lynn Helms: HB1333 also expands NDCC 38-08-04.5 and allows us to hire a contractor.

Lynn Helms continued with his testimony.

1:16:34

Vice Chairman Brandenburg: Do we really want the money from the EPA?

Lynn Helms: We have primacy over this program and the Safe Drinking Water Act requires us to do that. It requires that we allow EPA to have oversight over the program; otherwise, it goes back to them as a direct implementation project.

1:18:19

Representative Hawken: It appears that we have different restoration funds; could we put those in one place so that we could see who does what?

Lynn Helms: I can do that.

Representative Glassheim: Sometimes we see in the paper or hear from constituents that North Dakota isn't doing enough to preserve water. Could you give us some information on the kind of regulations that we are enforcing?

Lynn Helms: I can provide that.

Karlene Fine: Continued with her testimony see attachment 2.

Brent Brannan, ND Oil and Gas Association: See testimony attachment 2.

1:28:29

Representative Kempenich: How is replacement of sand progressing?

Brent Brannan: One example of applications that come in is testing the various forms of proppants and what works best.

Lynn Helms: Referenced page 21 of Mineral resources portion of attachment 2.

Ron Ness, President, ND Petroleum Council: Testimony see attachment 4.

Chairman Thoreson: The two questions you get from my part of the state are why are they burning up all the gas out there and why are they leaving all that oil in the ground?

Ron Ness: I think that's the question we get the most often. There are about six bills that are addressing natural gas.

Chairman Thoreson: Recessed the hearing.

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division Medora Room. State Capitol

SB2014 March 7, 2013 Job #19567

Committee Clerk Signature	Mary Brucker	

☐ Conference Committee

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state commission and the agencies under the management of the industrial commission; to provide legislative intent; to provide an appropriation; to provide a contingent appropriation; to authorize transfers; to amend and reenact subsection 1 of section 54-17.6-05 and sections 54-18-19, 57-51.1-07, and 57-51.1-07.3 of the North Dakota Century Code, relating to the resources trust fund, the oil and gas research council membership, the oil and gas research fund, and the transfer of North Dakota mill and elevator profits to the general fund; to provide for a value-added market opportunities for renewable energy resources and oil and gas study; to provide for a report to the legislative management; and to declare an emergency.

Minutes:	Attached testimony 2

Chairman Thoreson: Reopened the hearing.

Karlene Fine: Continued with her testimony attachment 2 regarding the pipeline authority.

Justin Kringstad, ND Pipeline Authority: Testimony attachment 2 and slides.

Representative Glassheim: Is all the pipeline capacity private investment?

Justin Kringstad: It is 100% privately funded.

Representative Glassheim: I didn't realize that 72% of the gas is not flared and being used?

Justin Kringstad: Yes. That 30% or 29% that is flared and on the other side of that it is being captured, processed and sent to homes and businesses for consumption.

Karlene Fine: See testimony attachment 2 regarding renewable energy (REP tab).

Allan Anderson, Commissioner of North Dakota Department of Commerce: Testimony see attachment 2.

Representative Guggisberg: I was wondering if you had any more detailed examples of what this energy efficiency and conservation block grant was used for and how much money the building saved after the project? Can it be used for any public building or is it limited to state buildings?

Allan Anderson: Overall we spent \$8.5 million of federal dollars. Out of that we believe we are getting \$1.1 million in savings every year. There should be a map attached to my testimony that shows all the different locations across the state that has utilized those dollars. It can be any public building throughout the state and it can be used for a lot of different things like insulation, better windows, and things like that using different ways to reduce those energy costs.

Representative Glassheim: Is any of the state money going to replace that?

Allan Anderson: It is changing. It was from the federal stimulus dollars in the past; and now we're recommending that we use state dollars. The difference with the federal dollars was that there was only a 10% match. We would require a 50% match in getting the local public entities to kick in more of those dollars.

Representative Glassheim: How much are you requesting from the general fund?

Allan Anderson: It's .5% of the resources trust fund. It is the same percentage that would be utilized for the renewables so it would total out under our current estimate at about \$2.7 million per biennium.

Representative Guggisberg: Do you have a number of requests and do you have enough money to meet all the requests and is it a competitive grant process or is it first come first serve?

Allan Anderson: It's a competitive process. There are ample requests, a couple each week as of today. It will not meet all of the requests based on the current interest.

Representative Guggisberg: Could you give us a list of the requests so we know how much there is a desire to use and how much we would be able to fulfill?

Allan Anderson: I'll provide the requests we received as well as giving an example of what was requested over the last biennium. We'll take our best estimate for the future.

Representative Glassheim: Is there a document that has the state's energy policy in it?

Allan Anderson: It is the 3rd edition of the empower recommendations map which you should have.

Randy Schneider, President, North Dakota Ethanol Producers Association: See attachments 5 and 6.

Dale Meeswag, North Dakota Association of Renewable Energy: Stated his support for permanent funding for the renewable energy council, renewable energy research, and use of the resources trust fund for the conservation fund.

Representative Glassheim: In the renewable picture I didn't hear any mention of solar, wind, or geothermal; are those thought not to be economically productive?

Karlene Fine: We've looked at all those areas under that program and they are all available. Testimony 2 regarding lignite (LRP tab).

Sandy Tabor, ND Lignite Research Council: See testimony attachment 2.

Representative Glassheim: What was the amount of the litigation?

Sandy Tabor: I believe that money was used for the Minnesota next jen lawsuit (?) which is an ongoing lawsuit. The court has denied most of the motions by the state of Minnesota and several environmental groups. I believe we are just short of discovery.

Vice Chairman Brandenburg: Looking in the future, is it going to require more funding for lawsuits?

Sandy Tabor: There's money in the 2013-2015 appropriation for litigation, \$1 million. There are several things down the pike. The attorney general has been very prudent in how he has handled litigation in the state. He will really try to work with other states to get the biggest bang for their buck.

Karlene Fine continued her testimony attachment 2 (TA tab).

Sandy Tabor continued her testimony attachment 2.

Chairman Thoreson: Closed the hearing.

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division Medora Room, State Capitol

SB2014 March 7, 2013 Recording Job# 19582

☐ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide legislative intent; to provide an appropriation; to provide a contingent appropriation; to authorize transfers; to amend and reenact sections 54-18-19 and 57-51.1-07 of the North Dakota Century Code, relating to the resources trust fund and the transfer of North Dakota mill and elevator profits to the general fund; and to declare an emergency.

Minutes:

Chairman Thoreson: Reopened the hearing on SB2014.

Mike Anderson, Executive Director, ND Housing Finance Agency: See testimony attachment 2.

02:57

Representative Kempenich: Are you running into the quality of loans? How come there are fewer loans?

Mike Anderson: With the rapid increase in the cost of single family homes, so much of the inventory that's available is above our limits in terms of purchase price; as well as the incomes necessary to qualify for them. Also interest rates are low and not everybody has an economic need to use our program.

04:12

Chairman Thoreson: What's NSP?

Mike Anderson: Neighborhood Stabilization Program.

5:58

Chairman Thoreson: On the ROOTS Program; how does one qualify for that? Are people just returning to North Dakota that lived here previously or just anyone who might show up from another state?

Mike Anderson: If you're a new resident of the state and you want to move here permanently, you would qualify. If you've been away from North Dakota for at least one year and you're coming back to North Dakota, you would also qualify. There are some income restrictions on qualifying.

Representative Kempenich: What are the restrictions?

Mike Anderson: Generally, we use a formula of 140% of area median income.

Representative Kempenich: It would vary across the state?

Mike Anderson: We use the greater of the county or the state median income as the basis.

Mike Anderson continued with his testimony.

09.33

Chairman Thoreson: Any idea dollar wise for the new projects you're looking at?

Mike Anderson: I don't think we've received that information yet. We've had 6-10 serious inquiries about using the program.

14:48

Chairman Thoreson: Those are people who are employed but unable to find housing?

Mike Anderson: I assume it is; it's a preliminary number, so, some of those maybe unemployed.

Mike Anderson continued with his testimony.

20:22

Representative Guggisberg: Do we know when this point in time survey of homelessness will be completed?

Mike Anderson: That is sponsored by the North Dakota Coalition of Homeless People. Generally, they'll hire that work done; it will be 2 or 3 months before they'll see any formal report.

Representative Guggisberg: What's the plan for the Fargo high rise? If it's too big of a project for us to take on, is somebody working on a plan for that?

Mike Anderson: That's the type of project that's going to take multiple sources of assistance; and a number of those are housed within our agency. The likelihood is that we'll be using federal low income tax credits over a 2 year period; but, even with that, we anticipate that there will be at least a \$5 million gap in being able to complete the project.

Chairman Thoreson: You're looking at \$12-\$15 million to repair that building. Is that the best use of funds? Would it be better to start from the ground up to house 250 people?

Mike Anderson: They've been looking at both sides; replacing the building versus repairing it. I believe today they say it will cost them more to replace that building than to repair it.

Cal Klewin, Economic Development Association of ND: See testimony attachments 7 and 8.

25:31

Representative Glassheim: What's the difference between the \$20 million and the \$30 million? Are they the same tax credits?

Mike Anderson: The \$20 million that's in HB1029 are tax credits like the \$15 million program that you approved last session. The \$30 million would be an appropriation from the general fund directly into the housing incentive fund.

Representative Glassheim: Would it be for tax credits or to participate with the private sector in building or to build new? How would that operate?

Mike Anderson: The appropriation would be used just like the revenue that we would gather from the tax credits. The taxpayer would make a contribution into the fund and in exchange would get an income tax credit. We would take those proceeds to the contribution and allocate them to projects. The \$30 million is to augment the \$20 million with cash infusion into the program. We will provide up to 30% of the project costs not exceed \$1 million in equity from the housing incentive fund and that money would be used to build a project so they would need less debt to make the project feasible; and less debt equates to the need for less rental income to support that. We would require that at least 30% of units would be rent restricted and income restricted. They would be required to keep those restrictions in place for a minimum of 15 years.

Representative Glassheim: So there would be a certain amount that would be essentially subsidized for low income housing; and 70% would not be, it would be market rate.

Mike Anderson: It would be other equity that they would have that they put in themselves or debt.

Vance Taylor, President and General Manager, ND State Mill: See testimony attachment 2.

30:04

Chairman Thoreson: Have you seen growth in that area?

Vance Taylor: Yes. It does continue to grow both on the spring wheat and the durum side.

31:01

Representative Kempenich: Is there exports involved in that also?

Vance Taylor: Pretty much all of our export is in 50lb bags.

Vance Taylor continued with his testimony.

32:58

Representative Kempenich: Are you done with the expansion for the short term?

Vance Taylor: We do have the mill shut down right now with an expansion happening on that K Mill. Phase 2 of a 3 phase expansion to that mill; so there's one more yet to come on that one.

35:07

Chairman Thoreson: How do you work with brokers? Do they contact you or do you go out and recruit them? Do you do any retail advertising of your product?

Vance Taylor: On food brokers, we work with several different food brokers and we talk to them almost every day. We do advertising on the industrial side and on the retail side. Most of our retail advertising is done through the grocery chains that we work with; and then we advertise in several different trade magazines on the industrial side.

Vice Chairman Brandenburg: How do you back check to make sure that someone isn't going to pay you once it's shipped? Have you had any problems with that?

Vance Taylor: We watch our receivables very closely. If a new customer comes to us we check them out as thoroughly as we can using references or whatever means we would need to be sure that they're a good credit risk.

Vice Chairman Brandenburg: Some of the companies are out of the country. How do you handle that with the money being transferred?

Vance Taylor: The export business is more difficult that way. Many of the export customers that we ship to are on a cash in advance basis. We do have some long term relationships with a few of our export customers that we do supply credit to.

Chairman Thoreson: Do you work with an ad agency or do you do in house marketing? Do you have an ad contract with someone to do that?

Vance Taylor: We work with ad monkeys in Grand Forks on occasion to develop some advertising. The trade publications usually have in house advertising people that help us with those ads.

Chairman Thoreson: You don't have someone on your staff doing advertising design or any of that right now?

Vance Taylor: No.

Vance Taylor continued with his testimony.

43:08

Representative Kempenich: Are these people in Grand Forks or are they scattered throughout your areas?

Vance Taylor: All four of these would be in Grand Forks; either in the plant or in the office. All of our employees presently located in Grand Forks. We don't have any employees scattered.

44:01

Vice Chairman Brandenburg: Can you remember what we did there?

Vance Taylor: We had a request in last year for 2 car checkers, 1 lab employee and 1 sales person; none of those were granted.

Vice Chairman Brandenburg: Didn't we provide some temp money for workers?

Vance Taylor: You did.

46:13

Vice Chairman Brandenburg: What is the combination of shipments going out?

Vance Taylor: Referenced page 2 of his testimony.

47:40

Vice Chairman Brandenburg: How much is in 50lb, 100lb bags or is any of it going out that way?

Vance Taylor: That would be the large pack segment.

Representative Kempenich: Is most of your retail local? Is there any other brand when you go to these large shipments?

Vance Taylor: We ship our own brand "Dakota Maid" to the north central states; we cover a 14 state area with that. We also have a private label brand that we ship; it's "King Arthur", that product is shipped nationwide.

Representative Kempenich: Where are you going to be at with the K mill? What's the ultimate goal with what you're trying to do with that?

Vance Taylor: The project that we're working on now will increase the K mill by 1,000 to 1,500 hundred weights a day; that will take us to a total of 38,000-38,500. Phase 3 of the K mill project will take it up another 500 hundred weights per day. In the end it will be 39,000 hundred weights per day.

Representative Kempenich: What are the margins usually?

Vance Taylor: We operate on very tight margins. We try to differentiate ourselves through our high quality and high customer service; and hopefully ship to customers that are willing to pay a little bit more for that.

Vice Chairman Brandenburg: You mentioned that ADM and Horizon milling went together. Isn't Horizon Cenex Harvest State's Division or not?

Vance Taylor: It's a joint venture between Cargill and CHS.

Vice Chairman Brandenburg: Do you see any competition with that merger?

Vance Taylor: It remains to be seen. There will be a significant competitor out there.

54:42

Representative Kempenich: How many cars do you own? Are you leasing cars also? Do you have like 110 units that you try to keep together?

Vance Taylor: They are all lease cars; we don't own any cars. The biggest portion of the cars we lease are the big PD cars for flour. We also lease some box cars and hopper cars that we use for mill feed. The total is around 500 cars that we lease.

Representative Kempenich: Is that through BNSF or private companies?

Vance Taylor: They're private leasing companies like GATS.

56:11

Representative Kempenich: Is that hedging expenses in this?

Vance Taylor: No that would just be the amount of inventory that we're carrying and that we carry insurance on the inventory.

Representative Kempenich: Is that through a private carrier that you use?

Vance Taylor: It is through a private carrier.

Vance Taylor continued with his testimony.

57:55

Representative Kempenich: Have you had preliminary talks with the contracts that are expiring or when do start that conversation?

Vance Taylor: That's close to 1 ½ years away for us. We'll probably start talking to the union on those negotiations early in 2014.

Vice Chairman Brandenburg: I notice that you're already 6 months into 2013. Your end date must not be December 31st. When does your year end?

Vance Taylor: It's the same as for the state July 1st.

1:00

Representative Kempenich: Do you have a breakdown on Phase 3?

Vance Taylor: I can furnish those. We're in the process of finalizing that right now.

DeAnn Ament, Executive Director, ND Public Finance Authority: See testimony attachment 2.

1:08:42

Representative Kempenich: Is that \$193 million what's outstanding? Is that all the bonds?

DeAnn Ament: Yes. The total of \$225.9 million is the amount of bonds outstanding as of December 31, 2012.

Representative Kempenich: On these markets where are these rates at now?

DeAnn Ament: The rates vary. Each time we do a bond issue, it will be whatever the market is at that time. Our annual audit report that we don't have the final copies available; but, it has been approved, has the rates for each of our bond issues.

Representative Kempenich: You can get those by going to your website?

DeAnn Ament: That's correct. In general, all those rates are 5% and below; anything that would provide savings has been refinanced.

Representative Kempenich: Do you handle any bonds for the city of Williston? I was told that even though they've been downgraded on their rating, they're still bringing premiums of over 25% of what their bond was costing. Is that going on with North Dakota bonds; that they're bringing premiums in the open market?

DeAnn Ament: When a political subdivision goes out to the market, they are not required to use the public finance authority. It's an option that's available to them. When you do a competitive sale, the market will determine the value.

Representative Kempenich: The buyer was paying more than what the bond was worth; they were getting a premium on that side of it. It wasn't because of the rating; they figured that it would never make maturity. If bond buyers are looking where we don't mature these out, does that hurt you?

DeAnn Ament: I'm not familiar with the conversation that was had; but, generally the purchasers of the bonds are the ones that decide it.

Chairman Thoreson: Recessed the hearing.

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division

Medora Room, State Capitol

SB2014 March 7, 2013 Recording Job# 19591

Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide legislative intent; to provide an appropriation; to provide a contingent appropriation; to authorize transfers; to amend and reenact sections 54-18-19 and 57-51.1-07 of the North Dakota Century Code, relating to the resources trust fund and the transfer of North Dakota mill and elevator profits to the general fund; and to declare an emergency.

Minutes:

Chairman Thoreson: Reopened the hearing on SB2014.

Mr. Hardmeyer President and CEO, Bank of North Dakota: See testimony attachment 2.

2:16

Chairman Thoreson: You're moving up a little bit?

Eric Hardmeyer: As we grow this bank it's hard to keep up when the only way you can grow capital is through retaining earnings.

5:13

Representative Kempenich: Are your commercial loans spread across the state or is it more localized?

Eric Hardmeyer: Those are spread across the state. We continue to see very robust markets in Grand Forks and Fargo. We are very active in financing the western part of the state.

Chairman Thoreson: Are they saying that across the rest of the country?

Eric Hardmeyer: They're having a little bit of a resurgence.

13:04

Chairman Thoreson: How many are they handling?

Eric Hardmeyer: Six or seven.

Chairman Thoreson: Big enough where they made just enough off of each one to turn a

profit.

Eric Hardmeyer: Yes.

Chairman Thoreson: Do we have the right to take them back at any point or is it gone for

good?

Eric Hardmeyer: We do have the right.

Eric Hardmeyer continued with his testimony.

16:57

Representative Kempenich: You're thinking of the college planning center?

Eric Hardmeyer: That already exists. That has existed since 1982.

Representative Kempenich: That's where you have the college save program?

Eric Hardmeyer: Yes.

Representative Kempenich: Are you planning to annually add \$270,000.00.

Eric Hardmeyer: We didn't spend any of it because we didn't feel that we had the authority to spend it; it wasn't appropriated to us.

Eric Hardmeyer continued with his testimony.

23:56

Representative Kempenich: How long have these positions been open?

Erick Hardmeyer: We've been authorized 196.5 positions; but, we've been going along with 168-170 FTE's.

Representative Kempenich: What's our responsibility for the ones that we are servicing now? What's our responsibility for the federally guaranteed?

Eric Hardmeyer: Substantial. It's a very regimented process of 30, 60, 90 days. You have to send letters out, do so many phone calls, DOE audits us annually. We patterned the deal program after the federal program. So all the benefits you have on federal side, we also offer on our deal program.

Vice Chairman Brandenburg: Last biennium we were looking at the deal program; but, it looks like it exceeded your expectations.

Eric Hardmeyer: This has been a popular program. As prices go up, the federal government locks in what you can borrow under their programs and the rest is your responsibility. As an undergraduate student, you can borrow up to \$50,000.00 from us under the deal program. If you're a graduate student, you can borrow up to \$100,000.00. For student loans, the federal government charges the student 6.8%; what we charge on our deal rate is 4.3%. We'll also lend it to you variable at a rate of 1.81%.

Vice Chairman Brandenburg: You have it capped at \$50,000.00 and if you have a 4 year degree and it's \$15,000.00 you have \$60,000.00. Is it getting them through the 4 year degree or do they have to get the money elsewhere?

Eric Hardmeyer: That \$50,000.00 cap is something we did a year ago. But you can borrow \$3,500.00 your first year and then it ratchets up significantly from there. I think the maximum you can get from the federal government is about \$30,000.00 as an undergraduate. You can do it all with that.

Representative Sanford: If you have a limit of \$50,000.00, do you have any data suggests how long it's taking them to pay the debt off?

Eric Hardmeyer: You have a 10 year pay back window to pay the loan back. A lot of students have a problem paying that; so what we can do is consolidate that loan for them and then stretch their debt out to 20-25 years, sometimes even 30 years.

Eric Hardmeyer continued with his testimony.

35:22

Representative Kempenich: Do we have a definition of affordable housing?

Eric Hardmeyer: We do not. We follow the community; we let them decide what their definition is of affordable housing. For example, Minot is different than Dickinson; which is different than Williston. We're proposing that this be opened up statewide. Every community is different so every community will decide what is affordable.

39:26

Vice Chairman Brandenburg: With this interest buy down, you have \$28 million in there. Is that correct?

Eric Hardmeyer: \$28 million is going into the PACE Program. The governor has asked that we earmark \$12 million of that \$28 million for affordable housing.

Vice Chairman Brandenburg: Do you work with the local bank and have an interest buy down with that local bank?

Eric Hardmeyer: This is not designed for single family. This is all earmarked for multifamily.

Vice Chairman Brandenburg: Is it going to be the communities owning these apartments or is it going to be a local investor owning them?

Eric Hardmeyer: Typically it's going to be a developer who owns it and applies for a PACE buy down. Typically, we are matched by the local community on a 3:1 or 4:1 basis; depending on the economic viability of the community.

Representative Kempenich: What is your thought process on that bill?

Eric Hardmeyer: There are at least 3 or 4 infrastructure bank bills that we are aware of. I've been hearing about this for a couple of years now. It could be a good idea; but, there are agencies out there that are equipped.

48:12

Vice Chairman Brandenburg: How many millions of dollars would this cover?

Eric Hardmeyer: We think that based on the preliminary numbers we've seen you get 10:1. So if you put \$12 million into it, that could build about \$120 million worth of units.

Eric Hardmeyer continued with his testimony.

54:11

Vice Chairman Brandenburg: Had questions on numbers on the green sheet on page 1.

Eric Hardmeyer: The governor had proposed \$12 million for affordable housing. So we looked at the other uses of PACE and FLEX PACE; and that was the difference.

Representative Kempenich: The senate put in \$153,000.00 into your operations. What was that for?

Eric Hardmeyer: That was a miscalculation on salaries.

56:30

Vice Chairman Brandenburg: There's \$30 million for the housing incentive fund; where is that money coming from?

Eric Hardmeyer: The general fund.

Karlene Fine: See testimony attachment 2.

Representative Kempenich: Can you roll any of these into newer issuances?

Karlene Fine: That's what we did in 2012. We looked at all of our outstanding bond issues and asked if we had the ability to refund. Once you've refunded some of these older ones two more times, you can't do it again. There are some IRS regulations that say there are only so many times you can do it. We continue to watch those every year. Because the interest rate is so low right now; when you do a refunding, you have to be able to invest your dollars. The interest rate is so low that it would cost us money to refund.

Representative Kempenich: To pay those off it wouldn't pay either?

Karlene Fine: No.

Karlene Fine referenced section 3 of the bill.

1:03

Representative Kempenich: Of the \$19 million how much is higher education?

Karlene Fine: Of the \$2.5 million that we have for Connect ND, 71% of that is paid by the University system. But we will be paying that off.

Representative Kempenich: How much of this \$19 million that we are paying is coming out of higher education?

Karlene Fine referenced section 3 of the bill.

Chairman Thoreson: Closed the hearing.

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division Medora Room, State Capitol

SB2014 March 20, 2013 Recording Job# 20220

Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide legislative intent; to provide an appropriation; to provide a contingent appropriation; to authorize transfers; to amend and reenact sections 54-18-19 and 57-51.1-07 of the North Dakota Century Code, relating to the resources trust fund and the transfer of North Dakota mill and elevator profits to the general fund; and to declare an emergency.

Minutes:

Vice Chairman Brandenburg: Opened the discussion on SB2014.

Lynn Helms, Director, ND Department of Mineral Resources: See testimony attachment 1.

4:40

Representative Kempenich: How fast can you replace these positions?

Lynn Helms: We don't have anybody to step into the critical positions. They are positions that if they were to walk out the door, there isn't anybody that could step into their shoes. The essential positions have backup and somebody that's working in that department could assume those and the standard ones as well.

Representative Kempenich: Most of these look like management positions. Is that what they're looking at also?

Lynn Helms: That's correct. They all have engineering, geology or paleontology degrees; so, they are unclassified.

Lynn Helms continued with his testimony.

10:40

Representative Glassheim: What kind of fines do you have on the spills? Is your main concern remediation? How does that come about so we can be assured that they're being taken care of properly?

Lynn Helms: The number one goal is remediation. We use the penalties as a tool to get there. The well site is designed to contain a spill and to be remediated at the end of the well's or the facility's life. It's designed to contain these oilfield fluids and at the end of its life all of that is cleaned up and hauled away to a landfill and the land is restored. If a spill leaves the well site and contaminates farm or pasture land, then remediation has to take place immediately. In those cases, we impose the maximum civil penalty for the spill and then we negotiate a settlement agreement with the company; which allows them to buy the penalty down by cleaning up the spill. As they meet certain goals in the cleanup, the penalty drops. We've never allowed it to drop to less than 10% of the original penalty.

14:18

Representative Kempenich: What triggers that?

Lynn Helms: On the site itself, it has to exceed one barrel. If any volume gets off the site, then it has to be reported.

Representative Kempenich: That's county responsibility?

Lynn Helms: That's the statute as it's written right now. If HB1333 passes, then there will be more money added to the abandoned well restoration fund; and illegal dumping incidents will be added to it as well. In that case, that fund would pay for cleanup instead of the adjacent land owner or the county paying for it. That bill would make funding available.

Representative Guggisberg: Can you give me some examples of why you would do that? Is it by water sources and do you do it often?

Lynn Helms: After the Charbonneau Creek spill in 2006, we recognized some of our salt water pipelines are in a drainage or in close proximity to wetlands or streams. We had the field inspectors go through all of their salt water pipelines and handling facilities and categorize them with regards to how much danger they presented to a wetland or stream. As new facilities are built, we're doing the same thing. In those cases they require an annual pressure test of the pipeline, metering at both ends of the pipeline to catch large leaks. In the fall of 2011 we had a leak in the Kramer saltwater disposal line; it contaminated about 23 acres of farmland in Bottineau county.

Representative Kempenich: Is it usually just joints that leak?

Lynn Helms: The two worst spills we had; one was a joint and one was bad pipeline burial. It can be almost anything. It usually is not poor construction materials. In the case of Charbonneau Creek, the installer was in a hurry.

Lynn Helms continued with his testimony.

22:18

Representative Kempenich: This is the fee that comes with the permit? Remind me how this all works.

Lynn Helms: The abandoned well restoration fund is set out in statute. There is provision in the statute that allows us to act in the case of an emergency. In this case, all well permitting fees, seismic permit fees, work over, sundry fees and penalties flow into this fund. HB1333 takes ¼ of 1% of the oil extraction tax and adds it this fund for a maximum \$5 million per year; and an absolute maximum of \$75 million.

Lynn Helms: Went through the green sheet. See testimony attachment 2.

Representative Kempenich: This \$400,000.00 was that based on Minot or Bismarck?

Lynn Helms: The \$400,000.00 was calculated based on the number of new field inspector positions we intend to add; which is 12. An average across the Williston, Dickinson, Minot area of paying \$2,000.00 per employee for the initial rental deposit and subsidizing their rent to get it down to around \$1,500.00 a month. We would require that they apply for it on an annual basis.

Representative Kempenich: Are you putting some motel nights in here also?

Lynn Helms: We are not. That's in our travel inflation in our operating budget. We can currently offer up to \$5,000.00 worth of house hunting and temporary housing. We use a different fund for that.

Karlene Fine, Director, ND Industrial Commission: Referenced testimony from March 7, 2013.

Lynn Helms continued with his testimony.

41:05

Vice Chairman Brandenburg: These are already FTE's but you're changing the definition?

Lynn Helms: These are contingency positions; so they would now move into the budget instead of being listed as a separate line. They would become part of the full salary benefits.

Vice Chairman Brandenburg: Last session there were some contingency ones that are now becoming full time.

Lynn Helms: Correct. There was uncertainty as to how much drilling activity there would be.

Vice Chairman Brandenburg: How many wells did we wind up with?

Lynn Helms: We peaked at 218 rigs in May of last year; we're at 188 this week. We ended up with 9,400 wells.

Representative Kempenich: Have they started infield drilling on some of these sites yet?

Lynn Helms: Most of them are switching to increased density drilling. A large part of docket every month is moving spacing units from one well to 6 or 10 wells. We don't know if there are 4 productive layers at Three Forks or 2.

Representative Kempenich: Is that what we're seeing now?

Lynn Helms: We're discovering in this phase of operation; 190 rigs can do what 215 did previously.

47:52

Representative Kempenich: Do you have anybody that could follow this?

Lynn Helms: This budget anticipates HB1333 passing. Right now gathering and transfer lines are unregulated and uninspected. This budget anticipates adding someone and adding enough engineering technician field inspectors that we can require the self-certification of pipeline insulation standards and also do some inspection of that. When we're done with the build out of the Bakken and Three Forks we will have constructed 30,000 miles of new pipeline.

Representative Hawken: So this 33,000 miles of pipeline; is there any rhyme or reason to it?

Lynn Helms: Yes there is. In March of 2010, the industrial commission decided that we couldn't develop something of this magnitude on an ownership basis. We imposed statewide standup 1280 spacing. This placed all the well sites in east/west rows; 2 to 4 miles apart.

Representative Hawken: In talking to some of the contractors, they have done some infrastructure work. Is that part of a plan or is it being included as things move forward?

Lynn Helms: That's outside my lane.

53:14

Representative Sanford: Maybe you could comment on HB1333 the number of people involved in working on that.

Lynn Helms: We worked with the North Dakota Petroleum Council, Dunn County Landowner's Association, Northwest Landowners Association, the industrial commission, the public service commission, Farm Bureau, Farmer's Union; we tried to bring all the stakeholder's in that process together.

57:43

Vice Chairman Brandenburg: In the summer are there more rigs than in the winter?

Lynn Helms: Absolutely.

58:57

Vice Chairman Brandenburg: How long do they have to stay?

Lynn Helms: They have to stay through almost the end of the biennium. We're expecting that we might trigger this in December of 2014; or January 2015.

Representative Kempenich: Is that just basically proofing the proofer?

Lynn Helms: These are private contractors that inspect, proof and repair the oil and gas meters. We make sure that a minimum of once a year and a once a quarter we see that meter proofer do his job.

Representative Sanford: You mentioned earlier what the red meant on page 3. Does it mean the same on page 4?

Lynn Helms: No. Those are core critical current employees.

Chairman Thoreson: You're not asking for an amendment?

Lynn Helms: No.

Karlene Fine: See testimony attachment 2.

1:02:46

Vice Chairman Brandenburg: Are you looking at working with the industrial commission office here as well as the oil and gas office and sharing that position back and forth?

Karlene Fine: No. These would all be special funds that are paid for by the agencies that report into the industrial commission. It will be strictly in my office.

Vice Chairman Brandenburg: It will be in your office?

Karlene Fine: It will be in my office.

Lynn Helms continued with his testimony.

1:05:12

Vice Chairman Brandenburg: How many FTE's are we looking at for you?

Lynn Helms: We are adding 23.69 FTE's and netting one back out to go into this carbon dioxide storage administration fund. The net increase is 22.69.

Vice Chairman Brandenburg: Plus one for the industrial commission?

Lynn Helms: That includes that FTE?

Vice Chairman Brandenburg: So it's 22.69?

Lynn Helms: Correct.

Representative Glassheim: Are there two more because the green sheet shows an addition of 24 for the whole bill.

Becky Keller, Fiscal Analyst, ND Legislative Council: That's because we're showing 2 of the contingents that were hired during this biennium that we didn't include in the total before.

Representative Sanford: How many do we end up with in the reds?

Lynn Helms: I count a total of 15; 12 temps and 3 contingency. I would have the option of reducing total staff by 15 if we had a severe reduction in rig count.

Representative Sanford: Does anyone know how many funds we have?

Sheila Peterson, Fiscal Analyst, ND Office of Management and Budget: We deal with 400 funds that are reported through comprehensive annual financial report each year.

Lynn Helms continued with his testimony.

1:14:40

Representative Hawken: Could you give us a ball park figure on revenue for the industrial commission?

Karlene Fine: I'll talk to you and find out exactly which revenues you're talking about.

Lynn Helms: Continued with attachment 2.

Jeb Oehlke, Deputy Treasurer, ND Department of the Treasurer: Discussed the inconsistent language on page 8-9 of the engrossed bill.

1:21:31

Vice Chairman Brandenburg: What are you looking at; monthly or quarterly?

Jeb Oehlke: If it was changed to no less than quarterly; that would work great for us. Additionally, we are asking ITD for an estimate to do this programming. I'm guessing based on similar changes we're doing, that the estimate would be in the \$12,000.00 range.

Vice Chairman Brandenburg: Recessed the discussion.

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division Medora Room, State Capitol

SB2014 March 20, 2013 Recording Job# 20238

Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide legislative intent; to provide an appropriation; to provide a contingent appropriation; to authorize transfers; to amend and reenact sections 54-18-19 and 57-51.1-07 of the North Dakota Century Code, relating to the resources trust fund and the transfer of North Dakota mill and elevator profits to the general fund; and to declare an emergency.

Minutes:

Vice Chairman Brandenburg: Reopened the discussion on SB2014.

Karlene Fine: Talked about section 18 of the bill.

Kim Christianson: See testimony attachments 3 and 4.

Dennis Hill: Testified in support of this bill.

Karlene Fine: See testimony attachment 5.

12:20

Vice Chairman Brandenburg: When you were visiting with Vance, did they have any trouble with rejected railcars?

Karlene Fine: We work very hard not to have that happen as it damages our relationship with our customers.

14:28

Representative Kempenich: Do they travel around also? They're all housed in Grand Forks?

Karlene Fine: The sales staff is housed in the office but they do a lot of traveling. We work with some of our brokers that are located out in the regions.

Representative Kempenich: How many sales people are in the mill?

Karlene Fine: We have 3 sales reps and a sales manager; for a total of 4 that are there right now.

Representative Kempenich: Do they have their own regions? Is it however business flows?

Karlene Fine: A bit by how business flows. Recently we had a retirement of one of our sales reps and she had been working with a customer for 30 years. Another service rep had to be trained to work with the customer.

19:36

Chairman Thoreson: What are the letter identifications of the mills?

Karlene Fine: When the K mill was added to the facility, it was named after Sam Kuhl, the former general manager.

21:36

Vice Chairman Brandenburg: What's the storage up there?

Karlene Fine: I will get that for you.

22:12

Vice Chairman Brandenburg: We have \$24 million is what you're looking at?

Karlene Fine: \$24 million.

Vice Chairman Brandenburg: Are you looking at doing these projects all in one year?

Karlene Fine: This is over the next five years.

Representative Kempenich: You sound like you have the K mill plans in order.

Karlene Fine: We hope to have the K mill back up next week and operating.

Vice Chairman Brandenburg: You're saying the profits are supposed to go back to the fund.

Karlene Fine: Fifty percent go into the general fund.

Vice Chairman Brandenburg: What did you want to do to pay for these upgrades?

Karlene Fine: We would have it be up to 50%; and so the state industrial commission working with OMB would make a determination of how much money needed to go into the general fund. Right now the budget has been built that 10% of the mills profits for the 2013-2015 biennium would go to the general fund. The state law requires that we would have to transfer 50% of those; that's what we did transfer during the current biennium.

Vice Chairman Brandenburg: How many dollars would that give you so you can work on these construction projects?

Karlene Fine: During the current biennium we transferred \$3.8 million the first year of the biennium; and we're going to be pretty close to that number. We're going to have almost \$8 million during this current biennium that was going to be transferred to the general fund. This budget is projecting that would be reduced to \$1.7 million during the upcoming biennium; so \$6 million would be available for us to continue our expansion projects.

Representative Glassheim: It looks like \$17 million of profits are anticipated. Is that correct? You should have about \$14 million left.

Karlene Fine: Let me work those numbers and get back to you with a worksheet.

Representative Glassheim: As you have it planned now, the industrial commission could transfer anything up to 50%.

Karlene Fine: You're correct. Our profits are closer to \$17 million.

Representative Glassheim: The general fund is potentially giving up \$7 million?

Karlene Fine: Correct.

Representative Sanford: What this amendment would do is make this transfer and authorize the industrial commission to use the funds that it retains to work from this list of projects.

Karlene Fine: Correct.

Mike Anderson, Executive Director, ND Housing Finance Agency: See testimony attachment 6.

34:14

Representative Kempenich: How many units do you think you'll get out of this?

Mike Anderson: We anticipate 2,500 additional units. That would be for the total \$50 million program; of which \$20 million is still the tax credit and \$30 million appropriation.

38:44

Representative Kempenich: I think the problem on the permanent employee part is the \$2,500.00 to \$3,000.00/month apartment allowance. That's not a sustainable level at those wages.

Mike Anderson: From our perspective, the housing that's out there today and level cost that may be affordable for those employed in the oil patch. The concern we have is the induced labor; those people that are going to be employed on main street.

Representative Kempenich: Is the affordable housing a sliding scale?

Mike Anderson: Yes. When we talk about affordable housing, we talk about who we're trying to target. They're housing costs shouldn't exceed 30% of their income.

Mike Anderson continued with his testimony.

42:12

Representative Glassheim: Are we anticipating 60,000 people or are we anticipating 120,000? How do we put them together?

Mike Anderson: Dr Rathgy's report is talking total population.

Representative Glassheim: That's the extra \$2.5 million per worker?

Mike Anderson: Correct.

Representative Glassheim: So \$2.5 million times the 60,000 would give you even more than on the Rathqy curve.

44:46

Representative Glassheim: The jobs would be there if the people were there and so that's another example of why this fund is going to build more moderately priced housing to accommodate?

Representative Kempenich: A lot of the developers didn't go into these programs. You had problems getting people to use this last year; didn't you?

Mike Anderson: Specifically to this, we allocated the entire \$15 million in about 10 months after it was approved. There were conditional commitments; they didn't get funded specifically because we hadn't raised the contributions. It was the contributions that took until the sunset.

Mike Anderson continued with his testimony.

49:15

Representative Sanford: Do we know what the housing circumstances are in places like in Texas? Where does a project like the Lutheran social services investments in housing fall into this?

Mike Anderson: I'll speak specifically to the Eagleford Play; back then they were just getting started. It was close to San Antonio but where the work was being done was small communities; like rural communities in North Dakota they were struggling on housing those people. Lutheran social services are one of our key partners in terms of developing affordable housing; not just with the housing incentive fund, but also with our federal tax credit program.

Mike Anderson continued with his testimony.

57:16

Representative Kempenich: What was the state's total on that assessment?

Mike Anderson: That was a 15 year study; from 2010 to 2025. They were projecting more than 83,000 new households across North Dakota. The five year window from 2010 to 2015, the average annual new household formation was 7,800 households per year. They looked at household demographics including the economic status in those new households; 46% of those new households in that five year window were anticipated on being low income households. That means they would have household income of 80% of median income or less.

Representative Kempenich: What was that number?

Mike Anderson: Forty-six percent. It was about 3,640 out of the 7,800.

1:00:41

Representative Kempenich: On these programs is there mainly an income requirement?

Mike Anderson: In the programs we administer there's no asset test; it's purely an income test.

Chairman Thoreson: Closed the discussion.

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division Medora Room, State Capitol

SB2014 April 3, 2013 Recording Job# 20810

☐ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide legislative intent; to provide an appropriation; to provide a contingent appropriation; to authorize transfers; to amend and reenact sections 54-18-19 and 57-51.1-07 of the North Dakota Century Code, relating to the resources trust fund and the transfer of North Dakota mill and elevator profits to the general fund; and to declare an emergency.

Minutes:

Chairman Thoreson: Opened the discussion on SB2014. You have amendments for your review that have been passed out of our committee to full appropriations. All members were present except for Representative Kempenich.

Karlene Fine, Director, ND Industrial Commission: See testimony attachments 1 through 4.

6:50

Vice Chairman Brandenburg: So you can pay them right away?

Karlene Fine: Yes.

08:30

Vice Chairman Brandenburg: Bullet 8 and 9 that increase in wages goes to those three petroleum engineers for the months of May through July?

Karlene Fine: May and June. Actually it's the engineering techs.

Vice Chairman Brandenburg: So it would be bullet #10 on the green sheet?

Karlene Fine: It would be the audit legal administrative assistant and the petroleum engineer out of #9, they would be in Bismarck; and then 3 engineering techs out of #6.

Vice Chairman Brandenburg: He needs those people right away?

Karlene Fine: Yes.

Eric Hardmeyer, President and CEO, Bank of NorthDakota: See attachments 5 through 7.

16:12

Chairman Thoreson: Is there a time limit on it?

Eric Hardmeyer: It's through 2019.

Chairman Thoreson: What happens then? Is there a renegotiation or do they have to

move on?

Eric Hardmeyer: They'll have to renew it if they want to go forward.

Chairman Thoreson: Do you have to renegotiate the dollar amount at that point?

Eric Hardmeyer: No, not necessarily.

21:08

Representative Glassheim: Are you going to save it and only spend the interest or are you going to spend it down?

Eric Hardmeyer: Since it's a bank owned asset; we don't earn income on it. We intend to spend at least the ongoing principal that we get per year; which is \$270,000.00. We may use it for scholarships and educational outreach. We're in the process of doing some work at the bank to figure out how to best use it; we're working with our in-house leadership group and reaching out to colleges and universities to find out where we could help. In our budget, we have anticipated spending \$1.9 million; I don't think we're going to spend all of that.

Representative Glassheim: So down the road you'll figure out exactly what you're going to do with it?

Eric Hardmeyer: I think it's going to be for a variety of purposes.

Chairman Thoreson: On bullet point #4; what is 54-44.1-11?

Eric Hardmeyer: That means it's a continuing appropriation.

Chairman Thoreson: Which policy committee did this one come out of?

Eric Hardmeyer: Education.

Eric Hardmeyer continued with his testimony.

26:40

Chairman Thoreson: What do you plan to invest in that kind of dollars?

Tim Porter, CFO, Bank of North Dakota: The investment portfolio is invested mostly bullet agencies; laddered out 3 to 4 years. We also do some mortgage backed securities that are all guaranteed from Fannie Mae or Freddy Mack.

Chairman Thoreson: So not a lot of risk involved?

Tim Porter: Everything that we own right now is triple A rated.

Representative Hawken: You really do need the people you're requesting on the compliance side. Are you hearing anymore as far as where they're going?

Eric Hardmeyer: We're seeing some fallout from Dodd Frank; which is just starting to hit. As you may know the Bank of North Dakota has gotten into the mortgage origination business to help the rural areas. That's really where all the compliance issues are centered. The department of education has been in our bank 7 times last year doing audits; that's the federal department of education on our student loan program.

Eric Hardmeyer continued with his testimony.

31:56

Vice Chairman Brandenburg: What do we need to do to build this up so these people know there responsible?

Eric Hardmeyer: The rebuilders program was a program you approved through the special session; a \$50 million program, \$30 million coming from the Bank of North Dakota and \$20 million coming from the general fund. To this date we've spent about \$41 million; so, there's about another \$9 million that hasn't been drawn upon from the general fund. The program closed last September so there's no more applications coming in. We found that there are ongoing needs; there are some people that didn't apply that now have realized that they're past the deadline. The governor has determined that there is a need for some individuals who want to buy their FEMA trailer; so we're going to open it back up for those. There's HB1185 that will open it up for non-owner occupied; so investors that had rental property homes will have the opportunity to use the rebuilders program. There is another amendment on the rebuilders program for the Bank of North Dakota to offer up to another \$5 million that will come out of our capital to assist with those individuals who took down the \$30,000.00; but may need more money. That allows them to borrow an additional \$20,000.00; the stipulation is if they borrow \$30,000.00 and need another \$20,000.00, then we will take a mortgage on their property. Right now we don't have a mortgage; it's unsecured. Within the existing bill there is a provision that if you sell your home, you have to pay off the \$30,000.00 rebuilder loan. We've already had 3 or 4 examples where people have sold their house and haven't paid the loan off. amendment is instead of making it due right away, we would work with them on a case by case basis to work within their original loan term.

Vice Chairman Brandenburg: It's like the student loan program really. The question is if they don't, do we need to do anything at that point?

Eric Hardmeyer: For those who took the original \$30,000.00 and not taking the additional \$20,000.00; since it's unsecured, we can file a judgment against them. That's the only hammer that we have is to get a judgment.

Vice Chairman Brandenburg: There are questions about it and you cleared it up.

Eric Hardmeyer: We're at the beginning phase. Our desire is to jump on this before this becomes critical.

Representative Glassheim: The \$38 million that's coming from capital; are these grants or loans?

Eric Hardmeyer: They are grants. They go to the borrower to reduce his interest rates. If they don't fit the terms of the agreement; whatever is allocated unspent gets returned to the fund.

Representative Glassheim: But you're unlikely to recover hardly anything of that \$38 million?

Eric Hardmeyer: No. It was never intended to be that way.

Representative Glassheim: In years past we have taken to the general fund \$60 million a biennium; as of crossover we were \$800 million short. In case we should need it, with your increase in capital; what would the impact of taking another \$50 million out of the bank's capital be?

Eric Hardmeyer: Part of the problem is the growth of the bank. When you grow from \$4 billion to \$7 billion, you need enough capital to sustain that growth. The only way we grow capital is by retaining the earnings of the bank.

Sandy Tabor, ND Industrial Commission: See testimony attachment 7.

48:24

Representative Hawken: In our last session we closed down the data center that was an extension. I think we should be relooking at that.

Sheila Peterson, Fiscal Analyst, ND Office of Management and Budget: The state data center which has been renamed to the North Dakota Census Office is in the department of commerce. It is staffed and contained within the department of commerce's budget.

Vice Chairman Brandenburg: We should probably get the commerce department and find out if they could do it for this study.

Sandy Tabor: I did speak with the department of commerce and this is a very specialized study; this is not something that they'd be able to do.

Chairman Thoreson: Recessed the discussion.

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division Medora Room, State Capitol

SB2014 April 3, 2013 Recording Job# 20816

Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide legislative intent; to provide an appropriation; to provide a contingent appropriation; to authorize transfers; to amend and reenact sections 54-18-19 and 57-51.1-07 of the North Dakota Century Code, relating to the resources trust fund and the transfer of North Dakota mill and elevator profits to the general fund; and to declare an emergency.

Minutes:

Chairman Thoreson: Reopened the discussion on SB2014.

Vice Chairman Brandenburg: It's been brought up to me about the homeless shelters.

00:53-02:48

Jackie Bugbee, Executive Director, Ruth Meyer's Hospitality House: Testified for temporary funding for emergency shelters.

02:48

Chairman Thoreson: Those 26 entities, where are they located?

Jackie Bugbee: They include all the community actions in the state. There are only 6 emergency shelters as well as the 8 domestic violence shelters; youth works and some of the smaller entities are included as well.

Vice Chairman Brandenburg: Can you explain to the committee how full you are and what's happening there?

Jackie Bugbee: Our shelter has grown over the last year. We see between 200 and 250 men coming through our shelter on a quarterly basis. Right now I can support 25 of them on a nightly basis. We've expanded our shelter and this week we'll reopen for 120 beds. Our family shelter has the ability to serve 50; and those families come and go. We also have another shelter in town that supports families as well; but, we are the only men's emergency shelter.

Vice Chairman Brandenburg: What are you looking at?

Jackie Bugbee: Right now we work through the department of commerce. We receive about \$480,000.00 through HUD to support emergency solutions; the state provides a match of \$240,000.00 and \$100,000.00 of that goes into our homeless management information system. Right now Ruth Meier's receives \$29,000.00 to cover utilities, some food and repair and maintenance; that money will end at the end of this month. We're looking at the ability to expand those numbers. Our goal is to carve out \$5 million of the \$30 million; for us to spread over the next two years through the emergency solutions dollars.

Vice Chairman Brandenburg: If something doesn't happen that you find some money here, how much time do you have to survive?

Jackie Bugbee: Right now I have \$100,000.00 in the bank and my expenses are about \$70,000.00/month. Some of our entities use this for our shelter support; some other entities use it for rent rapid rehousing.

Representative Guggisberg: I'm wondering these 7 people move from California; one found a job and the other six are staying at the shelter. What typically happens there? Do they find jobs or do they eventually go back to California?

Jackie Bugbee: We run a comprehensive program. Those that are at risk of being homeless; we refer out to 20 different agencies for support. Those that come into the shelters, we look at if they have the ability to have a job. We work through job service, west central human service agencies to figure out what the best course of action is. Right now the clients we're seeing are maybe not the most employable; so it's taking additional dollars from our entities to get them employable. It may be working on restitution, helping with the felony that they may have to get them employable.

Representative Hawken: If you could be in charge, what's your best case scenario? If we could find the money, where's the best place to put it?

Jackie Bugbee: We've utilized the department of commerce for many years and a lot of the department of commerce program is based out of HUD. We utilize the HUD rules for whether or not you're considered homeless or risk of homeless.

Representative Glassheim: Am I wrong that the \$30 million housing finance money; are those grants or loans?

Jackie Bugbee: For us it's a loan that doesn't need to be paid back. Under the current HIF rules, if I am looking to provide permanent support of housing, I can apply for up to 40% of my project up to \$1.5 million; because I'm a homeless shelter for support to build permanent housing. Right now, administratively, there isn't any funding available for us for this interim component for emergency assistance or current rent assistance.

Representative Glassheim: Do you want money to build homes or help people during transition?

Jackie Bugbee: What we're asking is out of the \$30 million to ask for a portion of it to be pulled out to be used for rent assistance to keep people in their homes.

Mike Anderson, Executive Director, ND Housing Finance Agency: We have been working with a statewide coalition on doing some sort of funding under HIF program. The coalition asked us to replace the funds that they had received under a federal program that was funded under a stimulus program a couple years ago. We'd be willing to do that; but my concern is with the housing incentive fund it was clear from the legislative intent that we needed to build new affordable rental housing. We agreed to provide through our allocation plan up to \$2 million of the HIF program for prevention and rapid rehousing.

Representative Hawken: The new housing thing came out of the special session. Prior to that there has been some legislative intent that allowed for your agency to work with the groups that deal with homeless; and to my knowledge not much has happened. There is some concern there.

Mike Anderson: I'm not meaning to demean the problems we have on the homeless. Any directive we've received from the legislative body has not included any financial capacity to do that. To answer Representative Glassheim's question, those are soft loans that may have to be repaid depending on compliance after the fact. The intent behind any kind of homeless activity would not be any kind of a loan program; that would be basically grants. Based on the program that we've been working with it takes about \$20,000/unit to make those multifamily projects affordable. For every million dollars that we don't use for brick and mortar, that's about 50 units that we can't deal with.

Representative Glassheim: Whether it's \$1 million, \$3 million or \$5 million, what type of language would we need to make this money available to their program?

Mike Anderson: That depends. I think that the language currently exists with respect emergency services and prevention; which is already in the bill. I don't think we need to do program language changes. You can direct specific dollar amounts in legislation that you want to see us direct towards.

Vice Chairman Brandenburg: You're looking for intent from the legislature how to direct this money?

Mike Anderson: That's correct.

Michael Carbone, Executive Director, Homeless Shelters of North Dakota: I have to concern

26:07

Chairman Thoreson: When you say rapid rehousing, is there a timetable? What's the definition of that?

Michael Carbone: Our goal is to rehouse someone within one month of becoming homeless. The prevention piece is to prevent them from becoming homeless in the first place.

33:40

Representative Hawken: We just had the chairman from the head of the Bank of North Dakota in here and they were talking about the loans for the FEMA trailers. Is that included when you're looking at all the different dollars? Are things of that nature included as well?

Michael Carbone: Bank of North Dakota dollars in terms of mortgages for FEMA trailers are not part of the equation that we're talking about in terms of ESG or housing incentive fund dollars.

34:34

Mike Anderson: I don't think so; If you look HIF regulations, it's multifamily only. It can't be used for home ownership.

Chairman Thoreson: Closed the discussion on SB2014.

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division Medora Room, State Capitol

SB2014 April 8, 2013 Recording Job# 20986

Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide legislative intent; to provide an appropriation; to provide a contingent appropriation; to authorize transfers; to amend and reenact sections 54-18-19 and 57-51.1-07 of the North Dakota Century Code, relating to the resources trust fund and the transfer of North Dakota mill and elevator profits to the general fund; and to declare an emergency.

Minutes:

Chairman Thoreson: Opened the discussion on SB2014.

Vice Chairman Brandenburg: If we could go to the mill and elevator. There's money there to go back to the 50% for repairing mills and we want to pull that. We need to make an adjustment that the money goes back to the general fund. So I would move that that money goes back to the general fund. The words "up to" need to be removed.

Representative Hawken: There was a reason why that was put in.

Vice Chairman Brandenburg: It was for the mills to be repaired and other repairs to the mill and elevator. As we've done in the past, when they need repairs done to the mill and elevator they should come in and ask for those repair requests.

Representative Hawken: There's rationale and it's not coming to my mind as to why they wanted to keep it there.

Sheila Peterson, Fiscal Analyst, ND Office of Management and Budget: The reason the amount of transfer to the general fund was decreased in the executive budget is because the mill has two major capital projects that they need to be doing this biennium.

Chairman Thoreson: Referenced original testimony for the mill and elevator.

Sheila Peterson: Those kinds of capital projects have never been appropriated through the legislative body; because the way the constitution reads for items such as that for the mill; because they need to have these capital assets to run their business. That doesn't go

through the appropriation process; just the salaries and operating expenses do. That's why you wouldn't see those expansions and improvements in the appropriation bill.

Vice Chairman Brandenburg: If \$1.7 million would be 10% out of that 50%; there should be \$6.5 million that would go back to the mill and elevator for repairs. Am I running the numbers right?

Sheila Peterson: That sounds correct. Even at the 10%, if they kept 90% it wouldn't be quite enough to cover all of the anticipated capital projects that they're planning to do.

Representative Kempenich: We've had this when they started on the K mill a number of years ago. It is ongoing and they just borrow different amounts from the bank.

Representative Guggisberg: Typically in the past when they've had capital projects, they've bonded them out and paid them off?

Representative Kempenich: These capital projects have been taken out of the profit.

Representative Guggisberg: If they have been borrowing money for this and some years they've come up short, now we have an opportunity to not borrow money and just pay some off. Maybe we should do that.

Motion was denied for lack of a second.

Vice Chairman Brandenburg: Made a motion to move the \$30 million out of housing and finance to the commerce department.

Representative Kempenich: Seconded the motion.

Representative Hawken: Which \$30 million is that?

Vice Chairman Brandenburg: It's the housing and finance incentive fund for the low rental portion. If you look at the housing and finance green sheet and it's section in 11. It would provide a one-time transfer of \$30 million from the general fund to the housing incentive fund. The housing people will stay; it's just the money that's moving it's not the people.

Chairman Thoreson: I've had that conversation with chairman Skarpohl and I believe that's correct.

Representative Hawken: I think the \$5 million that was included in the governor's budget for facilities for childcare was removed from the commerce budget, changed to \$3 million and then they also threw in a \$400,000.00 special needs that came out of another budget; and they were going to put that in housing. Housing doesn't deal with any of that. If we're transferring things back to commerce; do we transfer that as well?

Representative Glassheim: What would the difference be? Structurally what change happens by doing this?

Vice Chairman Brandenburg: As I understand it; a lot of the housing money is being dealt with in commerce. We're trying to get it all in one agency so we know what we have out there. For the people who are going to administer the money it doesn't matter if it's dealt with in the commerce budget or in this budget.

Representative Glassheim: Will it still go through Mr. Anderson and those rules? Will commerce make different rules?

Vice Chairman Brandenburg: As I understand, it will still be handled the same way. It's not the intention to do anything different with it.

Karlene Fine, Executive Director, ND Industrial Commission: We're a little confused with what we're hearing. The housing finance agency deals with low income tax credits, it has expertise in working with the developers, it has administered the housing incentive fund since it was established by the legislature last session and they have the expertise to do that. By moving the money over to commerce, they don't have housing dollars there. Is it your intent that the commerce department will run the program by running it through the commerce budget? Is it your intent that it stays with the housing finance agency and they run the program? The industrial commission establishes the allocation plan; commerce has a different vehicle for establishing its policies.

Vice Chairman Brandenburg: It's my understanding just to combine the money in the commerce budget; I don't think it's to tear it apart.

Representative Kempenich: This is \$30 million of a \$55 million coin.

Representative Hawken: If we just left it in this bill right now. They can't take it out of this bill.

Vice Chairman Brandenburg: We have an issue with ITD and the treasurer's office; there's a cost of \$13,247.00.

Becky Keller, Fiscal Analyst, ND Legislative Council: It's section 18.

Representative Kempenich: We haven't seen fiscal notes on some of this as far as IT costs. I'll make a motion to add \$13,000.00 to section 18. That's dealing with allocation of money in the oil extraction tax development fund; it's run through the treasurer's office. It's basically a program change.

Representative Glassheim: I don't know where this \$13,000.00 came from; but, I have a note that she wanted us to say no less than quarterly in both the 5% section and the ½% section. One's a 5% renewable energy development fund and ½% is the energy conservation grant fund. I don't know if that would take care of the money.

Representative Kempenich: I think what the idea was that it would have been really convoluted if they were done on a monthly basis.

Becky Keller: She wanted the language to be consisted with the rest of the language in that section where they are doing their distributions monthly. We had it before as these had to be done quarterly and that would have messed things up. If we put in less than it will allow her to do everything monthly as she's doing now. The extra fees that she's asking for are to do those 5% transfers; because she currently isn't doing that.

Representative Kempenich: I think the intent was they could do it quarterly or less than.

Voice vote made and carried.

Vice Chairman Brandenburg: Some of those employees need to have an emergency clause because you want to hire them when they get out of school; so we have to make an adjustment with some of the pay.

Karlene Fine: What the industrial commission requested is that we would be able to expedite the hiring of 5 FTE's so that they could be hired in May and June.

Vice Chairman Brandenburg: Which number is that?

Karlene Fine: It's number 6 and 9 of your green sheets.

Chairman Thoreson: Is it the four engineering technician positions?

Karlene Fine: Yes.

Karlene Fine: Explained the FTE positions.

Karlene Fine: The total cost to expedite that was \$61,751.00.

Vice Chairman Brandenburg: There are no other mistakes or corrections we need?

Karlene Fine: No.

Vice Chairman Brandenburg: Made a motion to add 5 FTE's for the total of \$61,751.00 and to add the emergency clause.

Becky Keller: These FTE's are already in the budget as approved by the governor. We will just be adding the additional funding and putting an emergency clause on them so they can hire early.

Representative Sanford: Seconded the motion

Voice vote made and carried.

Vice Chairman Brandenburg: We probably should have some more discussion on the classification of these employees.

Karlene Fine: The three FTE's are classified, the petroleum engineer is non-classified and the legal assistant is classified.

Representative Hawken: I think the possibilities were since we cut the amount of the weatherization money that part of that money could go for the homeless or the other piece was taking \$5 million out of the \$30 million; but if we move the \$30 million then it wouldn't be there.

Chairman Thoreson: I think we'll wait until we find out what we're going to do with this first and then we'll come back to that later on.

Representative Hawken: I know we need to do this study. We need to have the job piece done; and I think we only want to do one with the different components in it.

Representative Kempenich: I think we're adding different funds than was proposed on the original budget.

Representative Kempenich: Made a motion to take \$150,000.00 from the oil and gas research.

Chairman Thoreson: So you would use \$150,000.00 of that \$6 million is that correct?

Representative Kempenich: There's \$6 million additional.

Vice Chairman Brandenburg: Seconded the motion.

Karlene Fine: All the money in the oil and gas research fund has to be matched. If you'd like to carve out \$150,000.00; we could have language that says \$150,000.00 of non-matching project could be funded from the oil and gas research program for this study.

Voice vote made and carried.

Chairman Thoreson: Recessed the discussion

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division Medora Room, State Capitol

SB2014 April 8, 2013 Recording Job# 21002

Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide legislative intent; to provide an appropriation; to provide a contingent appropriation; to authorize transfers; to amend and reenact sections 54-18-19 and 57-51.1-07 of the North Dakota Century Code, relating to the resources trust fund and the transfer of North Dakota mill and elevator profits to the general fund; and to declare an emergency.

Minutes:

Chairman Thoreson: Reopened the discussion on SB2014.

Vice Chairman Brandenburg: Made a motion to move the \$30 million for the housing incentive fund to SB2018; which will be the commerce bill.

Chairman Thoreson: We can't make an amendment to their bill.

Vice Chairman Brandenburg: We'll remove it from SB2014.

Chairman Thoreson: But the intent is that it will be going to SB2018?

Vice Chairman Brandenburg: Yes.

Representative Kempenich: Seconded the motion.

Representative Glassheim: How would that work? I'd like to have housing finance which has experience doing this be operating it. What's the point of getting it into commerce?

Vice Chairman Brandenburg: This is a case where you have the rebuilder's fund, housing incentive fund, a number of bills and this would bring it all together so we can see the package of what's really there. There's money for housing, for rental, for low income housing, for rebuilding, there's other money out there that ties into housing; so this would put it all into the commerce department where a lot of it is already.

Representative Glassheim: Would the money get back to housing finance to make the deals?

Vice Chairman Brandenburg: That's how I understand it. There's a plan to put it together and make it work.

Representative Glassheim: If you had legislative council to put together a list of all the housing money there is and then you could have a package to show people and tell people what there is and what we've done in housing.

Representative Hawken: I think this is a continuation of what the education and environment section did to commerce; and I really don't want to be a part of it. I agree with Representative Glassheim, let's find out where all the housing money is. Unless the industrial commission wants us to move it or the commerce department wants to do it all; I don't see why we're doing anything here.

Voice vote was made and carried.

Vice Chairman Brandenburg: Made a motion to adjust the compensation package.

Representative Kempenich: Seconded the motion.

Voice vote made and carried.

Vice Chairman Brandenburg: Made a motion for a "Do Pass as Amended".

Representative Hawken: Seconded the motion.

Roll call vote was made 7 Yeas 0 Nays 0 Absent.

Representative Hawken: Carried the bill.

Chairman Thoreson: Closed the discussion.

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee

Roughrider Room, State Capitol

SB 2014 4/11/13 Job 21111

Conference Committee

P		
1 /m	ell hueson	
L N	ac Crusson	

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide legislative intent; to provide an appropriation; to provide a contingent appropriation; to authorize transfers; to amend and reenact subsection 1 of section 54-17.6-05 and sections 54-18-19, 57-51.1-07, and 57-51.1-07.3 of the North Dakota Century Code, relating to the resources trust fund, the oil and gas research council membership, the oil and gas research fund, and the transfer of North Dakota mill and elevator profits to the general fund; to provide for a value-added market opportunities for renewable energy resources and oil and gas study; to provide for a report to the legislative management; and to declare an emergency.

Minutes:	Attachment 1

Chairman Delzer: The Commerce agency has grown so much. We have done a lot through the years to try and entice economic development. Asked Representative Hawken to explain SB 2014, regarding the Industrial Commission budget.

1:40 Representative Hawken: Went over amendment .02001

Chairman Delzer: Section 15 regarding the non-match study, what are you trying to accomplish there?

Representative Hawken: It is the employment study. What jobs are oil and gas, how are they related?

Chairman Delzer: Wasn't there money in 1358 for that?

Representative Skarphol: Yes there was. Did this come from the Industrial Commission or Job Service?

Representative Hawken: It did not come from Job Service.

Representative Thoreson: Sandy Tabor brought this information to us, that they need this additional piece to track these jobs.

5:14 Representative Kempenich: One of the issues is that the oil and gas division indicated they had added 100,000 people; later the number was 200,000. This will help us get a handle on the impacts.

Chairman Delzer: I don't disagree with the idea of trying to get good numbers. The question is, if put money into Job Service and try to get good numbers and put money into the Industrial Commission and try to get good numbers then we're fighting between the two.

Representative Hawken: I would say that as well, but this goes beyond just the jobs That would make some sense to do.

Representative Kempenich: Job Service is current numbers; this is future.

Chairman Delzer: We will have two conflicting reports.

7:25 Representative Kempenich: Looking at the future I don't think Job Service is going to be in able to come up with these.

Representative Hawken: I move to amend .02001 to the Industrial Commission. Seconded by Representative Thoreson.

A Voice Roll Call vote was taken. Motion carries.

9:09 Representative Brandenburg: Section 17 dealing with Milan elevator, there is some new language dealing with the money transferred to the state general fund. I **move** to remove "up to" 50% so that the money goes back to the general fund. Seconded by Representative Bellew.

Chairman Delzer: We have a motion to further amend on page 8 of the bill, section 17.

Chairman Delzer: I support this.

11:20 Representative Hawken: The rationale for that being added to this bill was because of the projects that have been laid out at the Milan elevator to keep them current and profitable. If there is an expedited way for them to handle the situation maybe then it's not necessary.

Representative Brandenburg: They have a number of mills for cleaning, and processing; in the past, they've come to us and asked for appropriations. In the past, we've allowed them to do that; this gives a reporting process for them to come forward and ask for money. They are still doing business.

A Voice Roll Call vote to remove "up to" 50% on page 8, section 17. Motion carries.

13:42 Representative Hawken: Distributed amendment .02002. See attachment **1**. Went over the amendment. I **move** the amendment. Seconded by Representative Glassheim.

Representative Hawken: The numbers of adults and children that are homeless are staggering. It's not just a place to stay; it's a place to get the help you need to change your homeless situation, as far as jobs, housing, etc. go.

Chairman Delzer: It's an equal grant to all of them?

Representative Hawken: They can't get more than \$150,000, but they might not need that much. Any remaining funds, if any, would be returned. There are 30-35 agencies that could be eligible for this.

Chairman Delzer: Discussion?

17:16 Representative Monson: On the amendment, it looks like the total of all funds was \$40M and the Senate bumped that by \$30M?

Representative Hawken: The \$30M is what we transferred in there. We would take \$5M of that. This is not an additional \$5M, this is out of that \$30M.

Representative Monson: It says the Senate added \$30M the House changes were fine.

18:21 Becky Keller, Legislative Council: Since this is a further amendment, it does not show the \$30M coming back out that you have already approved.

Chairman Delzer: So you would be incorporating this into .02001.

Chairman Delzer: I know the Senate has talked about changing this. It will all have to work out in the end. \$5M seems a little pricey to me.

Representative Hawken: It averages out to not very much per person.

19:47 Representative Monson: You mentioned per person; how many people are homeless in North Dakota?

Representative Hawken: The statistics for 2012 is just shy of 19,000. The cost for that was less than \$28/day.

Chairman Delzer: This is not just homeless, this is also domestic violence.

Representative Hawken: It is all of the agencies that work with...domestic violence people are often homeless at that point that they go to a shelter. This is not outside what we have done in other sessions. It is something that is truly a need.

Chairman Delzer: I thought we did some support for domestic violence.

Representative Bellew: I know the Department of Health there is some for domestic violence.

Representative Hawken: That is a different issue, though. That is working with the people who are affected by the domestic violence. This is the homeless piece and getting them back into a living facility.

22:51 Representative Skarphol: Do we do anything similar to this in this biennium, or have we in previous biennia?

Representative Sanford: This seems to be an outgrowth of the increased attention that ND is getting.

Chairman Delzer: If there isn't a shelter there, this wouldn't help them anyway. These are grants to existing facilities.

Representative Skarphol: I'm also not seeing anything about the match.

Representative Hawken: That is the formula that is already in place in the Commerce Department that deals with these organizations. It uses the HUD requirements.

25:10 Chairman Delzer: So we must already have grants going on with Commerce then.

Representative Hawken: Yes, federal grants. These would be in addition and would follow the exact same guidelines. We did do a small Band-Aid thing for some of our shelters last time.

25:38 Allen Knudson, Legislative Council: We would have to check but I'm not aware of any other bills.

Representative Skarphol: Is the match required in advance?

Representative Hawken: Yes. The information was put together for me by the head of the Ruth Meier's House. They have to follow the rules.

Representative Sanford: I'm not sure what the right number is; I do know there is a need.

Chairman Delzer: I'd be hesitant to go with \$5M that seems rich to me.

Representative Guggisberg: These shelters have real benefits. People that are living on railroad tracks or under a bridge have no way to get back into employment or keep healthy. It's a preventative thing, and it gets them back working in society. I don't know what the right number is either, but we need to do something to help these shelters.

A Voice Roll call vote taken. Uncertain of results.

A Roll Call vote was taken. Yes = 10, No = 12, Absent = 0. Motion fails.

29:11 Representative Kempenich: A lot of people come to the state think they are in the oil field. I make an alternative motion to have \$2M go into this. Seconded by Representative Brandenburg.

30:23 Representative Brandenburg: We did hear them; there is a problem. This might help out for a while until this can be sorted out.

Chairman Delzer: Did you have any discussion about how much when the state steps in where there is usually a lot of donations how much that lowers their donations?

Representative Brandenburg: No, we did not discuss this.

31:25 Representative Skarphol: When Representative Williams and I were on Government Ops some time back, we did something with regards to homelessness. Do you remember the mechanism we used at that time?

Representative Williams: That was 4-5 terms ago.

Representative Hawken: I would say this is a pretty good system, because it is already in place and used by HUD, there are no additional FTEs needed.

32:44 Keller: Since this is a program that is already in Commerce I'm wondering if the appropriations should be directly to Commerce rather than through housing finance.

Representative Hawken: The reason it was put there was because of the \$30M that we just moved there but we always want it to end up in Commerce.

Chairman Delzer: From the amendment you handed forward, this puts it in housing finance agency.

Keller: We would have to add language for that; I think it would be cleaner if we did the appropriation to Commerce.

Representative Hawken: I would have been happy to do that but I was told this is where I was told to do it.

Chairman Delzer: Representative Kempenich and Brandenburg if we are going to do this you'll have to adjust your motions. This should be done at a conference committee.

35:08 Representative Hawken: What is the correct procedure? Can we appropriate it directly to Commerce?

Chairman Delzer: Yes you can.

Representative Brandenburg: I think we might need to have some discussion in conference about language, intent, etc.

35:52 Representative Kempenich: Fiscal notes are not appropriations. Many don't realize that just because there's a fiscal note and a dollar number on there is not an appropriated dollar.

Chairman Delzer: Representative Kempenich is it acceptable to appropriate this to Commerce for you motion?

Representative Kempenich: Straight appropriation from housing finance to Commerce.

36:36 Representative Bellew: This \$2M now will be part of the \$30M that is in Commerce?

Chairman Delzer: It will be an additional \$2M to the Commerce budget. Because we reduce the original request, that's where they are coming up with the money, but it is a separate appropriation.

All those in favor of further amending for \$2M for domestic violence and homeless. Motion carries.

37:45 Representative Hawken: Went through the green sheets, starting with budget 475.

38:44 Representative Skarphol: On previous discussions with the state mill, they always wanted a significant chunk of money for overtime. Is it overtime when they hired these 4 additional FTE's?

Representative Hawken: This would alleviate the need for much of that overtime. It was reduced in the budget and enhancements, in the salary lines.

Chairman Delzer: That would be salaries overtime. Did the committee discuss this?

Representative Hawken: We really did not.

40:00 Representative Brandenburg: Dealing with these four FTEs. I **move** to amend that we give \$400,000 in temp money instead of the 4 FTE's in Dept. 475 and associated costs and increase the salary line for temporaries by \$400,000. Seconded by Representative Bellew.

Representative Hawken: I believe that is being extremely arbitrary. This will affect the quality according to what they told us.

43:00 Becky Keller, LC: The executive recommendation included an increase of \$465,000 in overtime for a total of \$4.1M for the 2013-2015 bienniums.

Representative Hawken: If we're going to do the employees, maybe we can take that out.

Representative Nelson: In most of the budgets we have seen, where there have been full time temporaries that move into full time, the salaries are very similar. How are you reconciling those two numbers?

44:20 Representative Brandenburg: Looking at the positions last biennium we gave temporary money so that they could take care of positions for the Milan elevator.

Representative Hawken: This is a group that makes us money.

45:36 Representative Pollert: So the amendment is to remove 4 FTE's and add a half a million in temps so it would go to \$965,000 then?

Chairman Delzer: \$400,000 to add in temps.

Representative Glassheim: The positions added are not temporary positions. These are positions that should not be filled by temps, because they are permanent.

Representative Skarphol: I move a substitute motion to leave the FTE's in place and take the \$465,000 in overtime. Seconded by Representative Monson.

Representative Hawken: In the last year they transferred money to the Ag fuel tax fund and money to the general fund.

47:48 Representative Kempenich: Listed the budgeting amounts and for whom.

Chairman Delzer: Further discussion? **A Voice vote** on the **substitute motion** to remove \$465,000 of overtime. Motion carries.

Representative Bellew: On that sales position, why can't they get paid on a commission basis?

Representative Kempenich: They probably do, but someone has to pay the commission. It's a state entity that is trying to be a private business. This money is part of their business model.

50:20 Representative Hawken: Moved to green sheet for department 473. Continued to explain Department 471, the Bank of North Dakota.

Chairman Delzer: Over the last few sessions, I believe we've used only a small amount if any of bank profits. What was your discussion in division?

Representative Brandenburg: Before, it came out of general fund and they kept the profits.

Representative Hawken: It's the capital. Resumed going through green sheet.

54:10 Chairman Delzer: They had nine people on the student loan deal they begged to keep that they didn't have a job when they did that. Did you go through what those people are doing and why we needed the additional three?

Representative Thoreson: While the student loan portfolio has changed the bank has tripled in size. They've had the same number of employees for a long time. They've been reassigned within the bank. They've had the same number of employees since about 2004; those people are working in different positions.

Representative Brandenburg: The bank gave up two positions last biennium. They need these people.

55:27 Representative Skarphol: What does a compliance officer do?

Representative Hawken: Banks are the most regulated industry. They probably have more than one compliance officer. It is more than a fulltime job.

56:48 Representative Streyle: It definitely is a huge burden; there are tons of new regulations that are just now going into effect. They need this position.

Chairman Delzer: The pendulum swings, and this time it swung too far.

Representative Hawken: It did. Moved to department 405 on the green sheet.

1:03:55 Chairman Delzer: A few sessions ago they were having difficulty retaining engineers. Did you have any discussion about declassifying the engineering techs so that they would have a better shot at competing with the oil industry?

Representative Hawken: We did not. The emergency clause piece would allow them to go ahead and hire some of these people if they could.

Chairman Delzer: I think that's something we should think about.

Representative Hawken: That could be discussed in conference committee. We've got the FTE piece with engineers; which is in the same section.

Chairman Delzer: That would just be the emergency clause.

1:05:14 Representative Skarphol: I move that we declassify the engineering techs as well as the engineers within this department because they are having difficulty retaining employees and the competition is stiff. Seconded by Representative Thoreson.

Representative Kempenich: They are getting new grads and hiring retired NRCS people too.

Representative Bellew: I noticed on the green sheet #2 the oil impacted funding that wasn't removed in any of the amendments. Were we not supposed to do that?

Representative Hawken: I think we did that in all of the bills.

Keller: I did not remove that.

Chairman Delzer: We'll need to do that. We have the motion for declassification of the techs.

A Voice Roll Call vote to declassify engineering techs for Department 405. Motion carried.

Chairman Delzer: We have a further **motion** from Representative Hawken to remove the \$400,000 for oil impact to become part of the pool. Seconded by Representative Thoreson.

A Voice Roll Call vote was taken. Motion carried.

1:07:51 Representative Skarphol: I move we remove section 18 since we took action on the previous budget that no longer requires it. Seconded by Representative Streyle.

A Voice Roll Call vote was taken. Motion carried.

1:08:50 Representative Skarphol: The adjustment for the oil and gas research fund was that a bill?

Representative Hawken: No, it is not a bill.

Representative Skarphol: What kind of discussion did you have with regards to it? Maybe the entire assembly should have had the opportunity to vote on it as a separate issue.

Representative Hawken: The empower commission on energy development and transmission in a committee supported increases of this funding.

1:10:26 Chairman Delzer: Did you receive any information as to what the grants from the \$4M who's received those in the research that's come out of that?

Representative Hawken: The continuing source was the renewable energy development fund.

Representative Skarphol: I'm not saying I'm opposed to the idea.

Representative Hawken: That same thought crossed my mind. It's a huge jump. But we did get an answer.

Representative Skarphol: If you look at #14 on the green sheet for the industrial commission why should we pay for that with general funds when we have an oil and gas research fund equal to what it's about to be equal to?

1:12:00 Chairman Delzer: If we wanted to have that as a discussion point in conference, we could lower the amount of the increase or raise it.

Representative Skarphol: I don't disagree with it other than where it's at.

Representative Hawken: It goes both ways.

Representative Skarphol: It goes back to the very issue with the energy conservation fund, where the money is created in a pool here and the authorization is to spend it somewhere else. There has been too much of that in this session.

House Appropriations Committee SB 2014 April 11, 2013 Page 10

Representative Hawken: The other day we said exactly the opposite, why wasn't it in the bill? We are sending a mixed message as to what is the correct procedure. I can see where there are logical interactions with commerce. It is hard to streamline everything. Maybe that is another study.

1:14:30 Representative Pollert: Are you needing the funding from the state treasurer?

Chairman Delzer: That is currently in the bill. We can take it out if you want, but it should probably before it comes out of here it should be done in the conference committee on the trainers bill and then taken out of here.

Representative Kempenich: These agencies issue a fiscal note, and people think there is money appropriated and there is not. We have to attach money to some of these requirements that come through on some of these bills.

1:15:23 Chairman Delzer: It is our choice if we attach money to it or not.

Representative Kempenich: The argument was on this issue was they do everything monthly and this is quarterly so when they changed the language to no more than quarterly it goes to a monthly amendment then.

Keller: I'm of the understanding that the funding for the treasurer was to do the distributions to the renewable energy and the energy conservation fund. You then changed the language to allow them to do it monthly because that's how they do everything else. That had nothing to do with the cost.

Chairman Delzer: That's the ones that we took out.

Keller: That's my understanding.

Representative Pollert: I move to further amend and remove the cost associated with setting grants up and changing the distribution in the treasurer's office (section 18). Seconded by Representative Grande.

A Voice Roll Call vote carries.

1:17:13 Representative Monson: I see on Page 2, line 2 of the bill, the grants for bond payments are going down substantially. Why are we paying that kind of bond payment? What did we bond that is of that magnitude?

Chairman Delzer: I think that is just our existing bonds that are out there that we are trying to pay off.

1:18:19 Representative Hawken: They did do a very nice job of refinancing them.

Chairman Delzer: These are existing past bonds when we were doing our bonding. Three sessions ago is the first time we didn't have to issue new bonds. We are simply paying off the bonds that were issued years and years before that.

House Appropriations Committee SB 2014 April 11, 2013 Page 11

1:18:38 Representative Monson: The reason we are seeing a nice drop in that payment is because they did refinance.

Chairman Delzer: Refinanced, and some dropped off.

Representative Hawken: And we're paying them off.

Representative Kempenich: It's like paying off the credit card. Some of this goes back to the 1990s.

Chairman Delzer: Further discussion?

1:19:55 Representative Skarphol: Section 21, is that intended to put in place the same requirements on reserve bits and drill gutting's as in place on the Bakken?

Representative Kempenich: No. We have some issues outside of the Bakken. It's on a case-by-case basis. The intent is to allow reserve pits, which has been a practice for 50 years.

Representative Skarphol: The Bakken and Three Forks have one set of regulations with regard to reserve pits and everyone else is different.

Representative Kempenich: No, it's across the state that there are no wet pits, it's all dry cutting pits. This would be that the Industrial Commission would have a mechanism to do an exemption, the problem is 5000 feet. There aren't any wells that are less than 5000 feet.

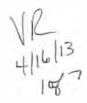
Representative Skarphol: Do we disallow wet pits in the Bakken and Three Forks moving forward and allow wet pits on everything else?

Chairman Delzer: This is legislative intent that we look at doing. It would be up to them to come with the rules. This was added in the Senate.

Representative Kempenich: That's the intent, to look at them case by case. Yes.

1:23:03 Representative Hawken: I **move** SB 2014 as amended. Seconded by Representative Thoreson.

A Do Pass as amended Roll Call vote: Yes = 22, No = 0, Absent = 0. Carrier: Representative Hawken.



PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2014

Page 1, line 4, after "54-17.6-05" insert ", subsection 17 of section 54-44.3-20,"

Page 1, line 4, remove "sections 54-18-19,"

Page 1, line 5, replace "57-51.1-07, and" with "section"

Page 1, line 5, remove "the resources trust"

Page 1, line 6, remove the first "fund,"

Page 1, line 6, remove the third "the"

Page 1, line 7, replace "transfer of North Dakota mill and elevator profits to the general fund" with "classified employees"

Page 1, replace lines 21 and 22 with:

"Salaries and wages Accrued leave payments Operating expenses	\$12,059,220 0 3,378,744	\$5,092,992 347,696 2,551,832	\$17,152,212 347,696 5,930,576"
Page 2, replace lines 4 through 7 with:			
"Total all funds Less estimated income Total general fund Full-time equivalent positions	\$61,542,969 <u>46,766,756</u> \$14,776,213 <u>76.06</u>	\$1,203,284 (5,850,935) \$7,054,219 22.69	\$62,746,253 <u>40,915,821</u> \$21,830,432 98.75"
Page 2, replace lines 12 through 15 with:			
"Bank of North Dakota operations Accrued leave payments Capital assets Total special funds Full-time equivalent positions	\$45,587,155 0 <u>1,266,000</u> \$46,853,155 176.50	\$4,469,582 881,231 (521,000) \$4,829,813 3.00	\$50,056,737 881,231 <u>745,000</u> \$51,682,968 179.50"
Page 3, replace lines 1 through 6 with:			
"Salaries and wages Accrued leave payments Operating expenses Contingencies Agriculture promotion Total from mill and elevator fund Full-time equivalent positions	\$26,018,008 0 20,443,869 400,000 210,000 \$47,071,877 131.00	\$2,654,043 575,807 1,352,131 0 0 0 \$4,581,981 4.00	\$28,672,051 575,807 21,796,000 400,000 210,000 \$51,653,858 135.00"
Page 3, replace lines 11 through 16 with:			
"Salaries and wages Accrued leave payments Operating expenses Grants	\$6,516,277 0 5,114,849 26,858,920	\$541,513 147,806 (1,323,091) 2,674,130	\$7,057,790 147,806 3,791,758 29,533,050

200

Housing finance agency contingencies Total special funds Full-time equivalent positions	100,000 \$38,590,046 46.00	\$2,040,358 0.00	100,000 \$40,630,404 46.00"
Page 3, replace lines 21 through 23 with	:		
"Grand total general fund Grand total special funds Grand total all funds	\$24,176,213 <u>179,281,834</u> \$203,458,047	\$154,219 <u>5,601,217</u> \$5,755,436	\$24,330,432 <u>184,883,051</u> \$209,213,483"
Page 4, remove line 8			
Page 4, remove line 10			

Page 4, replace lines 14 through 16 with:

 "Total all funds
 \$38,299,400
 \$1,160,800

 Total special funds
 10,000,000
 0

 Total general fund
 \$28,299,400
 \$1,160,800"

Page 6, remove lines 13 through 18

Page 6, after line 24, insert:

"SECTION 12. APPROPRIATION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$2,000,000, or so much of the sum as may be necessary, to the department of commerce for the purpose of providing grants to homeless shelters, for the biennium beginning July 1, 2013, and ending June 30, 2015."

Page 7, after line 21, insert:

"SECTION 15. OIL AND GAS RESEARCH PROGRAM - OIL AND GAS DEVELOPMENT IMPACT STUDIES. The industrial commission may use the sum of \$150,000, or so much of the sum as may be necessary, from the oil and gas research fund for nonmatching followup studies to provide updates and refinements to employment models used to track and forecast changes in the oil and gas industry workforce and estimate housing and population in the Williston basin and to make a comprehensive assessment of the demographic makeup of the current and expected oil and gas industry workforce."

Page 8, remove lines 17 through 31

Page 9, replace lines 1 through 28 with:

"SECTION 18. AMENDMENT. Subsection 17 of section 54-44.3-20 of the North Dakota Century Code is amended and reenacted as follows:

17. Engineers, engineering technicians, and geologists employed by the director of mineral resources."

Page 10, line 21, replace "Sections" with "The amount of \$61,751 and five full-time equivalent positions included in subdivision 1 of section 1 and sections"

Page 10, line 21, replace "11" with "10"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2014 - Summary of House Action

	Executive Budget	Senate Version	House Changes	House Version
Industrial Commission				
Total all funds	\$63,356,975	\$63,529,688	(\$783,435)	\$62,746,253
Less estimated income	40,937,857	40,951,674	(35,853)	40,915,821
General fund	\$22,419,118	\$22,578,014	(\$747,582)	\$21,830,432
Bank of North Dakota				
Total all funds	\$52,452,928	\$52,606,408	(\$923,440)	\$51,682,968
Less estimated income	52,452,928	52,606,408	(923,440)	51,682,968
General fund	\$0	\$0	\$0	\$0
Housing Finance Agency				
Total all funds	\$40,862,039	\$70,869,907	(\$30,239,503)	\$40,630,404
Less estimated income	40,862,039	40,869,907	(239,503)	40,630,404
General fund	\$0	\$30,000,000	(\$30,000,000)	\$0
Mill and Elevator				
Total all funds	\$52,255,124	\$52,255,124	(\$601,266)	\$51,653,858
Less estimated income	52,255,124	52,255,124	(601,266)	51,653,858
General fund	\$0	\$0	\$0	\$0
Department of Commerce				
Total all funds	\$0	\$500,000	\$2,000,000	\$2,500,000
Less estimated income	0	0	0	0
General fund	\$0	\$500,000	\$2,000,000	\$2,500,000
Bill total				
Total all funds	\$208,927,066	\$239,761,127	(\$30,547,644)	\$209,213,483
Less estimated income	186,507,948	186,683,113	(1,800,062)	184,883,051
General fund	\$22,419,118	\$53,078,014	(\$28,747,582)	\$24,330,432

Senate Bill No. 2014 - Industrial Commission - House Action

	Executive Budget	Senate Version	House Changes	House Version
Salaries and wages	\$17,710,630	\$17,883,343	(\$731,131)	\$17,152,212
Operating expenses	6,330,576	6,330,576	(400,000)	5,930,576
Capital assets	5,800	5,800	` ' '	5,800
Grants - Lignite research	19,500,000	19,500,000		19,500,000
Grants - Bond payments	19,809,969	19,809,969		19,809,969
Accrued leave payments			347,696	347,696
Total all funds	\$63,356,975	\$63,529,688	(\$783,435)	\$62,746,253
Less estimated income	40,937,857	40,951,674	(35,853)	40,915,821
General fund	\$22,419,118	\$22,578,014	(\$747,582)	\$21,830,432
FTE	98.75	98.75	0.00	98.75

Department No. 405 - Industrial Commission - Detail of House Changes

	Adjusts State Employee Compensation and Benefits Package¹	Provides Separate Line Item for Accrued Leave Payments ²	Adds Funding for Hiring FTE Early ³	Removes Funding for Oil Impact ⁴	Total House Changes
Salaries and wages Operating expenses Capitel assets Grants - Lignite research Grants - Bond payments	(\$445,186)	(\$347,696)	\$61,751	(400,000)	(\$731,131) (400,000)
Accrued leave payments		347,696			347,696
Total all funds Less estimated income	(\$445,186) (35,853)	\$0 0	\$61,751 0	(\$400,000)	(\$783,435) (35,853)

General fund	(\$409,333) 0.00	\$0 0.00	\$61,751 0.00	(\$400,000) 0.00	(\$747,582) 0.00
FTE	0.00	0.00	0.00	0.00	0.00

¹ This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 2 to 4 percent per year.
- Reduces the market equity component from 2 to 4 percent per year for employees below the midpoint of their salary range to up to 2 percent for employees in the first quartile of their salary range for the first year of the biennium only.
- Removes funding for additional retirement contribution increases.

A section is added to provide an emergency clause for five new FTE positions.

A section is added relating to the oil and gas research program.

A section is added to unclassify engineering technicians of the Department of Mineral Resources.

A section added by the Senate relating to distribution of the resources trust fund is removed.

Senate Bill No. 2014 - Bank of North Dakota - House Action

	Executive Budget	Senate Version	House Changes	House Version
Capital assets	\$745,000	\$745,000		\$745,000
BND operations	51,707,928	51,861,408	(1,804,671)	50,056,737
Accrued leave payments			881,231	881,231
Total all funds	\$52,452,928	\$52,606,408	(\$923,440)	\$51,682,968
Less estimated income	52,452,928	52,606,408	(923,440)	51,682,968
General fund	\$0	\$0	\$0	\$0
FTE	179.50	179.50	0.00	179.50

Department No. 471 - Bank of North Dakota - Detail of House Changes

	Adjusts State Employee Compensation and Benefits Package¹	Provides Separate Line Item for Accrued Leave Payments ²	Total House Changes
Capital assets BND operations Accrued leave payments	(923,440)	(881,231) 881,231	(1,804,671) 881,231
Total all funds Less estimated income	(\$923,440) (923,440)	\$0 0	(\$923,440) (923,440)
General fund	\$0	\$0	\$0

² A portion of salaries and wages funding from the general fund (\$323,357) and from other funds (\$24,339) for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

³ Funding is added to allow the Department of Mineral Resources to hire five of its new FTE positions during the 2011-13 biennium.

⁴ Funding included in the executive budget recommendation for housing allowances for employees in oil-impacted areas is removed.

FTE 0.00 0.00 0.00

- Reduces the performance component from 3 to 5 percent per year to 2 to 4 percent per year.
- Reduces the market equity component from 2 to 4 percent per year for employees below the midpoint of their salary range to up to 2 percent for employees in the first quartile of their salary range for the first year of the biennium only.
- Removes funding for additional retirement contribution increases.

Senate Bill No. 2014 - Housing Finance Agency - House Action

	Executive Budget	Senate Version	House Changes	House Version
Salaries and wages Operating expenses Grants HFA contingencies Housing incentive fund30	\$7,437,231 3,791,758 29,533,050 100,000	\$7,445,099 3,791,758 29,533,050 100,000 30,000,000	(\$387,309)	\$7,057,790 3,791,758 29,533,050 100,000
Accrued leave payments			147,806	147,806
Total all funds Less estimated income	\$40,862,039 40,862,039	\$70,869,907 40,869,907	(\$30,239,503) (239,503)	\$40,630,404 40,630,404
General fund	\$0	\$30,000,000	(\$30,000,000)	\$0
FTE	46.00	46.00	0.00	46.00

Department No. 473 - Housing Finance Agency - Detail of House Changes

	Adjusts State Employee Compensation and Benefits Package ¹	Provides Separate Line Item for Accrued Leave Payments ²	Removes Transfer to Housing Incentive Fund ³	Total House Changes
Salaries and wages Operating expenses Grants HFA contingencies	(\$239,503)	(\$147,806)		(\$387,309)
Housing incentive fund30 Accrued leave payments		147,806	(30,000,000)	(30,000,000) 147,806
Total all funds Less estimated income	(\$239,503) (239,503)	\$0 0	(\$30,000,000)	(\$30,239,503) (239,503)
General fund	\$0	\$0	(\$30,000,000)	(\$30,000,000)
FTE	0.00	0.00	0.00	0.00

¹ This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 2 to 4 percent per year.
- Reduces the market equity component from 2 to 4 percent per year for employees below the midpoint of their salary range to up to 2 percent for employees in the first quartile of their salary range for the first year of the biennium only.
- Removes funding for additional retirement contribution increases.

¹ This amendment adjusts the state employee compensation and benefits package as follows:

² A portion of salaries and wages funding for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

Senate Bill No. 2014 - Mill and Elevator - House Action

	Executive Budget	Senate Version	House Changes	House Version
Salaries and wages Operating expenses Contingencies Agriculture promotion	\$29,849,124 21,796,000 400,000 210,000	\$29,849,124 21,796,000 400,000 210,000	(\$1,177,073)	\$28,672,051 21,796,000 400,000 210,000
Accrued leave payments			575,807	575,807
Total all funds Less estimated income	\$52,255,124 52,255,124	\$52,255,124 52,255,124	(\$601,266) (601,266)	\$51,653,858 51,653,858
General fund	\$0	\$0	\$0	\$0
FTE	135.00	135.00	0.00	135.00

Department No. 475 - Mill and Elevator - Detail of House Changes

	Adjusts State Employee Compensation and Benefits Package ¹	Provides Separate Line Item for Accrued Leave Payments ²	Removes Funding for Overtime ³	Total House Changes
Salaries and wages Operating expenses Contingencies Agriculture promotion	(\$135,905)	(\$575,807)	(\$465,361)	(\$1,177,073)
Accrued leave payments		575,807		575,807
Total all funds Less estimated income	(\$135,905) (135,905)	\$0 0	(\$465,361) (465,361)	(\$601,266) (601,266)
General fund	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	0.00

¹ This amendment adjusts the state employee compensation and benefits package as follows:

² A portion of salaries and wages funding for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

³ Funding included by the Senate for a \$30 million transfer from the general fund to the housing incentive fund is removed.

[•] Reduces the performance component from 3 to 5 percent per year to 2 to 4 percent per year.

Reduces the market equity component from 2 to 4 percent per year for employees below the
midpoint of their salary range to up to 2 percent for employees in the first quartile of their salary
range for the first year of the biennium only.

Removes funding for additional retirement contribution increases.

² A portion of salaries and wages funding for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

³ Funding included in the executive budget recommendation for overtime pay is removed.

A section included in the executive budget recommendation relating to reducing the transfer of mill profits to the general fund is removed resulting in an additional \$4,297,200 of projected general fund revenue for the 2013-15 biennium.

Senate Bill No. 2014 - Department of Commerce - House Action

	Executive Budget	Senate Version	House Changes	House Version
Market Study Homeless shelter grants		\$500,000	2,000,000	\$500,000 2,000,000
Total all funds Less estimated income	\$0 	\$500,000 <u>0</u>	\$2,000,000 0	\$2,500,000 <u>0</u>
General fund	\$0	\$500,000	\$2,000,000	\$2,500,000
FTE	0.00	0.00	0.00	0.00

Department No. 601 - Department of Commerce - Detail of House Changes

	Adds Funding for Grants to Homeless Shelters ¹	Total House Changes
Market Study Homeless shelter grants	2,000,000	2,000,000
Total all funds Less estimated income	\$2,000,000 0	\$2,000,000 0
General fund	\$2,000,000	\$2,000,000
FTE	0.00	0.00

¹ Funding is added for grants to homeless shelters.

Date: April 8, 2013 Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE ROLL CALL VOTES BILL/RESOLUTION NO. SB2014

House Appropriations - Government Operations Division					Committee	
☐ Check here	for Conference C	Committe	ee			
Legislative Counc	cil Amendment Nur	mber _				
Action Taken	Do Pass as Ame	nded				
Motion Made By	Vice Chairman Brandenburg		Se	econded By Representative	Hawker	ı ——
Repres	entatives	Yes	No	Representatives	Yes	No
Chairman Thore		x		Representative Glassheim	x	
Vice Chairman I	Brandenburg	X		Representative Guggisberg	Х	
Representative	Kempenich	X				
Representative	Hawken	х				
Representative	Sanford	X				
Total (Yes)	7		N	o <u>0</u>		
Absent 0						
Floor Assignmen	t Representative	e Hawke	n			

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

Date:	4/11	13	
Roll Call Vote	#:		

2013 HOUSE STANDING COMMITTEE ROLL CALL VOTES BILL/RESOLUTION NO. ________________

House Appropriations					mittee
☐ Check here for Conference (Committe	ee			
Legislative Council Amendment Nu	mber _		. 0 2001		
Action Taken: Do Pass	Do Not	Pass	☐ Amended ☒ Adopt	Amendme	nt
Rerefer to A	ppropriati	ons	Reconsider		
Motion Made By Reg. Hawken	^	Se	econded By Rep. Thoreso	DN	
Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer			Rep. Streyle		
Vice Chairman Kempenich			Rep. Thoreson		
Rep. Bellew			Rep. Wieland		
Rep. Brandenburg					
Rep. Dosch					
Rep. Grande			Rep. Boe		
Rep. Hawken			Rep. Glassheim		
Rep. Kreidt			Rep. Guggisberg		
Rep. Martinson			Rep. Holman		
Rep. Monson			Rep. Williams		
Rep. Nelson					
Rep. Pollert					
Rep. Sanford					
Rep. Skarphol					
Total Yes		N	0		
Floor Assignment					

voice vote carries

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

Date:	41	11/13	
Roll Call Vote	e #:	2	1

2013 HOUSE STANDING COMMITTEE ROLL CALL VOTES BILL/RESOLUTION NO. 2014

House Appropriation	1S			Com	mittee
☐ Check here for C	onference Committe	ee			
Legislative Council Am	endment Number				
Action Taken:	Do Pass Do Not	Pass	☐ Amended ☒ Adopt A	mendme	nt
	Rerefer to Appropriati	ions	Reconsider		
Motion Made By	Brandenlawy	Se	econded By Ryp. Bellew		
Representat	ives Yes	No	Representatives	Yes	No
Chairman Delzer			Rep. Streyle		
Vice Chairman Kempe	enich		Rep. Thoreson		
Rep. Bellew			Rep. Wieland		
Rep. Brandenburg					
Rep. Dosch					
Rep. Grande			Rep. Boe		
Rep. Hawken			Rep. Glassheim		
Rep. Kreidt			Rep. Guggisberg		
Rep. Martinson			Rep. Holman		
Rep. Monson			Rep. Williams		
Rep. Nelson					
Rep. Pollert					
Rep. Sanford					
Rep. Skarphol					
Total Yes		N	0		
Absent					
Floor Assignment					
If the vote is on an ame	endment, briefly indica	ate inte	nt:		
	remore "up to":	50%	on page 8 sect	ion 17	7

voice vote carries

Date:	4/11	113	
Roll Call V	ote#:	3	

2013 HOUSE STANDING COMMITTEE ROLL CALL VOTES BILL/RESOLUTION NO. 2014

House Appropriations				Com	mittee
☐ Check here for Conference	Committe	ee			
Legislative Council Amendment Nu	umber _		.02002		
Action Taken: Do Pass	Do Not	Pass	☐ Amended ☐ Adopt	Amendme	nt
Rerefer to A	ppropriati	ons	Reconsider		
Motion Made By Reg. Hawken	^	Se	econded By Reg. Glass	heim	
Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer		X	Rep. Streyle		X
Vice Chairman Kempenich		X	Rep. Thoreson	X	
Rep. Bellew		X	Rep. Wieland		X
Rep. Brandenburg		X			
Rep. Dosch		X			
Rep. Grande		X	Rep. Boe	K	
Rep. Hawken	X		Rep. Glassheim	K	
Rep. Kreidt		X	X Rep. Guggisberg		
Rep. Martinson	V		Rep. Holman	X	
Rep. Monson		X	Rep. Williams	X	
Rep. Nelson	X				
Rep. Pollert		X			
Rep. Sanford	X				
Rep. Skarphol		V			
Total Yes		N	12		
Absent	0				
Floor Assignment					
If the vote is on an amendment, br	iefly indica	ate inte	ent:		
voice vote uncert	ain		motion fails		
7/2			1.10		

Date:	4	11	13	
Roll Call Vote	#:		4	

2013 HOUSE STANDING COMMITTEE ROLL CALL VOTES BILL/RESOLUTION NO. 2014

House Approp	riations				Com	mittee
☐ Check here	for Conference C	Committe	ee			
Legislative Counc	cil Amendment Nur	mber _				
Action Taken:	☐ Do Pass ☐	Do Not	Pass	☐ Amended ☐ Adopt A	Amendme	nt
	Rerefer to Ap	propriati	ons	Reconsider		
Motion Made By	Rep. Kempeni	ch	Se	econded By Ly. Br	andenb	urg
Repres	entatives	Yes	No	Representatives	Yes	No
Chairman Delze				Rep. Streyle		
Vice Chairman I	Cempenich			Rep. Thoreson		
Rep. Bellew				Rep. Wieland		
Rep. Brandenbu	ırg					
Rep. Dosch						
Rep. Grande				Rep. Boe		
Rep. Hawken				Rep. Glassheim	-	
Rep. Kreidt				Rep. Guggisberg		
Rep. Martinson				Rep. Holman		
Rep. Monson				Rep. Williams		
Rep. Nelson			-			
Rep. Pollert						
Rep. Sanford		+				
Rep. Skarphol						
Total Yes			N	0		
Absent						
Floor Assignment	t					
If the vote is on a	n amendment, brie	efly indica	ate inte	nt:		
Ž.	0200Z fo	Sr \$	2N	appropriate runt to Commerce		

voice vote carries

Date:	4/1	11	13	
Roll Call Vote	#: _	3		

House Appropriations				Com	mittee
Check here for Conference	ce Committe	ee			
Legislative Council Amendment	Number _				
Action Taken: Do Pass	☐ Do Not	Pass	☐ Amended ☐ Adopt A	Amendme	nt
Rerefer t	o Appropriati	ions	Reconsider		
Motion Made By Rep. 3	randenburg	y Se	econded By Reg. Bulew		
Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer			Rep. Streyle		
Vice Chairman Kempenich			Rep. Thoreson		
Rep. Bellew			Rep. Wieland		
Rep. Brandenburg					
Rep. Dosch					
Rep. Grande			Rep. Boe		
Rep. Hawken			Rep. Glassheim		
Rep. Kreidt			Rep. Guggisberg		
Rep. Martinson			Rep. Holman		
Rep. Monson			Rep. Williams		
Rep. Nelson					
Rep. Pollert					
Rep. Sanford					
Rep. Skarphol					
Total Yes		N	o		
Absent					
Floor Assignment					
If the vote is on an amendment,	, briefly indica	ate inte	nt:		
gire \$\$00,000	o in t	emp	money instead of dept. 475		
V -	4 FTE	i^	dept. 475		
4 (octo cocto				

substitute motion

Date:4	11	13	
Roll Call Vote #:	_	6	

House Appropriations				Com	mittee	
☐ Check here for Conference	Committe	ее				
Legislative Council Amendment N	umber _					
Action Taken: Do Pass	Do Not	Pass	☐ Amended ☐ Adopt A	Amendme	nt	
Rerefer to A	Appropriati	ons	Reconsider			
Motion Made By Reg. Skar	hol	Se	econded By Rep. Mon	91		
Representatives	Yes	No	Representatives	Yes	No	
Chairman Delzer			Rep. Streyle			
Vice Chairman Kempenich			Rep. Thoreson			
Rep. Bellew			Rep. Wieland			
Rep. Brandenburg						
Rep. Dosch						
Rep. Grande			Rep. Boe			
Rep. Hawken			Rep. Glassheim			
Rep. Kreidt			Rep. Guggisberg			
Rep. Martinson			Rep. Holman			
Rep. Monson			Rep. Williams			
Rep. Nelson						
Rep. Pollert	1					
Rep. Sanford						
Rep. Skarphol						
Total Yes		N	0			
Absent						
Floor Assignment						
If the vote is on an amendment, but	riefly indica	ate inte	nt:			
leave F	-TEs	in	place \$465,000 in OT			
	nem	ove	7905,000 17 01			

vou vote couries

Date:	41	11	13	
Roll Call Vote	#: _	-	7	

2013 HOUSE STANDING COMMITTEE ROLL CALL VOTES BILL/RESOLUTION NO. 2014

House Appropriations				Comi	mittee
Check here for Conference (Committe	ee			
Legislative Council Amendment Nu	mber _				
Action Taken: Do Pass	Do Not	Pass	☐ Amended ☐ Adopt A	Amendme	nt
☐ Rerefer to A	ppropriati	ons	Reconsider		
Motion Made By Reg. Skarp			econded By Reg. Thoreso	Λ	
Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer			Rep. Streyle		
Vice Chairman Kempenich			Rep. Thoreson		
Rep. Bellew			Rep. Wieland		
Rep. Brandenburg					
Rep. Dosch					
Rep. Grande			Rep. Boe		
Rep. Hawken	1		Rep. Glassheim		
Rep. Kreidt			Rep. Guggisberg		
Rep. Martinson			Rep. Holman		
Rep. Monson			Rep. Williams		
Rep. Nelson					
Rep. Pollert					
Rep. Sanford					
Rep. Skarphol					
Total Yes		N	0		
Absent					
Floor Assignment					
If the vote is on an amendment, brid	efly indica	ate inte	nt:		
declarify	enginee	ring	techs (as well as &	ngineer	7
De	A. 405	J	techs (as well as & salready	done	I

voice vote carries

Date:	4/11	13	
Roll Call Vo	te #:	8	

House Appropriations				Com	mittee
Check here for Confer	ence Committe	ee			
Legislative Council Amendm	ent Number				
Action Taken: Do Pa	ass Do Not	Pass	☐ Amended ☐ Adopt	Amendme	nt
Reref	er to Appropriati	ons	Reconsider		
	Hawken		econded By Rep. Thom	eson	
Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer			Rep. Streyle		
Vice Chairman Kempenich			Rep. Thoreson		
Rep. Bellew			Rep. Wieland		
Rep. Brandenburg					
Rep. Dosch					
Rep. Grande			Rep. Boe		
Rep. Hawken			Rep. Glassheim		
Rep. Kreidt			Rep. Guggisberg		
Rep. Martinson			Rep. Holman		
Rep. Monson			Rep. Williams		
Rep. Nelson					
Rep. Pollert					
Rep. Sanford					
Rep. Skarphol					
Total Yes		N	0		
Absent					
Floor Assignment					
If the vote is on an amendme	ent, briefly indica	ate inte	nt:		
	for oil in	,	to become part o	of the	P00/

Date:	41	11	13	
Roll Call \	/ote #:	_	9	

2013 HOUSE STANDING COMMITTEE ROLL CALL VOTES BILL/RESOLUTION NO. 2014

House Appropriations				Com	mittee
Check here for Conference	ence Committe	ee			
Legislative Council Amendme	ent Number				
Action Taken: Do Pa	ass Do Not	Pass	☐ Amended ☐ Adopt A	Amendme	nt
Reref	er to Appropriati	ions	Reconsider		
Motion Made By Rep. Skarphol Seconded By Rep. Streyle					
Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer			Rep. Streyle		
Vice Chairman Kempenich			Rep. Thoreson		
Rep. Bellew	1,000		Rep. Wieland		
Rep. Brandenburg			6		
Rep. Dosch					
Rep. Grande			Rep. Boe		
Rep. Hawken			Rep. Glassheim		
Rep. Kreidt			Rep. Guggisberg		
Rep. Martinson			Rep. Holman		
Rep. Monson			Rep. Williams		
Rep. Nelson					
Rep. Pollert					
Rep. Sanford					
Rep. Skarphol					
Total Yes		N	0		
Floor Assignment					
If the vote is on an amendme	ent, briefly indica	ate inte	nt:		
remove	section	18			
voia vi	section She couries				

Date:	4/11	13	
Roll Call	Vote #:	10	

House Appropriations				Com	mittee	
☐ Check here for Conference C	ommitte	ee				
Legislative Council Amendment Num	nber _					
Action Taken: Do Pass	Do Not	Pass	☐ Amended	mendme	nt	
Rerefer to Ap	propriati	ons	Reconsider			
Motion Made By Rep. Pollert		Se	econded By Rep. Grande			
Representatives	Yes	No	Representatives	Yes	No	
Chairman Delzer			Rep. Streyle			
Vice Chairman Kempenich			Rep. Thoreson			
Rep. Bellew			Rep. Wieland			
Rep. Brandenburg						
Rep. Dosch						
Rep. Grande			Rep. Boe			
Rep. Hawken			Rep. Glassheim			
Rep. Kreidt			Rep. Guggisberg			
Rep. Martinson			Rep. Holman			
Rep. Monson			Rep. Williams			
Rep. Nelson						
Rep. Pollert						
Rep. Sanford						
Rep. Skarphol						
Total Yes No						
Absent						
Floor Assignment						
If the vote is on an amendment, brief	fly indica	ate inte	nt:			
			ted with setting up	gran	5	
in traduceri office						

voice vote carrier

Date:	4	11	13
Roll Call Vote	#:	_	11

2013 HOUSE STANDING COMMITTEE ROLL CALL VOTES BILL/RESOLUTION NO. 2014

House Appropriations				Com	mittee
☐ Check here for Conference Co	ommitte	ee			
Legislative Council Amendment Num	ber _				
Action Taken: 📈 Do Pass 🗌	Do Not	Pass		Amendme	nt
Rerefer to App	oropriati	ons	Reconsider		
Motion Made By Ryp. Hawken		Se	econded By Rep. Thoreso	M	
Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer	X		Rep. Streyle	X	
Vice Chairman Kempenich	X		Rep. Thoreson	X	
Rep. Bellew	V		Rep. Wieland	X	
Rep. Brandenburg	X				
Rep. Dosch	X				
Rep. Grande	X		Rep. Boe	X	
Rep. Hawken	X		Rep. Glassheim	X	
Rep. Kreidt	X		Rep. Guggisberg	X	
Rep. Martinson	X		Rep. Holman	X	
Rep. Monson	X		Rep. Williams	X	
Rep. Nelson	X				
Rep. Pollert	X				
Rep. Sanford	X				
Rep. Skarphol	X				
Total Yes		N	0_0		
Absent					
Floor Assignment Rep.	Hawke	M			

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

Insert LC: 13.8164.02003 Title: 03000

REPORT OF STANDING COMMITTEE

SB 2014, as engrossed: Appropriations Committee (Rep. Delzer, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (22 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2014 was placed on the Sixth order on the calendar.

Page 1, line 4, after "54-17.6-05" insert ", subsection 17 of section 54-44.3-20,"

Page 1, line 4, remove "sections 54-18-19,"

Page 1, line 5, replace "57-51.1-07, and" with "section"

Page 1, line 5, remove "the resources trust"

Page 1, line 6, remove the first "fund,"

Page 1, line 6, remove the third "the"

Page 1, line 7, replace "transfer of North Dakota mill and elevator profits to the general fund" with "classified employees"

Page 1, replace lines 21 and 22 with:

"Salaries and wages	\$12,059,220	\$5,092,992	\$17,152,212
Accrued leave payments	0	347,696	347,696
Operating expenses	3,378,744	2,551,832	5,930,576"
Page 2, replace lines 4 through 7 w	vith:		

"Total all funds	\$61,542,969	\$1,203,284	\$62,746,253
Less estimated income	46,766,756	(5.850,935)	40,915,821
Total general fund	\$14,776,213	\$7,054,219	\$21,830,432
Full-time equivalent positions	76.06	22.69	98.75"

Page 2, replace lines 12 through 15 with:

"Bank of North Dakota operations	\$45,587,155	\$4,469,582	\$50,056,737
Accrued leave payments	0	881,231	881,231
Capital assets	1,266,000	(521,000)	745,000
Total special funds	\$46,853,155	\$4,829,813	\$51,682,968
Full-time equivalent positions	176.50	3.00	179.50"

Page 3, replace lines 1 through 6 with:

"Salaries and wages	\$26,018,008	\$2,654,043	\$28,672,051
Accrued leave payments	0	575,807	575,807
Operating expenses	20,443,869	1,352,131	21,796,000
Contingencies	400,000	0	400,000
Agriculture promotion	210,000	<u>0</u>	210,000
Total from mill and elevator fund	\$47,071,877	\$4,581,981	\$51,653,858
Full-time equivalent positions	131.00	4.00	135.00"

Page 3, replace lines 11 through 16 with:

"Coloring and wages	¢6 546 077	© E44 E40	¢7.057.700
"Salaries and wages	\$6,516,277	\$541,513	\$7,057,790
Accrued leave payments	0	147,806	147,806
Operating expenses	5,114,849	(1,323,091)	3,791,758
Grants	26,858,920	2,674,130	29,533,050
Housing finance agency contingencies	100,000	<u>0</u>	100,000
Total special funds	\$38,590,046	\$2,040,358	\$40,630,404
Full-time equivalent positions	46.00	0.00	46.00"

Insert LC: 13.8164.02003 Title: 03000

Page 3, replace lines 21 through 23 with:

 "Grand total general fund
 \$24,176,213
 \$154,219
 \$24,330,432

 Grand total special funds
 179,281,834
 5,601,217
 184,883,051

 Grand total all funds
 \$203,458,047
 \$5,755,436
 \$209,213,483"

Page 4, remove line 8

Page 4, remove line 10

Page 4, replace lines 14 through 16 with:

 "Total all funds
 \$38,299,400
 \$1,160,800

 Total special funds
 10,000,000
 0

 Total general fund
 \$28,299,400
 \$1,160,800"

Page 6, remove lines 13 through 18

Page 6, after line 24, insert:

"SECTION 12. APPROPRIATION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$2,000,000, or so much of the sum as may be necessary, to the department of commerce for the purpose of providing grants to homeless shelters, for the biennium beginning July 1, 2013, and ending June 30, 2015."

Page 7, after line 21, insert:

"SECTION 15. OIL AND GAS RESEARCH PROGRAM - OIL AND GAS DEVELOPMENT IMPACT STUDIES. The industrial commission may use the sum of \$150,000, or so much of the sum as may be necessary, from the oil and gas research fund for nonmatching followup studies to provide updates and refinements to employment models used to track and forecast changes in the oil and gas industry workforce and estimate housing and population in the Williston basin and to make a comprehensive assessment of the demographic makeup of the current and expected oil and gas industry workforce."

Page 8, remove lines 17 through 31

Page 9, replace lines 1 through 28 with:

"SECTION 18. AMENDMENT. Subsection 17 of section 54-44.3-20 of the North Dakota Century Code is amended and reenacted as follows:

 Engineers, engineering technicians, and geologists employed by the director of mineral resources."

Page 10, line 21, replace "Sections" with "The amount of \$61,751 and five full-time equivalent positions included in subdivision 1 of section 1 and sections"

Page 10, line 21, replace "11" with "10"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2014 - Summary of House Action

	Executive Budget	Senate Version	House Changes	House Version
Industrial Commission				
Total all funds	\$63,356,975	\$63,529,688	(\$783,435)	\$62,746,253

Module ID: h_stcomrep_66_007 Carrier: Hawken Insert LC: 13.8164.02003 Title: 03000

Less estimated income	40,937,857	40,951,674	(35,853)	40,915,821
Generalfund	\$22,419,118	\$22,578,014	(\$747,582)	\$21,830,432
Bank of North Dakota				
Total all funds	\$52,452,928	\$52,606,408	(\$923,440)	\$51,682,968
Less estimated income	52,452,928	52,606,408	(923,440)	51,682,968
General fund	\$0	\$0	\$0	\$0
Housing Finance Agency				
Total all funds	\$40,862,039	\$70,869,907	(\$30,239,503)	\$40,630,404
Less estimated income	40,862,039	40,869,907	(239,503)	40,630,404
General fund	\$0	\$30,000,000	(\$30,000,000)	\$0
Mill and Elevator				
Total all funds	\$52,255,124	\$52,255,124	(\$601,266)	\$51,653,858
Less estimated income	52,255,124	52,255,124	(601,266)	51,653,858
General fund	\$0	\$0	\$0	\$0
Department of Commerce				
Total all funds	\$0	\$500,000	\$2,000,000	\$2,500,000
Less estimated income	0	0	0	0
Generalfund	\$0	\$500,000	\$2,000,000	\$2,500,000
Bill total				
Total all funds	\$208,927,066	\$239,761,127	(\$30,547,644)	\$209,213,483
Less estimated income	186,507,948	186,683,113	(1,800,062)	184,883,051
Generalfund	\$22,419,118	\$53,078,014	(\$28,747,582)	\$24,330,432

Senate Bill No. 2014 - Industrial Commission - House Action

	Executive Budget	Senate Version	House Changes	House Version
Salaries and wages	\$17,710,630	\$17,883,343	(\$731,131)	\$17,152,212
Operating expenses	6,330,576	6,330,576	(400,000)	5,930,576
Capital assets	5,800	5,800	, ,	5,800
Grants - Lignite research	19,500,000	19,500,000		19,500,000
Grants - Bond payments	19,809,969	19,809,969		19,809,969
Accrued leave payments			347,696	347,696
Total all funds	\$63,356,975	\$63,529,688	(\$783,435)	\$62,746,253
Less estimated income	40,937,857	40,951,674	(35,853)	40,915,821
General fund	\$22,419,118	\$22,578,014	(\$747,582)	\$21,830,432
FTE	98.75	98.75	0.00	98.75

Department No. 405 - Industrial Commission - Detail of House Changes

	Adjusts State Employee Compensation and Benefits Package¹	Provides Separate Line Item for Accrued Leave Payments ²	Adds Funding for Hiring FTE Early ³	Removes Funding for Oil Impact ⁴	Total House Changes
Salaries and wages Operating expenses Capital assets Grants - Lignite research	(\$445, 186)	(\$347,696)	\$61,751	(400,000)	(\$731,131) (400,000)
Grants - Bond payments Accrued leave payments		347,696			347,696
Total all funds Less estimated income	(\$445,186) (35,853)	\$0 0	\$61,751 0	(\$400,000) 0	(\$783,435) (35,853)
General fund	(\$409,333)	\$0	\$61,751	(\$400,000)	(\$747,582)
FTE	0.00	0.00	0.00	0.00	0.00

¹ This amendment adjusts the state employee compensation and benefits package as follows:

Reduces the performance component from 3 to 5 percent per year to 2 to 4 percent per year.

[•] Reduces the market equity component from 2 to 4 percent per year for employees

Module ID: h_stcomrep_66_007 Carrier: Hawken Insert LC: 13.8164.02003 Title: 03000

below the midpoint of their salary range to up to 2 percent for employees in the first quartile of their salary range for the first year of the biennium only.

Removes funding for additional retirement contribution increases.

- ³ Funding is added to allow the Department of Mineral Resources to hire five of its new FTE positions during the 2011-13 biennium.
- ⁴ Funding included in the executive budget recommendation for housing allowances for employees in oil-impacted areas is removed.

A section is added to provide an emergency clause for five new FTE positions.

A section is added relating to the oil and gas research program.

A section is added to unclassify engineering technicians of the Department of Mineral Resources.

A section added by the Senate relating to distribution of the resources trust fund is removed.

Senate Bill No. 2014 - Bank of North Dakota - House Action

	Executive Budget	Senate Version	House Changes	House Version
Capital assets	\$745,000	\$745,000		\$745,000
BND operations	51,707,928	51,861,408	(1,804,671)	50,056,737
Accrued leave payments			881,231	881,231
Total all funds	\$52,452,928	\$52,606,408	(\$923,440)	\$51,682,968
Less estimated income	52,452,928	52,606,408	(923,440)	51,682,968
General fund	\$0	\$0	\$0	\$0
FTE	179.50	179.50	0.00	179.50

Department No. 471 - Bank of North Dakota - Detail of House Changes

	Adjusts State Employee Compensation and Benefits Package	Provides Separate Line Item for Accrued Leave Payments ²	Total House Changes
Capital assets BND operations Accrued leave payments	(923,440)	(881,231) 881,231	(1,804,671) 881,231
Total all funds Less estimated income	(\$923,440) (923,440)	\$0 0	(\$923,440) (923,440)
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

¹ This amendment adjusts the state employee compensation and benefits package as follows:

² A portion of salaries and wages funding from the general fund (\$323,357) and from other funds (\$24,339) for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

Reduces the performance component from 3 to 5 percent per year to 2 to 4 percent per year.

Insert LC: 13.8164.02003 Title: 03000

 Reduces the market equity component from 2 to 4 percent per year for employees below the midpoint of their salary range to up to 2 percent for employees in the first quartile of their salary range for the first year of the biennium only.

Removes funding for additional retirement contribution increases.

Senate Bill No. 2014 - Housing Finance Agency - House Action

	Executive	Senate	House	House
	Budget	Version	Changes	Version
Salaries and wages	\$7,437,231	\$7,445,099	(\$387,309)	\$7,057,790
Operating expenses	3,791,758	3,791,758		3,791,758
Grants	29,533,050	29,533,050		29,533,050
HFA contingencies	100,000	100,000		100,000
Housing incentive fund30 Accrued leave payments		30,000,000	(30,000,000)	147,806
Total all funds	\$40,862,039	\$70,869,907	(\$30,239,503)	\$40,630,404
Less estimated income	40,862,039	40,869,907	(239,503)	40,630,404
General fund	\$0	\$30,000,000	(\$30,000,000)	\$0
FTE	46.00	46.00	0.00	46.00

Department No. 473 - Housing Finance Agency - Detail of House Changes

	Adjusts State Employee Compensation and Benefits Package ¹	Provides Separate Line Item for Accrued Leave Payments ²	Removes Transfer to Housing Incentive Fund ³	Total House Changes
Salaries and wages Operating expenses Grants	(\$239,503)	(\$147,806)		(\$387,309)
HFA contingencies Housing incentive fund30 Accrued leave payments		147,806	(30,000,000)	(30,000,000) 147,806
Total all funds Less estimated income	(\$239,503) (239,503)	\$0 0	(\$30,000,000) 0	(\$30,239,503) (239,503)
General fund	\$0	\$0	(\$30,000,000)	(\$30,000,000)
FTE	0.00	0.00	0.00	0.00

¹ This amendment adjusts the state employee compensation and benefits package as follows:

Removes funding for additional retirement contribution increases.

² A portion of salaries and wages funding for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

Reduces the performance component from 3 to 5 percent per year to 2 to 4 percent per year

Reduces the market equity component from 2 to 4 percent per year for employees below the midpoint of their salary range to up to 2 percent for employees in the first quartile of their salary range for the first year of the biennium only.

² A portion of salaries and wages funding for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

³ Funding included by the Senate for a \$30 million transfer from the general fund to the housing incentive fund is removed.

Insert LC: 13.8164.02003 Title: 03000

Senate Bill No. 2014 - Mill and Elevator - House Action

	Executive Budget	Senate Version	House Changes	House Version
Salaries and wages Operating expenses Contingencies	\$29,849,124 21,796,000 400,000 210,000	\$29,849,124 21,796,000 400,000 210,000	(\$1,177,073)	\$28,672,051 21,796,000 400,000 210,000
Agriculture promotion Accrued leave payments	210,000	210,000	575,807	575,807
Total all funds Less estimated income	\$52,255,124 52,255,124	\$52,255,124 52,255,124	(\$601,266) (601,266)	\$51,653,858 51,653,858
General fund	\$0	\$0	\$0	\$0
FTE	135.00	135.00	0.00	135.00

Department No. 475 - Mill and Elevator - Detail of House Changes

	Adjusts State Employee Compensation and Benefits Package'	Provides Separate Line Item for Accrued Leave Payments ²	Removes Funding for Overtime ³	Total House Changes
Salaries and wages Operating expenses Contingencies Agriculture promotion	(\$135,905)	(\$575,807)	(\$465,361)	(\$1,177,073)
Accrued leave payments		575,807		575,807
Total all funds Less estimated income	(\$135,905) (135,905)	\$0 0	(\$465,361) (465,361)	(\$601,266) (601,266)
General fund	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	0.00

¹ This amendment adjusts the state employee compensation and benefits package as follows:

A section included in the executive budget recommendation relating to reducing the transfer of mill profits to the general fund is removed resulting in an additional \$4,297,200 of projected general fund revenue for the 2013-15 biennium.

Senate Bill No. 2014 - Department of Commerce - House Action

	Executive Budget	Senate Version	House Changes	House Version
Market Study		\$500,000		\$500,000
Homeless shelter grants			2,000,000	2,000,000

Reduces the performance component from 3 to 5 percent per year to 2 to 4 percent per year.

Reduces the market equity component from 2 to 4 percent per year for employees below the midpoint of their salary range to up to 2 percent for employees in the first quartile of their salary range for the first year of the biennium only.

Removes funding for additional retirement contribution increases.

² A portion of salaries and wages funding for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

³ Funding included in the executive budget recommendation for overtime pay is removed.

Insert LC: 13.8164.02003 Title: 03000

Total all funds Less estimated income	\$0 0	\$500,000 0	\$2,000,000	\$2,500,000 0
General fund	\$0	\$500,000	\$2,000,000	\$2,500,000
FTE	0.00	0.00	0.00	0.00

Department No. 601 - Department of Commerce - Detail of House Changes

	Adds Funding for Grants to Homeless Shelters ¹	Total House Changes
Market Study Homeless shelter grants	2,000,000	2,000,000
Total all funds Less estimated income	\$2,000,000 0	\$2,000,000 0
General fund	\$2,000,000	\$2,000,000
FTE	0.00	0.00

¹ Funding is added for grants to homeless shelters.

2013 CONFERENCE COMMITTEE

SB 2014

2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee

Harvest Room, State Capitol

SB 2014 conference committee April 20, 2013 Job # 21354

ore

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission

Attached testimony:

Minutes:

Legislative Council - Becky J. Keller OMB - Sheila Peterson & Laney Herauf

Senator Carlisle opened the conference committee on SB 2014. Senators Erbele and Sinner were also present as well as Representatives Thoreson, Hawken and Glassheim.

Rep. Hawken explained House changes to the bill: Salary compensation and roll-ups, we moved \$30M of Housing money to Commerce.

Five full time employees for the Dept. of Mineral Resources we did an emergency clause so they could be hired. The financial difference was \$61,751.00

We did a technical correction, requested by the state treasurer; on the timing of transfers We authorized \$150,000 out of Oil & Gas Research for a non-match study

We added \$2M, part of the money going to Commerce, for homeless

We removed Section 18 - conservation and energy renewal funds and the .5 that was going to go into them.

Regarding the state mill we removed \$400,000 of temporary money for employees, we left out four of the ones that were requested and budgeted.

Senator Carlisle: Housing incentive fund, is SB2018 is that where the budget is going in - into commerce? Our plan was total of \$50M. If it is in 2018, we can leave that open, we want to make sure the money is in there.

Rep. Hawken: We didn't remove any money. It's not in Housing anymore.

Becky J. Keller, Legislative Council: Commerce fund is SB2018. I think we transferred \$15M not the whole \$30M. House motion was to remove the \$30M from housing

Rep. Hawken: What did we do with the other \$15M?

Senate Appropriations Committee SB 2014 conference committee April 20, 2013 Page 2

Senator Carlisle: We are basically short of \$15M, there's \$15M in commerce. The energy conservation program, it is almost a cost saver? Was it in the governor's budget? (Was told yes by **Sheila Peterson, OMB**)

Senator Carlisle: The resources trust fund, that is an ongoing program?

Rep. Hawken: The funds were to provide a $\frac{1}{2}\phi$ oil extraction deposit into the resources trust fund, and the other $\frac{1}{2}\phi$ would go from the renewable energy fund into the energy conservation fund. Those two transfers were eliminated; Section 18 was no longer needed because we moved those two.

Senator Carlisle what was rationale? It is kind of two different groups. If we can get petrochemical folks come up with new ideas and the renewable energy folks too. Check on those two. Sen. Erbele said one is ongoing program and one was in the governor's budget.

Rep. Thoreson: that's an issue we can work on.

Senator Carlisle: the state mill is a union shop, about 60% is union, their contract is coming up, and we basically took out overtime funding? They are going to hire more people; one of the four will be a union employee.

Rep. Hawken: That is correct, since we did not remove any of the full time employees, those were skilled labor positions. They could get by with less temporary. That was about the amount additional that the governor gave them

Senator Carlisle: Basically we want to check at \$15M that apparently are not there. The idea was a total of \$50M.

Becky J. Keller: for the Housing Incentive Fund for the Commerce side they were given \$15M transfer from general fund and additional \$15M in credits so it would bring it up to \$30M

Sheila Peterson: The total in the House version is \$30M, ½ is tax credits and ½ incentives. The additional \$20M that was in the Senate version is not in the House version.

Senator Carlisle: Rep Thoreson you'll look into section 18. And we can talk again on the State Mill. We will meet again today at 9 am. Meeting adjourned.

2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee

Harvest Room, State Capitol

SB 2014 conference committee (2) April 20, 2013 Job # 21359

	☐ Conference Committee	
Committee Clerk Signature	Rose Loning	
Explanation or reason for int	troduction of bill/resolution:	
This is the 2 nd conference com	mittee hearing today.	

You may make reference to "attached testimony."

Legislative Council - Becky J. Keller OMB - Laney Herauf

Minutes:

Senator Carlisle opened the conference committee hearing on SB 2014. Senators Erbele and Sinner were also present as well as Representatives Thoreson, Hawken and Glassheim. (Senator Sinner is filling in for Senator Warner.)

Senator Carlisle re-opened the hearing. There is a huge difference on Housing Incentive Fund of about \$20M. We understand the 15-15 is credits, so we'll have to watch SB 2018. If you would think over the weekend on the language for the transfers of the Resources Trust Fund - that's the existing program....

Rep. Thoreson: You're talking section 18? (Answer yes.) That's something we will discuss when we get back together at the beginning of next week to see where we can maybe find some ground.

Senator Carlisle: I'm on the OMB budget and that pool is not in that budget at this point, but when management takes over, who knows what's going to happen. That's the \$9M pool which affects the \$400,000 which would be an administrative nightmare, but that's on the table depending what happens with the pool. The \$400,000 that you took out, but that's still to be settled yet and HB 1015 is the vehicle.

Rep. Thoreson: We understand that the Senate did not pass that concept out when you passed 1015 out of committee, correct? (Answer - correct.) If something were not to occur in the OMB bill when management takes over, we will probably have to come and address each of these budgets accordingly because of the compensation package. At that point, we could work on that issue also.

Senator Carlisle: How about the overtime? Any comments on the Mill?

Senate Appropriations Committee SB 2014 conference committee April 20, 2013 Page 2

Rep. Hawken: There was initially some angst about the 4 permanent employees - that they had done a good job of making a case of why they needed the employees, so it was thought by some of the members of the committee that we could take away that overtime because they had those extra people.

One other addition that is in the information we have, and I neglected to mention in House changes, is we also took out two little words "up to" on the transfer from the Mill and Elevator. If they wanted to do expansions, the committee thought they could come to the emergency commission to ask for the money or get it from the Bank - a number of different areas as opposed to not transferring the money.

Senator Carlisle: The plan would be to think over the weekend and if they hatch the salary package, then we'll do whatever it takes because we have to get the budget out next week.

There are some budgets where the salaries are the only issue, but several big budgets have other things that need to be done. We'll need to come to something that we can sell on both sides. We will obviously meet next week.

Rep. Thoreson: We can go over some of these points. On the issue with renewables we certainly have some room to talk about that one. I think it all hinges on what happens with compensation. Then we can meet several times to get the other areas worked out.

Senator Carlisle: That's what we'll do. I think everyone understands where our differences are. We're still off \$20M with the Housing Incentive Fund.

Senator Carlisle adjourned the hearing.

2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee

Harvest Room, State Capitol

SB 2014 04-22-2013 Job # 21374

Committee Clerk Signature	Aleie Delser

Explanation or reason for introduction of bill/resolution:

A Conference Committee Hearing for the State Industrial Commission

Minutes:	Memo #1

Senator Carlisle called the Conference Committee to order on Monday, April 22, 2013 at 9:30 am in the Harvest Room in regards to SB 2014. Let the record show that all conferees are present.

SENATE: Senators: Ron Carlisle, Chair; Robert Erbele, John Warner HOUSE: Representatives: Blair Thoreson, Kathy Hawken, Eliot Glassheim

Becky J. Keller - Legislative Council Sheila Peterson - OMB

Senator Carlisle: My understanding of the memo is that the Senate incorporated SB 2027 & 2029 into SB 2014 and we would like to just restore section 18. He asked the House if they had any question of Karlene Fine, based on her memo.

Rep. Thoreson: My understanding is that the senate had amended two bills into that section and what exactly was the rationale for mending them in.

Karlene Fine, Director Industrial Commission: SB 2027 and 2029 came out of the interim committee, one dealt with oil and gas research fund, and the other dealt with the energy research fund and identifying a permanent funding source for the renewable energy program. The governor had money in the executive original budget that was originally in SB 2014 that dealt with the renewable energy program. The Senate decided to go with what was contained in the interim committee bills and put the 5% of the resources trust fund with a cap of \$3M. Presented Testimony attached # 1, SB 2014 - Previous Section 18 Information.

Senator Carlisle: We dropped the study down?

Karlene Fine: The senate combined the two studies into one.

Senate Appropriations Committee SB 2014 Conference Committee 04-22-13 Page 2

Senator Carlisle: Both did come out of interim committees.

Karlene Fine: The water coalition came and supported and the energy was not part of the interim committee but was part of the governor's budget.

Rep. Hawken: On the energy conservation, wasn't there something that had to have a payback in 10 years.

Karlene Fine: This program had been in place and had some federal funding and the project required to have a payback period of 10 years or less.

Senator Carlisle (5.03) We would like to wait and see what commerce is going to do with their budget and relationship with this. And we would like the \$15M back in section 18.

Rep. Thoreson: On Section 18, I would like more time to look at this and talk to a few people.

Senator Erbele: On the subject of overtime on the state mill, I think we need to have the overtime hours in there. This is a grain elevator and does not have a nine to five schedule. The trains come in at night or early and the product has to get out.

Senator Warner: I would agree. We pay charges if we retain those box cars longer than the original contract.

Senator Carlisle: There aren't any general funds in that?

Becky Keller: Right

Rep. Hawken: I am not sure there was a total understanding of our committee. They were looking at the FTE and dollars. I am assuming overtime wouldn't be used, if they weren't busy?

Senator Carlisle: Right, but right now they are very busy and getting bigger.

The Senate likes \$15M general funds added to the \$15M credits for a total of \$30M on the general fund Housing incentive and work on language in section 18 and the money for the State Mill. This is our position right now.

Rep. Thoreson asked if the compensation is off the table.

Senator Carlisle: Yes, it is my understanding it is in 1015, there is a pool of money, but my understanding is that they are getting some language for agencies to work with that.

Becky J. Keller: We will make the changes to every bill.

Senator Carlisle: We will meet again. The hearing was closed on SB 2014.

2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee

Harvest Room, State Capitol

SB 2014 04-24-2013 Job 21475

□ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A Conference Committee Hearing on the Industrial Commission

Minutes:

You may make reference to "attached testimony."

Senator Carlisle called the Conference Committee to order on Wednesday, April 24, 2013 at 10:00 am in regards to SB 2014. Let the record show that all conferees are present.

SENATE: Senators: Ron Carlisle, Chair; Robert Erbele, John Warner HOUSE: Representatives: Blair Thoreson, Kathy Hawken, Eliot Glassheim

Becky J. Keller - Legislative Council Sheila Peterson - OMB

Senator Carlisle we are trying to figure out whether all the money is for the Housing Incentive Fund. I am going to start with Becky or Sheila. There is \$20Million in 1029 in credits for Housing Incentive Fund. Is that correct? Ok. There is \$15 Mil general fund in the Commerce bill 2018; yes. Our position has been that we like to see, however, whichever budget that is going to be, we would like to the \$30 Million general fund. Let's start with Lynn Helms. Look in Section 18, under Subsection 17; doing some moving some folks to unclassified positions if you could give us an update.

Lynn Helms Director of Mineral Resources Section 18, of the current bill removes the Engineering Technician's working for the Department of Mineral Resources from the classification system. This would impact 13 existing positions, 9 new positions in the bill and 3 contingency positions in the bill, 25 for the agency. That would be out of a total of 94, impacted here. The purpose behind this was some conversations with House members, about our problems in hiring people in Williston and Dickinson, and we have 3 vacancies. Much of the in difficulty in finding affordable housing but that is related to starting salary. As it stands right now the market for engineering technicians in the Williston area is equal to the max, for the classification for engineering technicians. Under HR rules, we are offering salaries for the midpoint, there is a process, to go and get an exemption for that and we are not able to compete in the market for supporting salaries.

Senator Carlisle The total is up to 25 FTE's, why now, because it's part of the process? I am trying to think of the timing. Was that thought out there someplace? I understand the amendment I just can't figure it out.

Lynn Helms I think it's related to the change and the moving in housing allowances as well. We need an either/or here. This was put in the bill on the House side to offset that problem. We have to do one or the other or maybe both to get someone to work for us out there

Senator Warner Does it affect their rate of compensation, you're going to be offering higher compensations, does it affect their retirement plan? Will it be the same one?

Lynn Helms It affects it only in that they can make a choice now, if they are not classified, they can choose which one to go into, but no it doesn't change their election for which retirement program there in. It does remove one level of appeal that they may have if there is a dispute over personnel matters. For unclassified employees those appeals then remain within the Industrial Commission. They can appeal all the way up to Governor or Attorney General and Agriculture Commissioner if there is a dispute. They don't have the right of appeal to HRMS as non-classified employees. That really is the two changes that one level of appeal over a personal matter, disappears but the salary is much more flexible.

Senator Warner A decade down the road, things have stabilized, they would rather trade, for some more job security, as were downsizing. If there was a mood to take them back towards classified employees, would they be compelled to remain in with election on the retirement plan or would they be given the object of returning?

Lynn Helms If they had elected to go into the Defined Contribution Plan, as a non-classified employee I don't believe they can change that back. Once they made that decision, they would not be able to change that election back to defined benefit.

Senator Carlisle Their is \$2 M in general fund not in Governor's budget for homeless. It got put on I assume in the House.

Karlene Fine, Director Industrial Commission: Yes that was an amendment offered in the full House appropriations committee. It wasn't discussed in the subcommittee. There was a presentation in the subcommittee, but the amendment came during the full House. So, because it wasn't in the Governor's budget I cannot advocate for that.

Senator Carlisle If we want to do a total of \$30 M, General Fund, it wouldn't break the bank if we kept \$15 M dollars total General Fund, but backed out \$2M to keep this homeless in there, and use \$13 general fund, would that work for the housing incentive?

Karlene What we need is \$30M is what the governor advocated in his budget of general fund dollars for the Housing Incentive Fund. Right now, \$15M of that is in 2018 Commerce budget, so there is \$15 M dollars that has not been advocated for the Housing Incentive Fund. Now if you would say that you're going to give us \$13 M, back of housing incentive fund, what I call the general fund dollars in this bill, you would have \$2 M for homeless. We need to get as much as we can for Housing Incentive Funds, housing is the issue.

Senator Carlisle I understand and the homeless obviously would be an issue and we could tie that to the housing incentive fund because it is homeless. What I am saying if we go to keep the \$30, its \$28 because \$2M for homeless.

Representative Hawken That was the original concept, it was \$5M, now it's \$2M. That was the original idea.

Senator Carlisle On these, up to language transfer the mill profits, if we roll that out it would be a big plus for the general fund, right if we take out that language?

Ms. Fine That gave flexibility for OMB, as to how much to transfer for the upcoming biennium. The Governor's budget had been built on about \$1.7 M being the amount that would be going to the General Fund. When the up to language was removed by the House, that would increase the amount that would be going to the General Fund, by an additional \$4.2 M, and so in total the mill would transferring something close to \$6M to the General Fund during the current biennium, if were locked in at the 50%, but we were hoping was to have the flexibility that when the executive budget is constructed, that the Governor can sit down with the mill and meet with Legislative leaders and they can have that conversation about what should be the amount needed for each biennium rather than having it in statute that it must be this amount.

Senator Warner On-going capital construction projects, the mil, and then related to that, does the mill occasionally have to borrow money from the bank in order to maintain its liquidity for business operations? Are we shorting the mill in order to make the General Fund look better?

Ms. Fine For capital construction yes, they do borrow from the bank to do that. So if they have more funds that are able to stay within the mill, that is less that they have to borrow from the bank.

Senator Carlisle I am just throwing out, but on the Senate side, we're looking at things that, maybe we can that are on the table, that we can work with. Section 18, we like section 18, back in the bill. My understanding the House has a couple of ideas you would like to discuss.

Representative Thoreson Looking at Section 18, there are two pieces, there were two stand- alone bills, look at the one from the Senate, must be 5% of the amount credited; must be transferred quarterly in to the Removable Energy Development Fund not to exceed \$ 3M per biennium. That would be just finding a funding source is that correct? In that area we are comfortable with that. Then there is a language about the Energy Conservation Grant Fund. We discussed some things about this, for right now, we can agree that the first sentence I would be comfortable putting that back in and discuss further the other portion of that. I will just leave it at that.

Representative Glassheim We are trying to get so that the House can get to yes on some of the second sentence and I wonder if we capped the amount at \$2M and if we required a 50% match by the people, make it a grant, make it a 50% grant, they will be able to reap

over time the saving in energy costs, so they would be able to pay some of the match back with their own savings. We need some language which I think was in the other bills, but is not in here about the program, what is it for, public buildings, an idea of a 10 year payback period, about some language on the back of Karlene's handout (see Testimony attached # #1 from 4-22-13 hearing). I think it needs a little more definition too if we're going to do this. It had that definition in the stand-alone bill as I understand it.

Senator Carlisle asked Representative Glassheim to put those thoughts on paper and get it out there so the folks that are affected could have a little comment here? He stated to Representative Thoreson that he knows he understands about renewable energy and asked if he was okay with that. Are the questions in the energy conservation okay?

Representative Thoreson: I think the language is ok and we'll go ahead and read it, 5% of the amount credited to the Resources Trust Fund must be transferred quarterly into the Renewable Energy Development Fund, not to exceed \$3M per biennium. I think that portion we are comfortable with. The other portion we will bring something forward at the next meeting where we can have some review and comment on that.

Senator Carlisle The Senate feels maybe taking off \$2M, where it is that \$30 M General Fund money, whichever bill or how it works out, maybe taking off \$2 M for the homeless. \$28 in the Housing Incentive; plus \$2 M to make the \$30; if you folks could talk about that; something we can listen to. On this thing, going to Lynn Helms, regarding going unclassified? That is pretty much for our differences.

Becky J. Keller If you do consider restoring the language for the renewable energy, and or the Energy Conservation Grant Fund, you may need to reconsider the funding for the treasurer so that they can the necessary changes to their system that actually does the distribution. They'll need that funding back in.

Senator Carlisle We did the treasurer the other day, of course OMB is out in play too, we could do it there couldn't we or could we? **Becky J. Keller** We can do it right in this bill like we did before.

Senator Warner Can we address the issue once again of the overtime?

Senator Carlisle We think the overtime is needed. Their outfit is making money, they need to pay the people, it doesn't affect the general fund. Is that right? **Becky's** response Yes.

Representative Thoreson That is something we can discuss, I think the overtime can go away, we can discuss that at our next meeting.

Senator Carlisle I have the two agriculture guys with me and they understand it.

Senator Warner The real issue here is allowing the elevator management to manage. I think there is a business decision to be made here. We talked about the issue of the merge of the dealing with fines and penalties that you pay to shipping companies for not doing things in a timely manner. We need to allow the management of the mill the flexibility that

they need to best utilize and best optimize their resources. I think that would be the argument I would make. It is a business decision to be made here.

Senator Carlisle Do we have all the issues articulated right now, we're not missing anything in the bill? We kind of know House members where our differences are and if there is some things we worked out. We will meet again. Meeting is closed.

2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee

Harvest Room, State Capitol

SB 2014 04-25-2013 Job # 21506

	Conference Comm	ittee
Committee Clerk Signature	Alleie	Delser)
A Conference Committee hearing	for the Industrial Co	mmission
Minutes:	At	tachment

Senator Carlisle called the Conference Committee hearing to order on Thursday, April 25, 2013 at 9:30 am in regards to SB 2014. Let the record show that all conferees are present.

SENATE: Senators: Ron Carlisle, Chair; Robert Erbele, John Warner HOUSE: Representatives: Blair Thoreson, Kathy Hawken, Eliot Glassheim

Becky J. Keller - Legislative Council Sheila Peterson and Laney Herauf - OMB

Senator Carlisle - States his idea on how to keep track of the money. He relays that in HB1029, there is up to 20M in credits; SB2018 has \$50M general fund dollars in it. He explains the differences between the House and Senate on the money. He says basically they are \$13M apart on the general fund dollars.

Rep. Thoreson - Asks if he is moving that out of SB2018 and putting it back to SB2014.

Senator Carlisle - Replies yes, explains they started with \$30M and the House took out \$15M on that.

Rep. Thoreson - Responds that they can look at that.

Rep. Glassheim - Asks if they will be at \$45 or \$30 in this bill.

Senator Carlisle - Explains the \$15M general fund difference between the House and Senate.

Rep. Glassheim - Asks if they want to end up with \$30 in this bill then kill the \$15 in the other bill, and still have 20M in credits.

Senator Carlisle - Asks for thoughts on energy conservation.

Senate Appropriations Committee SB 2014 Conference Committee 04-25-13 Page 2

Rep. Glassheim - Passes out a proposal **(1)**. He explains his proposed amendment giving a ½ percent, the department will direct guidelines and it requires a match and a maximum grant amount of \$100,000 per project.

Senator Carlisle - Asks Karlene Fine for information.

Karlene Fine - Executive Director Industrial Commission - Says this is a program to be handled by the Department of Commerce and they drafted this amendment.

Senator Carlisle - Explains the work on the mill and elevator and the language that turns profits back, it would make a significant add on to the general fund because the mill and elevator would have to borrow more.

Representative Thoreson: Ask which language he is talking about, to keep it as it is with removing the words "up to."

Senator Carlisle: Asks Ms. Fine about the language if the Senate agrees to the House on this language.

Ms. Fine: Responds, looking to reinsert "up to". She adds they do have some proposed language if they want to keep it revenue neutral.

Representative Thoreson: Replies it was their intention to leave it at 50%.

Rep. Hawken: Asks about the overtime and if it is possible for them to go to the emergency commission for overtime.

Becky J. Keller - Replies they could but they are primarily a special fund agency.

Rep. Hawken - She asks if there is a mechanism for authority.

Becky J. Keller - Replies they would follow the same procedure any agency would do to request funding from the State Contingency fund unless they wanted to use their special fund authority if they had additional special funds from another source. They would not need State Contingency funding.

Senator Carlisle - Believes they should have authority to have overtime.

Representative Thoreson: States it is their position that by giving four additional persons at the Mill there would be those dollars left out.

Rep. Glassheim - Says one of the additional employees is a salesperson and would not be getting overtime.

Rep. Hawken - Relates what the FTE positions are.

Senate Appropriations Committee SB 2014 Conference Committee 04-25-13 Page 3

Sheila Peterson - Says the emergency commission statute does say an entity cannot come to the emergency commission if there has been intent already by the legislature to reject a certain spending amount. She further explains they would need other language if the intent is to come to the emergency commission for their own profits.

Senator Erbele: Sees the work load only getting bigger for them.

Senator Carlisle - Asks the committee to meet again after thinking about this. He says the housing incentive fund can be put together if they get the \$15 out of the commerce. He adds that no one has a problem with the \$2M for the homeless.

Rep. Hawken - Said she is still having trouble following the \$30M.

Becky J. Keller - Replies they didn't move \$30M, they just took it out of this bill. They moved \$15M.

Senator Erbele - Says you removed \$30M, \$15 is over in commerce, we want to bring that back to this bill, add \$13M to it and another \$2M for the homeless. He adds that ultimately they want to come out with \$28M in hard dollars, \$2M homeless and \$20M in credits

Senator Carlisle recessed conference committee

2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee

Harvest Room, State Capitol

SB 2014 conference committee April 26, 2013 Job # 21532

□ Conference Committee

Committee Clerk Signature	
Explanation or reason for introduction of bill/resolution:	
A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under its management	
Minutes:	
Lawielekine Conneil - Doolne I. Kellen	

Legislative Council - Becky J. Keller OMB - Sheila Peterson & Laney Herauf

Senator Carlisle called the conference committee hearing to order on SB 2014. Senator Erbele and Warner were present as well as Representatives Thoreson, Hawken and Glassheim.

Senator Carlisle said in SB 2018, there is \$15M in general fund. This "homeless" amendment in 2014 is \$2M. There is childcare facilities (\$2.6M) and childcare inclusion (\$400,000) that is in SB 2018. If you add those up, you have \$20M, and we wanted \$30M on this side, so there's a \$10M difference between the House and Senate in general fund.

The Mill overtime - we're locked in on our position, but we're willing to listen if there is language on the mill profits. The Mill turns money back into the general fund and if we could reach an agreement there or a compromise, we might be able to work with you guys. It could be up to \$5-6M that would make the House more amenable to doing a deal. We also have the Glassheim amendment (attachment # 1 from 4-25-13).

Rep. Glassheim: This is for the $\frac{1}{2}$ % of the Resources Trust Fund. It goes to the Commerce Dept., the Energy Conservation fund and they have to write the regulations with a payback period of 10 years, matching requirement \$1 and maximum grant amount of \$100,000. It originally passed out with a cap at \$2.5M, but I now understand the House conferees are more comfortable at \$1.2M.

Senator Carlisle: There is a change in here and we are going to \$1.2M and he referenced the language in it that says it is a continuous appropriation. He asked if the Energy Conservation Grant Fund language made sense.

Senate Appropriations Committee SB 2014 conference committee April 26, 2013 Page 2

Karlene Fine, State Industrial Commission: I'd like to ask the Department of Commerce if \$1.2M is appropriate.

Al Anderson, Department of Commerce Commissioner: We will live with it if you so desire. It cuts down the number of projects that we can entertain. It would maybe limit us to 12 projects over the next 2 years.

Senator Carlisle: We are discussing what to do with the state mill profits.

Rep. Thoreson: In visiting with the House, we are still more comfortable with leaving language out and continuing to have it at 50%.

Senator Carlisle: We were thinking of doing something on the \$10M hard dollars, but if you are taking the state mill part off the table, we are keeping the \$10M hard dollars on the table.

Rep. Hawken: One other thought was how would you feel about dividing the overtime in ½ and doing \$200,000?

Discussion followed on the dollars and language and the possibility of some duplication. Rep. Hawken stated there was no duplication. She said one is facilities and one is special needs training. There were questions on other bills. Legislative Council and OMB said it's not duplication. There was discussion on ways to compromise.

Senator Carlisle: There is approximately \$10M general funds difference between the House and Senate on the Housing Incentive fund. He explained (12:00).

Meeting adjourned.

2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee

Harvest Room, State Capitol

SB 2014 04-26-2013 pm Job # 21551

Committee Clerk Signature	alice	Allsex	
Explanation or reason for int	troduction of bi	II/resolution:	
A Conference Committee hear	ing on the Indus	trial Commission	
Minutes:			

Senator Carlisle called the Conference Committee to order on Friday, April 26, 2013 at 2:00 pm in regards to SB 2014. Let the record show that all conferees are present.

SENATE: Senators: Ron Carlisle, Chair; Robert Erbele, John Warner HOUSE: Representatives: Blair Thoreson, Kathy Hawken, Eliot Glassheim

Becky J. Keller - Legislative Council Sheila Peterson - OMB

Senator Carlisle: I thought we were about \$10M apart but it is my understanding that in 2018 the \$15M includes the \$3M for the childcare facilities and childcare inclusion and if that is true we are \$13M apart.

Becky J. Keller: I did check with the analyst on 2018 and he confirmed that was true.

Representative Hawken: There was a feeling we could move the money back to the Industrial Commission.

Senator Carlisle: We are willing to split the overtime. Is there any movement on that language on the "up to"?

Rep. Thoreson: This could be a sticking point. The view of the House is to leave the language as it is.

Senator Carlisle: The Glasshiem amendments everybody ok with at this point.

We are scheduled for 9:00 am and the leadership will be coming. We have no movement as of right now.

Senate Appropriations Committee SB 2014 Conference Committee 04-26-13 Page 2

Senator Erbele: I am not hearing any discussion on the \$13M that we are looking for. Is it contingent upon something else? Is it a possibility? Are you waiting for something else to happen?

Kathy Hawken: Perhaps that would be the answer. As you and I discussed earlier, our ability to close things out is not quite the same on our side, as your side, but we will keep working and looking at \$13M.

Senator Carlisle: Everyone knows, in the food chain of events, there are some other budgets that could affect this ending fund balance.

There was no compromise so the conference committee will meet at 9:00 AM Saturday morning. Meeting adjourned.

2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee

Harvest Room, State Capitol

SB 2014 Conference Committee (2) April 27, 2013 Joh # 21584

□ Conference Committee

Committee Clerk Signature	ing
Explanation or reason for introduction of bill/re	esolution:
A BILL for an Act to provide an appropriation industrial commission and the agencies under its i	
Minutes:	
Legislative Council - Becky J. Keller	

Senator Carlisle called the conference committee hearing back to order on SB 2014. Senator Erbele and Senator Heckaman were present as well as Representatives Thoreson, Hawken and Glassheim.

OMB - Sheila Peterson & Laney Herauf

Chairman Carlisle: When we left we were at about five million dollars apart on the general fund and my understanding is the House might have a couple of ideas.

Representative Hawken: We had originally offered to do 35% up to 6million dollars. In visiting it sounds like we can go up to \$6.8million on the mill. We have \$5million in general funds and you wanted \$10million so we're offering \$5million in general funds and \$5million in tax credits since we have those two different break downs.

Chairman Carlisle: We've got tacit approval on the \$5million and the \$5million credits. He asked Becky Keller and Karlene Fine to let them know where they are at. We want to make sure the money moved over from 2018 goes into 2014. The additional five million dollars general fund money.

Senator Erbele: If we are pulling that stuff from 2018 then we have the fifteen plus the five, we just agreed to, would be hard dollar general fund. We then have the additional five million in credits coming that would be added. Out of that twenty million we need to delineate that \$2million would be for homeless and \$2.6million will go over to the childcare grant.

Karlene Fine, Industrial Commission: The only thing I'm unclear on is there was \$15million tax credits and \$15million general funds in 2018, but in 1029 there was \$20million of tax credits.

Senate Appropriations Committee SB 2014 conference committee April 27, 2013 Page 2

Representative Hawken: Said she believed that was there but there was no authority to spend it.

Karlene Fine: So we are looking at the \$5million on top of the \$15million. There is \$20million in tax credits and \$17million in general fund dollars that will go for housing. \$2.6million will go for childcare facilities and then \$2million for homeless shelters. That would be a total of \$41.6million between the housing incentive fund and the childcare and homeless shelter.

Becky J. Keller: Said that she understood it to be of the \$20million general fund that the \$2million for homeless and the \$2.6million for childcare would come out of that \$20million.

Chairman Carlisle: That's what we understood. We are picking up another \$5milion. Last week, we agreed that we're going to take the \$2million for the homeless but it was backing out of the total.

Representative Hawken: Do we need to indicate that the \$2million needs to go anywhere else, which agency does it?

Becky J. Keller: It's in there.

Representative Glassheim: So there's really only \$15.4 in cash for the housing incentive fund?

Senator Carlisle: Yes but it will be up to \$6.8million. Another eight hundred thousand goes to general fund but in turn you're offering another \$5million in credits. We would have Becky draft amendments for Monday and we can all go over the amendment.

Karlene Fine: In some of the language there is carrying over from the 2018, had a cap in there of thirty million dollars for the housing incentive fund. I would propose that that goes out. It will be what it is in the appropriation and have the language read the housing incentive fund is created as a state revolving fund.

Representative Hawken: In what we are doing it has to go away.

Chairman Carlisle: We can meet again on Monday and look them over.

2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee

Harvest Room, State Capitol

SB 2014 conference committee April 29, 2013 Job # 21599

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under its management

Minutes:

Amendment 13.8164.02004

Legislative Council - Becky J. Keller OMB - Sheila Peterson & Laney Herauf

Senator Carlisle called the conference committee hearing to order on SB 2014. Senators Erbele and Warner were present as well as Representatives Thoreson, Hawken and Glassheim.

Becky Keller, Legislative Council, explained amendments 13.8164.02004.

Rep. Thoreson: The language change in section 20, the removal of \$200,000 and changed to an amount determined by the Bank of North Dakota, could someone give a brief explanation on this?

Karlene Fine, State Industrial Commission: This is the beginning entrepreneur program that is at the Bank of North Dakota. The discussion was that if we were doing childcare grants, we should look at changing that income limitation. That is why it was taken out, to have it determined by the Bank of ND through their loan process. It is not limited to childcare it is any loans that are made through the beginning entrepreneur program.

Rep. Thoreson: Where was this discussion at?

Karlene Fine: This was presented in the commerce and they agree to it over in the conference committee.

A correction was made on page 5.

Senator Warner: Section 31 is authority to use their own funds?

Senate Appropriations Committee SB 2014 conference committee April 29, 2013 Page 2

Becky J. Keller: There are no general funds involved. They are a special agency. She continued her explanation of the amendments.

Senator Erbele: Section 18 - we were making changes and I see most of that language is in Section 25.

Becky J. Keller: Section 25 is just creating the fund and the continuing appropriation.

Rep. Hawken: The other part - the renewable energy part.

Becky J. Keller: That will stay in the section that was already put in by the Senate

Rep. Hawken: So it's in there, great.

Rep. Thoreson moved to adopt .02004 as corrected and then they will get to see the amendments.

Senator Erbele seconded.

Voice vote approved.

Rep. Thoreson moved that the House recede from House amendments and further amend SB 2014 with the corrected amendment.

Senator Erbele seconded the motion.

A roll call vote was taken. Yea: 6 Nay: 0 Absent: 0

Senator Carlisle and Rep. Hawken will carry the bill on the floor.

Senator Carlisle: They will prepare a marked up version for us. He adjourned.

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2014

That the House recede from its amendments as printed on pages 1499-1505 of the Senate Journal and pages 1566-1572 of the House Journal and that Engrossed Senate Bill No. 2014 be amended as follows:

- Page 1, line 3, after the semicolon insert "to provide a continuing appropriation;"
- Page 1, line 4, after the semicolon insert "to create and enact a new section to chapter 6-09.15, a new subsection to section 6-09.15-01, a new section to chapter 54-45.5, and a new subsection to 57-35.3-05 of the North Dakota Century Code, relating to a loan guarantee for child care facilities and housing incentive fund tax credits, and the energy conservation fund;"
- Page 1, line 4, after "reenact" insert "subsection 1 of section 6-09.15-01, subsection 2 of section 54-17-40,"
- Page 1, line 4, after "54-17.6-05" insert ", subsection 17 of section 54-44.3-20,"
- Page 1, line 4, replace "54-18-19" with "57-38-01.32"
- Page 1, line 5, after "to" insert "the beginning entrepreneur loan guarantee program,"
- Page 1, line 6, after the third comma insert "the housing incentive fund, housing incentive fund credits,"
- Page 1, line 6, remove the third "the"
- Page 1, line 7, replace "transfer of North Dakota mill and elevator profits to the general fund" with "classified employees"
- Page 1, line 9, after the semicolon insert "to provide an effective date; to provide an expiration date;"

Page 1, replace lines 21 and 22 with:

"Salaries and wages	\$12,059,220	\$5,814,656	\$17,873,876
Accrued leave payments	0	347,696	347,696
Operating expenses	3,378,744	2,551,832	5,930,576"
Page 2, replace lines 4 through 7 with:			
"Total all funds	\$61,542,969	\$1,924,948	\$63,467,917
Less estimated income	<u>46,766,756</u>	(5,792,964)	<u>40,973,792</u>
Total general fund	\$14,776,213	\$7,717,912	\$22,494,125
Full-time equivalent positions	76.06	22.69	98.75"
Page 2, replace lines 12 through 15 wi	ith:		
"Bank of North Dakota operations	\$45,587,155	\$5,936,761	\$51,523,916
Accrued leave payments	0	881,231	881,231
Capital assets	<u>1,266,000</u>	(521,000)	<u>745,000</u>
Total special funds	\$46,853,155	\$6,296,992	\$53,150,147
Full-time equivalent positions	176.50	3.00	179.50"

Page 3, replace lines 1 through 6 with:

"Salaries and wages \$26,018,008	\$3,123,742	\$29,141,750
Accrued leave payments Operating expenses Contingencies Agriculture promotion Total from mill and elevator fund Full-time equivalent positions \$20,443,869 400,000 210,000 \$47,071,877 131.00	575,807 1,352,131 0 0 0 \$5,051,680	575,807 21,796,000 400,000 210,000 \$52,123,557 135.00"
Page 3, replace lines 11 through 16 with:		
"Salaries and wages \$6,516,277 Accrued leave payments \$5,114,849 Grants \$26,858,920 Housing finance agency contingencies Total special funds \$38,590,046 Full-time equivalent positions \$46.00	147,806 (1,323,091) 2,674,130 0 \$2,417,445	\$7,434,877 147,806 3,791,758 29,533,050 100,000 \$41,007,491 46.00"
Page 3, replace lines 21 through 23 with:		
"Grand total general fund \$24,176,213 Grand total special funds 179,281,834 Grand total all funds \$203,458,047	7,973,153	\$43,007,372 <u>187,254,987</u> \$230,262,359"
Page 4, replace line 8 with:		
"Housing incentive fund	0	15,400,000"
Page 4, remove line 10		
Page 4, replace lines 14 through 16 with:		
"Total all funds Total special funds Total general fund	\$38,299,400 10,000,000 \$28,299,400	\$16,560,800 <u>0</u> \$16,560,800"

Page 6, line 15, replace "\$30,000,000" with "\$15,400,000"

Page 6, after line 24, insert:

"SECTION 13. APPROPRIATION - DEPARTMENT OF COMMERCE. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$2,000,000, or so much of the sum as may be necessary, to the department of commerce for the purpose of providing grants to homeless shelters, for the biennium beginning July 1, 2013, and ending June 30, 2015.

SECTION 14. APPROPRIATION - DEPARTMENT OF COMMERCE. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$2,600,000, or so much of the sum as may be necessary, to the department of commerce for the purpose of providing grants to child care facilities, for the biennium beginning July 1, 2013, and ending June 30, 2015. The department shall establish guidelines to qualify for a grant under this section which must include a matching requirement of one dollar of matching funds for every three dollars of grant funds and a maximum grant amount of \$187,500.

SECTION 15. APPROPRIATION - STATE TREASURER. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$13,247, or so much of the sum as may be necessary, to the state treasurer for the purpose of defraying additional information technology development costs relating to changes in oil revenue distributions and other changes, for the biennium beginning July 1, 2013, and ending June 30, 2015."

Page 7, after line 21, insert:

"SECTION 18. OIL AND GAS RESEARCH PROGRAM - OIL AND GAS DEVELOPMENT IMPACT STUDIES. The industrial commission may use the sum of \$150,000, or so much of the sum as may be necessary, from the oil and gas research fund for nonmatching followup studies to provide updates and refinements to employment models used to track and forecast changes in the oil and gas industry workforce and estimate housing and population in the Williston basin and to make a comprehensive assessment of the demographic makeup of the current and expected oil and gas industry workforce."

Page 7, after line 27, insert:

"SECTION 20. AMENDMENT. Subsection 1 of section 6-09.15-01 of the North Dakota Century Code is amended and reenacted as follows:

- 1. "Beginning entrepreneur" means a resident of this state who:
 - a. Has graduated from high school or has received a general equivalency certificate.
 - b. Has had some training, by education or experience, in the type of revenue-producing enterprise which that person wishes to begin.
 - c. Has, including the net worth of that person's dependents and spouse, if any, a net worth of less than two hundred thousand dollars an amount determined by the Bank of North Dakota.

SECTION 21. A new subsection to section 6-09.15-01 of the North Dakota Century Code is created and enacted as follows:

"Child care provider" means a child care home, group, or center licensed by the department of human services.

SECTION 22. A new section to chapter 6-09.15 of the North Dakota Century Code is created and enacted as follows:

Loan guarantee for child care facility.

A beginning entrepreneur who receives a loan for a child care facility must be a child care provider.

SECTION 23. AMENDMENT. Subsection 2 of section 54-17-40 of the North Dakota Century Code is amended and reenacted as follows:

 After a public hearing, the housing finance agency shall create an annual allocation plan for the distribution of the fund. At least twenty-five percent of the fund must be used to assist developing communities with a population of not more than ten thousand individuals to address an unmet housing need or alleviate a housing shortage. At-least-fifty percentA portion of the fund as determined by the housing finance agency in the annual allocation plan must be used to benefit households with incomes at not more than fifty percent of the area medianindividuals and families of low or moderate income. The agency may collect a reasonable administrative fee from the fund, project developers, applicants, or grant recipients."

Page 8, replace lines 17 through 24 with:

"SECTION 25. A new section to chapter 54-45.5 of the North Dakota Century Code is created and enacted as follows:

Energy conservation grant fund - continuing appropriation.

The energy conservation grant fund is a special fund in the state treasury. All funds in the energy conservation grant fund are appropriated to the department on a continuing basis for the purpose of providing grants to political subdivisions for energy conservation projects in nonfederal public buildings. The department shall develop guidelines to qualify for a grant under this section which must include a requirement that projects have a combined payback period of ten years or less, a matching requirement of one dollar of matching funds for every dollar of grant funds, and a maximum grant amount of one hundred thousand dollars. Interest earned by the fund must be credited to the fund.

SECTION 26. A new subsection to section 57-35.3-05 of the North Dakota Century Code is created and enacted as follows:

There is allowed a credit against the tax imposed by sections 57-35.3-01 through 57-35.3-12 in an amount equal to the contribution to the housing incentive fund under section 54-17-40. For the purpose of the credit allowed in this subsection, subsections 2 through 8 of section 57-38-01.32 apply.

SECTION 27. AMENDMENT. Section 57-38-01.32 of the North Dakota Century Code is amended and reenacted as follows:

57-38-01.32. (Effective for the first two taxable years beginning after December 31, 20102012) Housing incentive fund tax credit.

- A taxpayer is entitled to a credit as determined under this section against state income tax liability under section 57-38-30 or 57-38-30.3 for contributing to the housing incentive fund under section 54-17-40. The amount of the credit is equal to the amount contributed to the fund during the taxable year.
- 2. North Dakota taxable income must be increased by the amount of the contribution upon which the credit under this section is computed but only to the extent the contribution reduced federal taxable income.
- 3. The contribution amount used to calculate the credit under this section may not be used to calculate any other state income tax deduction or credit allowed by law.

- 4. If the amount of the credit exceeds the taxpayer's tax liability for the taxable year, the excess may be carried forward to each of the ten succeeding taxable years.
- 5. The aggregate amount of tax credits allowed to all eligible contributors is limited to <u>fifteentwenty</u> million dollars per biennium. This limitation applies to all contributions for which tax credits are claimed under section 57-35.3-05 and this section.
- 6. Within thirty days after the date on which a taxpayer makes a contribution to the housing incentive fund, the housing finance agency shall file with each contributing taxpayer, and a copy with the tax commissioner, completed forms that show as to each contribution to the fund by that taxpayer the following:
 - a. The name, address, and social security number or federal employer identification number of the taxpayer that made the contribution.
 - b. The dollar amount paid for the contribution by the taxpayer.
 - c. The date the payment was received by the fund.
- 7. To receive the tax credit provided under this section, a taxpayer shall claim the credit on the taxpayer's state income or financial institutions tax return in the manner prescribed by the tax commissioner and file with the return a copy of the form issued by the housing finance agency under subsection 6.
- 8. Notwithstanding the time limitations contained in section 57-38-38, this section does not prohibit the tax commissioner from conducting an examination of the credit claimed and assessing additional tax due under section 57-38-38.
- 9. A partnership, subchapter S corporation, limited partnership, limited liability company, or any other passthrough entity making a contribution to the housing incentive fund under this section is considered to be the taxpayer for purposes of this section, and the amount of the credit allowed must be determined at the passthrough entity level. The amount of the total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity."

Page 9, line 7, after "transferred" insert "no less than"

Page 9, line 10, after "transferred" insert "no less than"

Page 9, line 10, after the second "<u>fund</u>" insert "<u>not to exceed one million two hundred thousand dollars per biennium</u>"

Page 9, line 17, overstrike "energy"

Page 9, line 18, overstrike "conservation and"

Page 9, after line 22, insert:

"c. The department of commerce for the funding of programs for development of energy conservation and for the making of grants and loans relating to energy conservation."

"SECTION 29. AMENDMENT. Subsection 17 of section 54-44.3-20 of the North Dakota Century Code is amended and reenacted as follows:

17. Engineers, engineering technicians, and geologists employed by the director of mineral resources."

Page 10, after line 9, insert:

"SECTION 31. EMERGENCY COMMISSION - MILL AND ELEVATOR

ASSOCIATION. The salaries and wages line item in subdivision 4 of section 1 of this Act includes \$232,681 for overtime pay. Notwithstanding chapter 54-16, the mill and elevator association may request additional appropriation authority from the emergency commission if the funds provided for overtime pay are not sufficient for the beginning July 1, 2013, and ending June 30, 2015 biennium.

SECTION 32. MILL AND ELEVATOR PROFITS - TRANSFER TO THE GENERAL FUND. Notwithstanding any other provision of law, the industrial commission shall transfer to the state general fund 50 percent of the annual earnings and undivided profits of the North Dakota mill and elevator association after any transfers to other state agricultural-related programs or the sum of \$6,817,200, whichever is less, during the biennium beginning July 1, 2013, and ending June 30, 2015. The moneys must be transferred on an annual basis in the amounts and at the times requested by the director of the office of management and budget."

Page 10, after line 20, insert:

"SECTION 35. EFFECTIVE DATE - EXPIRATION DATE. Sections 26 and 27 of this Act are effective for the first two taxable years beginning after December 31, 2012, and are thereafter ineffective."

Page 10, line 21, replace "Sections" with "The amount of \$61,751 and five full-time equivalent positions included in subdivision 1 of section 1 and sections"

Page 10, line 21, replace "11" with "10"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2014 - Summary of Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
State Treasurer						
Total all funds	\$0	\$0	\$13,247	\$13,247	\$0	\$13,247
Less estimated income	0	0	0	0	0	0
General fund	\$0	\$0	\$13,247	\$13,247	\$0	\$13,247
Industrial Commission						
Total all funds	\$63,356,975	\$63,529,688	(\$61,771)	\$63,467,917	\$62,746,253	\$721,664
Less estimated income	40,937,857	40,951,674	22,118	40,973,792	40,915,821	57,971
General fund	\$22,419,118	\$22,578,014	(\$83,889)	\$22,494,125	\$21,830,432	\$663,693
Bank of North Dakota			1			
Total all funds	\$52,452,928	\$52,606,408	\$543,739	\$53,150,147	\$51,682,968	\$1,467,179
Less estimated income	52,452,928	52,606,408	543,739	53,150,147	51,682,968	1,467,179
General fund	\$0	\$0	\$0	\$0	\$0	\$0
Housing Finance Agency						

Total all funds Less estimated income General fund	\$40,862,039 40,862,039 \$0	\$70,869,907 40,869,907 \$30,000,000	(\$14,462,416) 137,584 (\$14,600,000)	\$56,407,491 41,007,491 \$15,400,000	\$40,630,404 40,630,404 \$0	\$15,777,087 377,087 \$15,400,000
Mill and Elevator	# 50.055.40.4	* 50.055.404	(0404 507)	# 50.400.557	A 54 050 050	* 400.000
Total all funds	\$52,255, 124	\$52,255,124	(\$131,567)	\$52,123,557	\$51,653,858	\$469,699
Less estimated income	52,255,124	52,255,124	(131,567)	52,123,557	51,653,858	469,699
General fund	\$0	\$0	\$0	\$0	\$0	\$0
Department of Commerce Total all funds Less estimated income	\$ 0 0	\$500,000 0	\$4,600,000	\$5,100,000 0	\$2,500,000 0	\$2,600,000 0
General fund	\$0	\$500,000	\$4,600,000	\$5,100,000	\$2,500,000	\$2,600,000
Bill total Total all funds Less estimated income General fund	\$208,927,066 186,507,948 \$22,419,118	\$239,761,127 186,683,113 \$53,078,014	(\$9,498,768) 571,874 (\$10,070,642)	\$230,262,359 187,254,987 \$43,007,372	\$209,213,483 184,883,051 \$24,330,432	\$21,048,876 2,371,936 \$18,676,940

Senate Bill No. 2014 - State Treasurer - Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Information technology costs			\$13,247	\$13,247		\$13,247
Total all funds Less estimated income	\$0 0	\$0 0	\$13,247 0	\$13,247 0	\$0 0	\$13,247 0
General fund	\$0	\$0	\$13,247	\$13,247	\$0	\$13,247
FTE	0.00	0.00	0.00	0.00	0.00	0.00

Department No. 120 - State Treasurer - Detail of Conference Committee Changes

	Adds Funding for Information Technology Costs ¹	Total Conference Committee Changes
Information technology costs	\$13,247	\$13,247
Total all funds Less estimated income	\$13,247 0	\$13,247 0
General fund	\$13,247	\$13,247
FTE	0.00	0.00

¹ Funding for additional information technology development costs is added relating to changes in oil revenue distributions and other changes.

Senate Bill No. 2014 - Industrial Commission - Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Salaries and wages	\$17,710,630	\$17,883,343	(\$9,467)	\$17,873,876	\$17,152,212	\$721,664
Operating expenses	6,330,576	6,330,576	(400,000)	5,930,576	5,930,576	
Capital assets	5,800	5,800		5,800	5,800	
Grants - Lignite research	19,500,000	19,500,000		19,500,000	19,500,000	
Grants - Bond payments	19,809,969	19,809,969		19,809,969	19,809,969	
Accrued leave payments			347,696	347,696	347,696	
Total all funds	\$63,356,975	\$63,529,688	(\$61,771)	\$63,467,917	\$62,746,253	\$721,664
Less estimated income	40,937,857	40,951,674	22,118	40,973,792	40,915,821	57,971

General fund	\$22,419,118	\$22,578,014	(\$83,889)	\$22,494,125	\$21,830,432	\$663,693
FTE	98.75	98.75	0.00	98.75	98.75	0.00

Department No. 405 - Industrial Commission - Detail of Conference Committee Changes

	Removes House Changes to Executive Compensation Package¹	Adjusts State Employee Compensation and Benefits Package ²	Provides Separate Line Item for Accrued Leave Payments ³	Adds Funding for Hiring FTE Early ⁴	Removes Funding for Oll Impact ⁵	Total Conference Committee Changes
Salaries and wages Operating expenses Capital assets Grants - Lignite research	\$445,186	(\$168,708)	(\$347,696)	\$61,751	(400,000)	(\$9,467) (400,000)
Grants - Bond payments Accrued leave payments			347,696			347,696
Total all funds Less estimated income	\$445,186 35,853	(\$168,708) (13,735)	\$0 0	\$61,751 0	(\$400,000)	(\$61,771) 22,118
General fund	\$409,333	(\$154,973)	\$0	\$61,751	(\$400,000)	(\$83,889)
FTE	0.00	0.00	0.00	0.00	0.00	0.00

¹ Changes made by the House to the executive compensation package are removed.

- Reduces the performance component from 3 to 5 percent per year to 3 to 5 percent for the first year of the biennium and 2 to 4 percent for the second year of the biennium.
- Reduces the market component from 2 to 4 percent per year to 1 to 2 percent per year for employees below the midpoint of their salary range.
- Reduces funding for retirement contribution increases to provide for a 1 percent state and 1 percent employee increase beginning in January 2014 and no increase in January 2015.

A section is added to provide an emergency clause for five new FTE positions, the same as the House version.

A section is added relating to the oil and gas research program, the same as the House version.

A section is added to unclassify engineering technicians of the Department of Mineral Resources, the same as the House version.

A section added by the Senate relating to distribution of the resources trust fund but removed by the House is included.

A section is added to create the energy conservation fund, and a section is changed to limit deposits into the fund to \$1.2 million per biennium.

² This amendment adjusts the state employee compensation and benefits package as follows:

³ A portion of salaries and wages funding from the general fund (\$323,357) and from other funds (\$24,339) for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

⁴ Funding is added to allow the Department of Mineral Resources to hire five of its new FTE positions during the 2011-13 biennium, the same as the House version.

⁵ Funding included in the executive budget recommendation for housing allowances for employees in oil-impacted areas is removed, the same as the House version.

Senate Bill No. 2014 - Bank of North Dakota - Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Capital assets BND operations Accrued leave payments	\$745,000 51,707,928	\$745,000 51,861,408	(337,492) 881,231	\$745,000 51,523,916 881,231	\$745,000 50,056,737 881,231	1,467,179
Total all funds Less estimated income	\$52,452,928 52,452,928	\$52,606,408 52,606,408	\$543,739 543,739	\$53,150,147 53,150,147	\$51,682,968 51,682,968	\$1,467,179 1,467,179
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	179.50	179.50	0.00	179.50	179.50	0.00

Department No. 471 - Bank of North Dakota - Detail of Conference Committee Changes

	Removes House Changes to Executive Compensation Package ¹	Adjusts State Employee Compensation and Benefits Package ²	Provides Separate Line Item for Accrued Leave Payments ³	Total Conference Committee Changes
Capital assets BND operations Accrued leave payments	923,440	(379,701)	(881,231) .881,231	(337,492) 881,231
Total all funds Less estimated income	\$923,440 923,440	(\$379,701) (379,701)	\$0 0	\$543,739 543,739
General fund	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	0.00

¹ Changes made by the House to the executive compensation package are removed.

- Reduces the performance component from 3 to 5 percent per year to 3 to 5 percent for the first year of the biennium and 2 to 4 percent for the second year of the biennium.
- Reduces the market component from 2 to 4 percent per year to 1 to 2 percent per year for employees below the midpoint of their salary range.
- Reduces funding for retirement contribution increases to provide for a 1 percent state and 1 percent employee increase beginning in January 2014 and no increase in January 2015.

Sections are added relating to the beginning entrepreneur loan guarantee program.

Senate Bill No. 2014 - Housing Finance Agency - Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Salaries and wages	\$7,437,231	\$7,445,099	(\$10,222)	\$7,434,877	\$7,057,790	\$377,087
Operating expenses	3,791,758	3,791,758		3,791,758	3,791,758	
Grants	29,533,050	29,533,050		29,533,050	29,533,050	
HFA contingencies	100,000	100,000		100,000	100,000	
Housing incentive fund30		30,000,000	(14,600,000)	15,400,000		15,400,000

² This amendment adjusts the state employee compensation and benefits package as follows:

³ A portion of salaries and wages funding for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

Accrued leave payments			147,806	147,806	147,806	
	\$40,862,039	\$70.869,907	(\$14,462,416)	\$56,407,491	\$40,630,404	\$15,777,087
Total all funds						
Less estimated income	40,862,039	40,869,907	137,584	41,007,491	40,630,404	377,087
	\$0	\$30,000,000	(\$14,600,000)	\$15,400,000	\$0	\$15,400,000
General fund						
	46.00	46.00	0.00	46.00	46.00	0.00
FTE						

Department No. 473 - Housing Finance Agency - Detail of Conference Committee Changes

	Removes House Changes to Executive Compensation Package¹	Adjusts State Employee Compensation and Benefits Package ²	Provides Separate Line Item for Accrued Leave Payments ³	Reduces Transfer to Housing Incentive Fund ⁴	Total Conference Committee Changes
Salaries and wages Operating expenses Grants HFA contingencies	\$239,503	(\$101,919)	(\$147,806)		(\$10,222)
Housing incentive fund30 Accrued leave payments			147,806	(14,600,000)	(14,600,000) 147,806
Total all funds Less estimated income	\$239,503 239,503	(\$101,919) (101,919)	\$0 0	(\$14,600,000) 0	(\$14,462,416) 137,584
General fund	\$0	\$0	\$0	(\$14,600,000)	(\$14,600,000)
FTE	0.00	0.00	0.00	0.00	0.00

¹ Changes made by the House to the executive compensation package are removed.

- Reduces the performance component from 3 to 5 percent per year to 3 to 5 percent for the first year of the biennium and 2 to 4 percent for the second year of the biennium.
- Reduces the market component from 2 to 4 percent per year to 1 to 2 percent per year for employees below the midpoint of their salary range.
- Reduces funding for retirement contribution increases to provide for a 1 percent state and
 1 percent employee increase beginning in January 2014 and no increase in January 2015.

Sections are added relating to the housing incentive tax credit and the effective and expiration dates for the credits.

Senate Bill No. 2014 - Mill and Elevator - Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Salaries and wages	\$29,849,124	\$29,849,124	(\$707,374)	\$29,141,750	\$28,672,051	\$469,699
Operating expenses	21,796,000	21,796,000		21,796,000	21,796,000	
Contingencies	400,000	400,000		400,000	400,000	
Agriculture promotion	210,000	210,000		210,000	210,000	
Accrued leave payments			575,807	575,807	575,807	
Total all funds	\$52,255,124	\$52,255,124	(\$131,567)	\$52,123,557	\$51,653,858	\$469,699

² This amendment adjusts the state employee compensation and benefits package as follows:

³ A portion of salaries and wages funding for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

⁴ Funding included by the Senate for a \$30 million transfer from the general fund to the housing incentive fund is reduced to \$15.4 million. The House removed the full \$30 million.

Less estimated income	52,255,124	52,255,124	(131,567)	52,123,557	51,653,858	469,699
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	135.00	135.00	0.00	135.00	135.00	0.00

Department No. 475 - Mill and Elevator - Detail of Conference Committee Changes

	Removes House Changes to Executive Compensation Package ¹	Adjusts State Employee Compensation and Benefits Package ²	Provides Separate Line Item for Accrued Leave Payments ³	Reduces Funding for Overtime ⁴	Total Conference Committee Changes
Salaries and wages Operating expenses Contingencies	\$135,905	(\$34,792)	(\$575,807)	(\$232,680)	(\$707,374)
Agriculture promotion Accrued leave payments			575,807		575,807
Total all funds Less estimated income	\$135,905 135,905	(\$34,792) (34,792)	\$0 0	(\$232,680) (232,680)	(\$131,567) (131,567)
General fund	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	0.00	0.00

¹ Changes made by the House to the executive compensation package are removed.

A section included in the executive budget recommendation relating to reducing the transfer of mill profits to the general fund is removed resulting in an additional \$6,817,200 of projected general fund revenue for the 2013-15 biennium, the same as the House. A section is added to limit the transfer from the mill profits to the \$6,817,200 for the 2013-15 biennium.

Senate Bill No. 2014 - Department of Commerce - Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Market Study Homeless shelter grants Childcare facilities		\$500,000	2,000,000 2,600,000	\$500,000 2,000,000 2,600,000	\$500,000 2,000,000	2,600,000
Total all funds Less estimated income	\$0 0	\$500,000 <u>0</u>	\$4,600,000 0	\$5,100,000 0	\$2,500,000 0	\$2,600,000 0
General fund	\$0	\$500,000	\$4,600,000	\$5,100,000	\$2,500,000	\$2,600,000
FTE	0.00	0.00	0.00	0.00	0.00	0.00

² This amendment adjusts the state employee compensation and benefits package as follows:

[•] Reduces funding for retirement contribution increases to provide for a 1 percent state and 1 percent employee increase beginning in January 2014 and no increase in January 2015.

³ A portion of salaries and wages funding for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

⁴ Funding included in the executive budget recommendation for overtime pay is removed.

Department No. 601 - Department of Commerce - Detail of Conference Committee Changes

	Adds Funding for Grants to Homeless Shelters ¹	Adds Funding for Grants to Childcare Facilities ²	Total Conference Committee Changes
Market Study Homeless shelter grants Childcare facilities	2,000,000	2,600,000	2,000,000 2,600,000
Total all funds Less estimated income	\$2,000,000 0	\$2,600,000 0	\$4,600,000 0
General fund	\$2,000,000	\$2,600,000	\$4,600,000
FTE	0.00	0.00	0.00

¹ Funding is added for grants to homeless shelters.

² Funding is added for grants to child care facilities.

Date	4	-2	19-13	
Roll Call	Vote	#	1	

.2013 SENATE CONFERENCE COMMITTEE ROLL CALL VOTES

	BILL/RESOLUT	TION NO.	3014as (re) en	grossed	
Senate		Cepprop	uations	Com	ımittee
Action Taker	SENATE	//	ouse Amendments		THE STATE OF THE S
	SENATE	accede to Ho	use Amendments and fur	ther amend	ls
	HOUSE	recede from H	ouse amendments	- 7.11. 185	
	HOUSE	recede from Ho	ouse amendments and an	nends as fo	ollows
Motion Made.by	a new col	mmittee be ap	nmends that the committe pointed Seconded by:		arged and
Senator	s . 4/39	Yes No	Representatives	1/29	Yes No
Senetors Ca	eliste	-	Rep. Thoreson	12	V
Est	ther v		Mawken Blassheim		1
Total Senate Vo	te .		Total Rep. Vote		
Vote Count	Yes:		No:	Absent:	
Senate Carrier	Carlis	ile	House Carrier Ha	wken	
LC Number	£ .			of amer	ndment
LC.Number			, 1 8	of engro	ossment

Module ID: s_cfcomrep_77_007 Insert LC: 13.8164.02005

REPORT OF CONFERENCE COMMITTEE

SB 2014, as engrossed: Your conference committee (Sens. Carlisle, Erbele, Warner and Reps. Thoreson, Hawken, Glassheim) recommends that the HOUSE RECEDE from the House amendments as printed on SJ pages 1499-1505, adopt amendments as follows, and place SB 2014 on the Seventh order:

That the House recede from its amendments as printed on pages 1499-1505 of the Senate Journal and pages 1566-1572 of the House Journal and that Engrossed Senate Bill No. 2014 be amended as follows:

- Page 1, line 3, after the second semicolon insert "to provide a continuing appropriation;"
- Page 1, line 4, after the semicolon insert "to create and enact a new section to chapter 6-09.15, a new subsection to section 6-09.15-01, a new section to chapter 54-45.5, and a new subsection to section 57-35.3-05 of the North Dakota Century Code, relating to a loan guarantee for child care facilities, housing incentive fund tax credits, and the energy conservation fund;"
- Page 1, line 4, after "reenact" insert "subsection 1 of section 6-09.15-01, subsection 2 of section 54-17-40."
- Page 1, line 4, after "54-17.6-05" insert ", subsection 17 of section 54-44.3-20,"
- Page 1, line 4, replace "54-18-19" with "57-38-01.32"
- Page 1, line 5, after "to" insert "the beginning entrepreneur loan guarantee program,"
- Page 1, line 6, after the third comma insert "the housing incentive fund, housing incentive fund credits,"
- Page 1, line 6, remove the third "the"
- Page 1, line 7, replace "transfer of North Dakota mill and elevator profits to the general fund" with "classified employees"
- Page 1, line 9, after the semicolon insert "to provide an effective date; to provide an expiration date;"
- Page 1, replace lines 21 and 22 with:

"Salaries and wages Accrued leave payments Operating expenses	\$12,059,220	\$5,814,656	\$17,873,876
	0	347,696	347,696
	3,378,744	2,551,832	5,930,576"
Page 2, replace lines 4 through 7 with	th:		
"Total all funds	\$61,542,969	\$1,924,948	\$63,467,917
Less estimated income	46,766,756	(5,792,964)	<u>40,973,792</u>
Total general fund	\$14,776,213	\$7,717,912	\$22,494,125
Full-time equivalent positions	76.06	22.69	98.75"
Page 2, replace lines 12 through 15	with:		
"Bank of North Dakota operations	\$45,587,155	\$5,936,761	\$51,523,916
Accrued leave payments	0	881,231	881,231
Capital assets	<u>1,266,000</u>	(521,000)	<u>745,000</u>
Total special funds	\$46,853,155	\$6,296,992	\$53,150,147

176.50

Page 3, replace lines 1 through 6 with:

Full-time equivalent positions

179.50"

3.00

Insert LC: 13.8164.02005

"Salaries and wages Accrued leave payments Operating expenses Contingencies Agriculture promotion Total from mill and elevator fund Full-time equivalent positions	\$26,018,008 0 20,443,869 400,000 210,000 \$47,071,877 131.00	\$3,123,742 575,807 1,352,131 0 0 \$5,051,680 4.00	\$29,141,750 575,807 21,796,000 400,000 <u>210,000</u> \$52,123,557 135.00"
Page 3, replace lines 11 through 1	6 with:		
"Salaries and wages Accrued leave payments Operating expenses Grants Housing finance agency continger Total special funds Full-time equivalent positions	\$6,516,277 0 5,114,849 26,858,920 acies 100,000 \$38,590,046 46.00	\$918,600 147,806 (1,323,091) 2,674,130 0 \$2,417,445 0.00	\$7,434,877 147,806 3,791,758 29,533,050 100,000 \$41,007,491 46.00"
Page 3, replace lines 21 through 2	3 with:		
"Grand total general fund Grand total special funds Grand total all funds	\$24,176,213 <u>179,281,834</u> \$203,458,047	\$18,831,159 <u>7,973,153</u> \$26,804,312	\$43,007,372 <u>187,254,987</u> \$230,262,359"
Page 4, replace line 8 with:			
"Housing incentive fund		0	15,400,000"
Page 4, remove line 10			
Page 4, replace lines 14 through 1	6 with:		
"Total all funds Total special funds Total general fund		\$38,299,400 10,000,000 \$28,299,400	\$16,560,800 <u>0</u> \$16,560,800"

Page 6, line 15, replace "\$30,000,000" with "\$15,400,000"

Page 6, after line 24, insert:

"SECTION 13. APPROPRIATION - DEPARTMENT OF COMMERCE. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$2,000,000, or so much of the sum as may be necessary, to the department of commerce for the purpose of providing grants to homeless shelters, for the biennium beginning July 1, 2013, and ending June 30, 2015.

SECTION 14. APPROPRIATION - DEPARTMENT OF COMMERCE. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$2,600,000, or so much of the sum as may be necessary, to the department of commerce for the purpose of providing grants to child care facilities, for the biennium beginning July 1, 2013, and ending June 30, 2015. The department shall establish guidelines to qualify for a grant under this section which must include a matching requirement of one dollar of matching funds for every three dollars of grant funds and a maximum grant amount of \$187,500.

SECTION 15. APPROPRIATION - STATE TREASURER. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$13,247, or so much of the sum as may be necessary, to the state treasurer for the purpose of defraying additional information

Insert LC: 13.8164.02005

technology development costs relating to changes in oil revenue distributions and other changes, for the biennium beginning July 1, 2013, and ending June 30, 2015."

Page 7, after line 21, insert:

"SECTION 18. OIL AND GAS RESEARCH PROGRAM - OIL AND GAS DEVELOPMENT IMPACT STUDIES. The industrial commission may use the sum of \$150,000, or so much of the sum as may be necessary, from the oil and gas research fund for nonmatching followup studies to provide updates and refinements to employment models used to track and forecast changes in the oil and gas industry workforce and estimate housing and population in the Williston basin and to make a comprehensive assessment of the demographic makeup of the current and expected oil and gas industry workforce."

Page 7, after line 27, insert:

"SECTION 20. AMENDMENT. Subsection 1 of section 6-09.15-01 of the North Dakota Century Code is amended and reenacted as follows:

- 1. "Beginning entrepreneur" means a resident of this state who:
 - Has graduated from high school or has received a general equivalency certificate.
 - Has had some training, by education or experience, in the type of revenue-producing enterprise which that person wishes to begin.
 - c. Has, including the net worth of that person's dependents and spouse, if any, a net worth of less than two hundred thousand dellarsan amount determined by the Bank of North Dakota.

SECTION 21. A new subsection to section 6-09.15-01 of the North Dakota Century Code is created and enacted as follows:

"Child care provider" means a child care home, group, or center licensed by the department of human services.

SECTION 22. A new section to chapter 6-09.15 of the North Dakota Century Code is created and enacted as follows:

Loan guarantee for child care facility.

A beginning entrepreneur who receives a loan for a child care facility must be a child care provider.

SECTION 23. AMENDMENT. Subsection 2 of section 54-17-40 of the North Dakota Century Code is amended and reenacted as follows:

2. After a public hearing, the housing finance agency shall create an annual allocation plan for the distribution of the fund. At least twenty-five percent of the fund must be used to assist developing communities with a population of not more than ten thousand individuals to address an unmet housing need or alleviate a housing shortage. At least fifty percentA portion of the fund as determined by the housing finance agency in the annual allocation plan must be used to benefit households with incomes at not more than fifty percent of the area medianindividuals and families of low or moderate income. The agency may collect a reasonable administrative fee from the fund, project developers, applicants, or grant recipients."

Page 8, replace lines 17 through 24 with:

Insert LC: 13.8164.02005

"SECTION 25. AMENDMENT. Subsection 17 of section 54-44.3-20 of the North Dakota Century Code is amended and reenacted as follows:

 Engineers, engineering technicians, and geologists employed by the director of mineral resources.

SECTION 26. A new section to chapter 54-45.5 of the North Dakota Century Code is created and enacted as follows:

Energy conservation grant fund - Continuing appropriation.

The energy conservation grant fund is a special fund in the state treasury. All funds in the energy conservation grant fund are appropriated to the department on a continuing basis for the purpose of providing grants to political subdivisions for energy conservation projects in nonfederal public buildings. The department shall develop guidelines to qualify for a grant under this section which must include a requirement that projects have a combined payback period of ten years or less, a matching requirement of one dollar of matching funds for every dollar of grant funds, and a maximum grant amount of one hundred thousand dollars. Interest earned by the fund must be credited to the fund.

SECTION 27. A new subsection to section 57-35.3-05 of the North Dakota Century Code is created and enacted as follows:

There is allowed a credit against the tax imposed by sections 57-35.3-01 through 57-35.3-12 in an amount equal to the contribution to the housing incentive fund under section 54-17-40. For the purpose of the credit allowed in this subsection, subsections 2 through 8 of section 57-38-01.32 apply.

SECTION 28. AMENDMENT. Section 57-38-01.32 of the North Dakota Century Code is amended and reenacted as follows:

57-38-01.32. (Effective for the first two taxable years beginning after December 31, 20102012) Housing incentive fund tax credit.

- 1. A taxpayer is entitled to a credit as determined under this section against state income tax liability under section 57-38-30 or 57-38-30.3 for contributing to the housing incentive fund under section 54-17-40. The amount of the credit is equal to the amount contributed to the fund during the taxable year.
- North Dakota taxable income must be increased by the amount of the contribution upon which the credit under this section is computed but only to the extent the contribution reduced federal taxable income.
- The contribution amount used to calculate the credit under this section may not be used to calculate any other state income tax deduction or credit allowed by law.
- If the amount of the credit exceeds the taxpayer's tax liability for the taxable year, the excess may be carried forward to each of the ten succeeding taxable years.
- The aggregate amount of tax credits allowed to all eligible contributors is limited to <u>fifteentwenty</u> million dollars per biennium. This limitation applies to all contributions for which tax credits are claimed under section 57-35.3-05 and this section.
- 6. Within thirty days after the date on which a taxpayer makes a contribution to the housing incentive fund, the housing finance agency shall file with

Insert LC: 13.8164.02005

each contributing taxpayer, and a copy with the tax commissioner, completed forms that show as to each contribution to the fund by that taxpayer the following:

- a. The name, address, and social security number or federal employer identification number of the taxpayer that made the contribution.
- b. The dollar amount paid for the contribution by the taxpaver.
- c. The date the payment was received by the fund.
- 7. To receive the tax credit provided under this section, a taxpayer shall claim the credit on the taxpayer's state income or financial institutions tax return in the manner prescribed by the tax commissioner and file with the return a copy of the form issued by the housing finance agency under subsection 6.
- Notwithstanding the time limitations contained in section 57-38-38, this section does not prohibit the tax commissioner from conducting an examination of the credit claimed and assessing additional tax due under section 57-38-38.
- 9. A partnership, subchapter S corporation, limited partnership, limited liability company, or any other passthrough entity making a contribution to the housing incentive fund under this section is considered to be the taxpayer for purposes of this section, and the amount of the credit allowed must be determined at the passthrough entity level. The amount of the total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity."
- Page 9, line 7, after "transferred" insert "no less than"
- Page 9, line 10, after "transferred" insert "no less than"
- Page 9, line 10, after the second "<u>fund</u>" insert "<u>not to exceed one million two hundred thousand dollars per biennium</u>"
- Page 9, line 17, overstrike "energy"
- Page 9, line 18, overstrike "conservation and"
- Page 9, after line 22, insert:
 - "c. The department of commerce for the funding of programs for development of energy conservation and for the making of grants and loans relating to energy conservation."

Page 10, after line 9, insert:

"SECTION 31. EMERGENCY COMMISSION - MILL AND ELEVATOR ASSOCIATION. The salaries and wages line item in subdivision 4 of section 1 of this Act includes \$232,681 for overtime pay. Notwithstanding chapter 54-16, the mill and elevator association may request additional appropriation authority from the emergency commission if the funds provided for overtime pay are not sufficient for the beginning July 1, 2013, and ending June 30, 2015 biennium.

SECTION 32. MILL AND ELEVATOR PROFITS - TRANSFER TO THE GENERAL FUND. Notwithstanding any other provision of law, the industrial commission shall transfer to the state general fund 50 percent of the annual earnings and undivided profits of the North Dakota mill and elevator association after any

Insert LC: 13.8164.02005

transfers to other state agricultural-related programs or the sum of \$6,817,200, whichever is less, during the biennium beginning July 1, 2013, and ending June 30, 2015. The moneys must be transferred on an annual basis in the amounts and at the times requested by the director of the office of management and budget."

Page 10, after line 20, insert:

"SECTION 35. EFFECTIVE DATE - EXPIRATION DATE. Sections 27 and 28 of this Act are effective for the first two taxable years beginning after December 31, 2012, and are thereafter ineffective."

Page 10, line 21, replace "Sections" with "The amount of \$61,751 and five full-time equivalent positions included in subdivision 1 of section 1 and sections"

Page 10, line 21, replace "11" with "10"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2014 - Summary of Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
State Treasurer						
Total all funds	\$0	\$0	\$13,247	\$13,247	\$0	\$13,247
Less estimated income	0	0	0	0	0	0
General fund	\$0	\$0	\$13,247	\$13,247	\$0	\$13,247
Industrial Commission						
Total all funds	\$63,356,975	\$63,529,688	(\$61,771)	\$63,467,917	\$62,746,253	\$721,664
Less estimated income	40,937,857	40,951,674	22,118	40,973,792	40,915,821	57,971
General fund	\$22,419,118	\$22,578,014	(\$83,889)	\$22,494,125	\$21,830,432	\$663,693
Bank of North Dakota						
Total all funds	\$52,452,928	\$52,606,408	\$543,739	\$53,150,147	\$51,682,968	\$1,467,179
Less estimated income	52,452,928	52,606,408	543,739	53,150,147	51,682,968	1,467,179
General fund	\$0	\$0	\$0	\$0	\$0	\$0
Housing Finance Agency						
Total all funds	\$40,862,039	\$70,869,907	(\$14,462,416)	\$56,407,491	\$40,630,404	\$15,777,087
Less estimated income	40,862,039	40,869,907	137,584	41,007,491	40,630,404	377,087
General fund	\$0	\$30,000,000	(\$14,600,000)	\$15,400,000	\$0	\$15,400,000
Mill and Elevator						
Total all funds	\$52,255,124	\$52,255,124	(\$131,567)	\$52,123,557	\$51,653,858	\$469,699
Less estimated income	52,255,124	52,255,124	(131,567)	52,123,557	51,653,858	469,699
General fund	\$0	\$0	\$0	\$0	\$0	\$0
Department of Commerce						
Total all funds	\$0	\$500,000	\$4,600,000	\$5,100,000	\$2,500,000	\$2,600,000
Less estimated income	0	0	0	0	0	0
General fund	\$0	\$500,000	\$4,600,000	\$5,100,000	\$2,500,000	\$2,600,000
Bill total						
Total all funds	\$208,927,066	\$239,761,127	(\$9,498,768)	\$230,262,359	\$209,213,483	\$21,048,876
Less estimated income	186,507,948	186,683,113	571,874	187,254,987	184,883,051	2,371,936
General fund	\$22,419,118	\$53,078,014	(\$10,070,642)	\$43,007,372	\$24,330,432	\$18,676,940

Senate Bill No. 2014 - State Treasurer - Conference Committee Action

Information technology costs	Executive Budget	Senate Version	Conference Committee Changes \$13,247	Conference Committee Version \$13,247	House Version	Comparison to House \$13,247
Total all funds Less estimated income	\$0 0	\$0 0	\$13,247 0	\$13,247 0	\$0 0	\$13,247 0
General fund	\$0	\$0	\$13,247	\$13,247	\$0	\$13,247

Insert LC: 13.8164.02005

FTE 0.00 0.00 0.00 0.00 0.00 0.00

Department No. 120 - State Treasurer - Detail of Conference Committee Changes

	Adds Funding for Information Technology Costs ¹	Total Conference Committee Changes
Information technology costs	\$13,247	\$13,247
Total all funds Less estimated income	\$13,247 0	\$13,247 0
Generalfund	\$13,247	\$13,247
FTE	0.00	0.00

¹ Funding for additional information technology development costs is added relating to changes in oil revenue distributions and other changes.

Senate Bill No. 2014 - Industrial Commission - Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Salaries and wages Operating expenses Capital assets Grants - Lignite research Grants - Bond payments	\$17,710,630 6,330,576 5,800 19,500,000 19,809,969	\$17,883,343 6,330,576 5,800 19,500,000 19,809,969	(\$9,467) (400,000)	\$17,873,876 5,930,576 5,800 19,500,000 19,809,969	\$17,152,212 5,930,576 5,800 19,500,000 19,809,969	\$721,664
Accrued leave payments Total all funds Less estimated income	\$63,356,975 40,937,857	\$63,529,688 40,951,674	347,696 (\$61,771) 22,118	347,696 \$63,467,917 40,973,792	347,696 \$62,746,253 40,915,821	\$721,664 57,971
General fund	\$22,419,118	\$22,578,014	(\$83,889)	\$22,494,125	\$21,830,432	\$663,693
FTE	98.75	98.75	0.00	98.75	98.75	0.00

Department No. 405 - Industrial Commission - Detail of Conference Committee Changes

	Removes House Changes to Executive Compensation Package¹	Adjusts State Employee Compensation and Benefits Package ²	Provides Separate Line Item for Accrued Leave Payments ³	Adds Funding for Hiring FTE Early ⁴	Removes Funding for Oil Impact ⁵	Total Conference Committee Changes
Salaries and wages Operating expenses Capital assets Grants - Lignite research Grants - Bond payments Accrued leave payments	\$445 ,186	(\$168,708)	(\$347,696) 347,696	\$61,751	(400,000)	(\$9,467) (400,000) 347,696
Total all funds Less estimated income	\$445,186 35,853	(\$168,708) (13,735)	\$0 0	\$61,751 0	(\$400,000) 0	(\$61,771) 22,118
General fund	\$409,333	(\$154,973)	\$0	\$61,751	(\$400,000)	(\$83,889)
FTE	0.00	0.00	0.00	0.00	0.00	0.00

¹ Changes made by the House to the executive compensation package are removed.

² This amendment adjusts the state employee compensation and benefits package as follows:

[•] Reduces the performance component from 3 to 5 percent per year to 3 to 5 percent

Insert LC: 13.8164.02005

- for the first year of the biennium and 2 to 4 percent for the second year of the biennium.
- Reduces the market component from 2 to 4 percent per year to 1 to 2 percent per year for employees below the midpoint of their salary range.
- Reduces funding for retirement contribution increases to provide for a 1 percent state and 1 percent employee increase beginning in January 2014 and no increase in January 2015.
- ³ A portion of salaries and wages funding from the general fund (\$323,357) and from other funds (\$24,339) for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.
- ⁴ Funding is added to allow the Department of Mineral Resources to hire five of its new FTE positions during the 2011-13 biennium, the same as the House version.
- ⁵ Funding included in the executive budget recommendation for housing allowances for employees in oil-impacted areas is removed, the same as the House version.

A section is added to provide an emergency clause for five new FTE positions, the same as the House version.

A section is added relating to the oil and gas research program, the same as the House version.

A section is added to unclassify engineering technicians of the Department of Mineral Resources, the same as the House version.

A section added by the Senate relating to distribution of the resources trust fund but removed by the House is included.

A section is added to create the energy conservation fund, and a section is changed to limit deposits into the fund to \$1.2 million per biennium.

Senate Bill No. 2014 - Bank of North Dakota - Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Capital assets	\$745,000	\$745,000		\$745,000	\$745,000	
BND operations Accrued leave payments	51,707,928	51,861,408	(337,492) 881,231	51,523,916 881,231	50,056,737 881,231	1,467,179
Total all funds Less estimated income	\$52,452,928 52,452,928	\$52,606,408 52,606,408	\$543,739 543,739	\$53,150,147 53,150,147	\$51,682,968 51,682,968	\$1,467,179 1,467,179
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	179.50	179.50	0.00	179.50	179.50	0.00

Department No. 471 - Bank of North Dakota - Detail of Conference Committee Changes

	Removes House Changes to Executive Compensation Package¹	Adjusts State Employee Compensation and Benefits Package ²	Provides Separate Line Item for Accrued Leave Payments ³	Total Conference Committee Changes	
Capital assets BND operations	923,440	(379,701)	(881,231)	(337,492)	

Insert LC: 13.8164.02005

Accrued leave payments			881,231	881,231
Total all funds Less estimated income	\$923,440 923,440	(\$379,701) (379,701)	\$0 0	\$543,739 543,739
General fund	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	0.00

¹ Changes made by the House to the executive compensation package are removed.

- Reduces the performance component from 3 to 5 percent per year to 3 to 5 percent for the first year of the biennium and 2 to 4 percent for the second year of the biennium.
- Reduces the market component from 2 to 4 percent per year to 1 to 2 percent per year for employees below the midpoint of their salary range.
- Reduces funding for retirement contribution increases to provide for a 1 percent state and 1 percent employee increase beginning in January 2014 and no increase in January 2015.
- ³ A portion of salaries and wages funding for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

Sections are added relating to the beginning entrepreneur loan guarantee program.

Senate Bill No. 2014 - Housing Finance Agency - Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Salaries and wages Operating expenses Grants HFA contingencies	\$7,437,231 3,791,758 29,533,050 100,000	\$7,445,099 3,791,758 29,533,050 100,000	(\$10,222)	\$7,434,877 3,791,758 29,533,050 100,000	\$7,057,790 3,791,758 29,533,050 100,000	\$377,087
Housing incentive fund30 Accrued leave payments		30,000,000	(14,600,000) 147,806	15,400,000 147,806	147,806	15,400,000
Total all funds Less estimated income	\$40,862,039 40,862,039	\$70,869,907 40,869,907	(\$14,462,416) 137,584	\$56,407,491 41,007,491	\$40,630,404 40,630,404	\$15,777,087 377,087
General fund	\$0	\$30,000,000	(\$14,600,000)	\$15,400,000	\$0	\$15,400,000
FTE	46.00	46.00	0.00	46.00	46.00	0.00

Department No. 473 - Housing Finance Agency - Detail of Conference Committee Changes

	Removes House Changes to Executive Compensation Package ¹	Adjusts State Employee Compensation and Benefits Package ²	Provides Separate Line Item for Accrued Leave Payments ³	Reduces Transfer to Housing Incentive Fund ⁴	Total Conference Committee Changes
Salaries and wages Operating expenses Grants	\$239,503	(\$101,919)	(\$147,806)		(\$10,222)
HFA contingencies Housing incentive fund30 Accrued leave payments			147,806	(14,600,000)	(14,600,000) 147,806
Total all funds Less estimated income	\$239,503 239,503 \$0	(\$101,919) (101,919) \$0	\$0 0 \$0	(\$14,600,000) 0 (\$14,600,000)	(\$14,462,416) 137,584 (\$14,600,000)

² This amendment adjusts the state employee compensation and benefits package as follows:

Insert LC: 13.8164.02005

General fund					
FTE	0.00	0.00	0.00	0.00	0.00

¹ Changes made by the House to the executive compensation package are removed.

- Reduces the performance component from 3 to 5 percent per year to 3 to 5 percent for the first year of the biennium and 2 to 4 percent for the second year of the biennium.
- Reduces the market component from 2 to 4 percent per year to 1 to 2 percent per year for employees below the midpoint of their salary range.
- Reduces funding for retirement contribution increases to provide for a 1 percent state and 1 percent employee increase beginning in January 2014 and no increase in January 2015.

⁴ Funding included by the Senate for a \$30 million transfer from the general fund to the housing incentive fund is reduced to \$15.4 million. The House removed the full \$30 million.

Sections are added relating to the housing incentive tax credit and the effective and expiration dates for the credits.

Senate Bill No. 2014 - Mill and Elevator - Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Salaries and wages Operating expenses Contingencies Agriculture promotion Accrued leave payments	\$29,849,124 21,796,000 400,000 210,000	\$29,849,124 21,796,000 400,000 210,000	(\$707,374)	\$29,141,750 21,796,000 400,000 210,000 575,807	\$28,672,051 21,796,000 400,000 210,000 575,807	\$469,699
Total all funds Less estimated income	\$52,255,124 52,255,124	\$52,255,124 52,255,124	(\$131,567) (131,567)	\$52,123,557 52,123,557	\$51,653,858 51,653,858	\$469,699 469,699
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	135.00	135.00	0.00	135.00	135.00	0.00

Department No. 475 - Mill and Elevator - Detail of Conference Committee Changes

	Removes House Changes to Executive Compensation Package¹	Adjusts State Employee Compensation and Benefits Package ²	Provides Separate Line Item for Accrued Leave Payments ³	Reduces Funding for Overtime ⁴	Total Conference Committee Changes
Salaries and wages Operating expenses Contingencies Agriculture promotion	\$135,905	(\$34,792)	(\$575,807)	(\$232,680)	(\$707,374)
Accrued leave payments			575,807		575,807
Total all funds Less estimated income	\$135,905 135,905	(\$34,792) (34,792)	\$0 0	(\$232,680) (232,680)	(\$131,567) (131,567)
General fund	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	0.00	0.00

² This amendment adjusts the state employee compensation and benefits package as follows:

³ A portion of salaries and wages funding for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

Insert LC: 13.8164.02005

A section included in the executive budget recommendation relating to reducing the transfer of mill profits to the general fund is removed resulting in an additional \$6,817,200 of projected general fund revenue for the 2013-15 biennium, the same as the House. A section is added to limit the transfer from the mill profits to the \$6,817,200 for the 2013-15 biennium.

Senate Bill No. 2014 - Department of Commerce - Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Market Study Homeless shelter grants Childcare facilities		\$500,000	2,000,000 2,600,000	\$500,000 2,000,000 2,600,000	\$500,000 2,000,000	2,600,000
Total all funds Less estimated income	\$0 0	\$500,000 0	\$4,600,000 0	\$5,100,000 0	\$2,500,000 0	\$2,600,000 0
General fund	\$0	\$500,000	\$4,600,000	\$5,100,000	\$2,500,000	\$2,600,000
FTE	0.00	0.00	0.00	0.00	0.00	0.00

Department No. 601 - Department of Commerce - Detail of Conference Committee Changes

	Adds Funding for Grants to Homeless Shelters'	Adds Funding for Grants to Child Care Facilities ²	Total Conference Committee Changes
Market Study Homeless shelter grants Childcare facilities	2,000,000	2,600,000	2,000,000 2,600,000
Total all funds Less estimated income	\$2,000,000 0	\$2,600,000 0	\$4,600,000 0
General fund	\$2,000,000	\$2,600,000	\$4,600,000
FTE	0.00	0.00	0.00

¹ Funding is added for grants to homeless shelters.

¹ Changes made by the House to the executive compensation package are removed.

² This amendment adjusts the state employee compensation and benefits package as follows:

Reduces funding for retirement contribution increases to provide for a 1 percent state and 1 percent employee increase beginning in January 2014 and no increase in January 2015.

³ A portion of salaries and wages funding for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

⁴ Funding included in the executive budget recommendation for overtime pay is removed.

Insert LC: 13.8164.02005

Engrossed SB 2014 was placed on the Seventh order of business on the calendar.

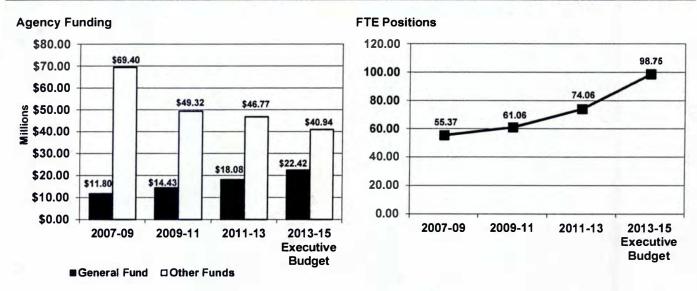
² Funding is added for grants to child care facilities.

2013 TESTIMONY

SB 2014

Department 405 - Industrial Commission Senate Bill No. 2014

	FTE Positions	General Fund	Other Funds	Total
2013-15 Executive Budget	98.75	\$22,419,118	\$40,937,857	\$63,356,975
2011-13 Legislative Appropriations	74.06	18,075,613	46,766,756	64,842,369
Increase (Decrease)	23.69	\$4,343,505	(\$5,828,899)	(\$1,485,394)



Ongoing and One-Time General Fund Appropriations

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2013-15 Executive Budget	\$20,858,318	\$1,560,800	\$22,419,118
2011-13 Legislative Appropriations	14,776,213	3,299,400	18,075,613
Increase (Decrease)	\$6,082,105	(\$1,738,600)	\$4,343,505

Executive Budget Highlights General Fund Other Funds Total 1. Provides one-time funding for potential litigation and other \$1,000,000 \$1,000,000 administrative proceedings relating to the regulation of hydraulic fracturing 2. Provides one-time funding for housing allowances for \$400,000 \$400,000 employees in oil-impacted areas 3. Provides additional funding for increased State Fleet Services \$244,872 \$244,872 rates 4. Decreases funding for bond payments to reflect bonds which (\$5,579,764)(\$5,579,764)have matured 5. Adds 2 FTE engineer technician positions for field inspections \$390,820 \$390,820 which were authorized by the Emergency Commission as contingent FTE positions for the 2011-13 biennium 6. Adds 4 FTE engineering technician positions, 1 FTE geology \$930,223 \$930,223 analyst position, and 1 FTE account budget specialist position to the Bismarck office 7. Adds 1 FTE geologist position to conduct preapplication waste \$215,251 \$215,251 disposal site reviews 8. Adds 3 FTE petroleum engineer field inspector positions, 3 FTE \$1,356,581 \$1,356,581 engineering technician field inspector positions, and 1 FTE engineering technician position for the core library 9. Adds 1 FTE petroleum engineer production supervisor position, \$534,900 \$534,900

1 FTE engineering technician measurement analyst po 1 FTE audit/legal administrative assistant position, and 1 filing/reception administrative assistant			HART.
 Adds 3 contingent FTE engineering technician field inspositions upon notification to the Office of Managemen Budget (OMB) that the number of wells capable of product injection exceed 15,000 	t and		\$586,230
11. Adds .69 FTE administrative position to a .31 FTE pocurrently authorized to create a full-time position for the Indianomission office		\$78,159	\$78,159
12. Removes 1 FTE position and funding provided for c dioxide storage administration for the 2011-13 biennium	arbon	(\$532,000)	(\$532,000)
13. Adds funding for leasing space for the new FTE positions	\$224,868		\$224,868
14. Adds one-time funding for studies on oil-bearing (\$80,000) and temperature profiles (\$50,000)	rocks \$130,000		\$130,000
 Adds one-time funding for architectural services to developed for expanding the core library 	elop a \$25,000		\$25,000
 Provides funding for state employee salary increases of \$704,031 relates to performance increases and \$89,785 market equity adjustments 	and the same of th	\$63,505	\$793,816

Other Sections in Bill

Contingency funding - Department of Mineral Resources - Section 13 provides that \$430,518 included in the salaries and wages line item and \$155,712 in the operating line item in Section 1 of the bill may be used by the oil and gas division to hire three full-time equivalent positions upon certification to OMB that the total number of wells in the state capable of production or injection exceeds 15,000.

Transfer of funds in resources trust fund - Section 15 amends North Dakota Century Code Section 57-51.1-07 to provide for a transfer of one-half of 1 percent of the oil extraction tax deposited in the resources trust fund to the renewable energy development fund and one-half of 1 percent to the energy conservation fund.

Continuing Appropriations

Abandoned oil and gas reclamation fund - Section 38-08-04.5 - Abandoned oil and gas reclamation

Carbon dioxide storage facility administration fund - Section 38-22-05 - For defraying costs of processing applications for regulating carbon dioxide storage facilities

Carbon dioxide storage facility trust fund - Section 38-22-15 - For costs associated with long-term monitoring and management of a closed carbon dioxide storage facility

Cartographic products fund - Section 54-17.4-10 - Topographic map sales and purchases

Cash bond fund - Section 38-08-04.11 - For defraying costs incurred in plugging and reclamation of abandoned oil and gas wells and related activities

Fossil excavation and restoration fund - Section 54-17.4-09.1 - Excavation and restoration of fossils

Geological data preservation fund - Section 54-17.4-13 - Data preservation

Geophysical, geothermal, subsurface minerals, and coal exploration fund - Chapter 38-21 - Reclamation of orphaned facilities and exploration holes

Global positioning system community base station - Section 54-17.4-12 - For maintenance of base station

Lignite research fund - Section 57-61-01.5 - Research, development, and marketing for lignite industry

North Dakota Pipeline Authority administrative fund - Section 54-17.7-11 - For operations of the Pipeline Authority

Oil and gas research fund - Chapter 57-51.1 - Oil and gas research and education

Oil and gas reservoir data fund - Section 38-08-04.6 - Oil and gas reservoir data

Pipeline authority administration fund - Section 54-17.7-11 - For the operations of the Pipeline Authority and to make grants and loans

Renewable energy development fund - Section 54-63-04 - Renewable energy research, development, and education

Significant Audit Findings

The operational audit for the Industrial Commission conducted by the State Auditor's office during the 2011-12 interim identified a significant audit finding relating to noncompliance with state procurement and contracting guidelines.

Major Related Legislation

House Bill No. 1134 - Provides an exemption from the oil and gas gross production tax for natural gas to encourage use of gas that might otherwise be flared

Senate Bill No. 2029 - Increases the amount of oil and gas tax revenue distributed to the oil and gas research fund from \$4 million per biennium to \$10 million per biennium. The bill also provides legislative intent that up to \$5 million of the funds available in the oil and gas research fund be used by the Industrial Commission for opportunities related to value-added processing of oil and gas.



INDUSTRIAL COMMISSION OF NORTH DAKOTA

Jack Dalrymple
Governor

Wayne Stenehjem Attorney General Doug Goehring
Agriculture Commissioner

Schedule Senate Bill 2014 Senate Appropriations Committee Harvest Room Monday, January 21, 2013

8:30 a.m.	Administration Office – Karlene Fine, Executive Director and Secretary
8:35 a.m.	Department of Mineral Resources – Lynn Helms, Director
9:35 a.m.	Renewable Energy Program – <u>Karlene Fine</u> & <u>Al Anderson</u> , Chairman, Renewable Energy Council
9:50 a.m.	Lignite Research Program – <u>John Dwyer</u> , Chairman, Lignite Research Council & <u>Mike Jones</u> , Director of the Lignite Research Program R&D Program
10:10 a.m.	Transmission Authority – <u>Karlene Fine</u> & <u>Sandi Tabor</u> , Director
10:20 a.m.	Oil and Gas Research Program – Karlene Fine & Brent Brannan, Director
10:30 a.m.	Pipeline Authority – Karlene Fine & Justin Kringstad, Director
10: 55 a.m.	Public Finance Authority – <u>DeAnn Ament</u> , Executive Director
11:10 a.m.	Administration – Karlene Fine, Executive Director and Secretary
1:30 p.m.	Housing Finance Agency – Mike Anderson, Executive Director
2:30 p.m.	Bank of North Dakota – <u>Eric Hardmeyer</u> , President
3:30 p.m.	North Dakota State Mill – <u>Vance Taylor</u> , President and General Manager

Administration



INDUSTRIAL COMMISSION OF NORTH DAKOTA

Jack Dalrymple
Governor

Wayne Stenehjem
Attorney General

Doug Goehring
Agriculture Commissioner

Testimony for Senate Bill No. 2014
Senate Appropriations Committee
Karlene Fine, Executive Director and Secretary
of the Industrial Commission
January 21, 2013

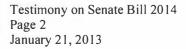
Mr. Chairman and members of the Senate Appropriations Committee, my name is Karlene Fine and I am Executive Director and Secretary for the Industrial Commission of North Dakota. Senate Bill 2014 includes the appropriations for the Industrial Commission administrative office and those agencies and programs that report to the Industrial Commission.

The Industrial Commission is made up of the Governor, as Chairman, the Attorney General and the Agriculture Commissioner. The Industrial Commission is responsible for overseeing the State's industries—the Bank of North Dakota and State Mill. In the area of finance the Commission also oversees the Public Finance Authority, the Student Loan Trust, the North Dakota Building Authority and the Housing Finance Agency. In the area of natural resources and regulation the Commission oversees the Department of Mineral Resources which includes the oil and gas, geophysical exploration, subsurface mineral regulation and CO₂ Geological Storage in addition to other programs through its Oil and Gas Division and the Geological Survey. The Commission is also involved in research through the Lignite Research, Development and Marketing Program, the Oil and Gas Research Program and the Renewable Energy Program. In addition the Industrial Commission is the North Dakota Transmission Authority and the North Dakota Pipeline Authority.

Subdivision 1 of **Section 1**, includes the appropriations for the administrative office of the Industrial Commission as well as the Department of Mineral Resources (Oil and Gas Division and Geological Survey), Public Finance Authority, Lignite Research, Development and Marketing Program, and the lease (bond) payments for projects financed by the Building Authority.

Renewable Energy Program. In Section 2 there is a reference to one-time funding of \$1.5 million for the Renewable Energy Program for the 2011-2013 biennium. Governor Dalrymple has proposed that for future biennia a continuing appropriation funding source be identified-- similar to what has been done for the Lignite Research Program and the Oil and Gas Research Program. Section 15 proposes that one-half of one percent of the amount credited to the Resources Trust Fund be transferred to the Renewable Energy Development Fund. The Executive Budget has estimated that would be \$2,734,767 for the 2013-2015 biennium. Additional information about the Renewable Energy Program is behind the tab titled Renewable Energy Program.

Section 15 also proposes that one-half of one percent of the amount credited to the Resources Trust Fund be transferred to the Energy Conservation Grant Fund. This Fund is established in Section 8 of



Senate Bill 2018 (the Department of Commerce Budget). Alan Anderson, Commerce Commissioner, will discuss how the dollars in the Energy Conservation Grant Fund will be utilized.

Lignite Research Program. Section 1, Subdivision 1 provides for an appropriation for the Lignite Research Program - see line 21 on Page 1. Information about the Lignite Research Program is behind the tab LRP.

Transmission Authority. In 2005 the Legislature established the North Dakota Transmission Authority. Sandi Tabor serves as the Director of the Transmission Authority. The funding for the Transmission Authority comes from the Lignite Research Fund. More information about the Transmission Authority is available under the tab titled Transmission Authority.

Oil and Gas Research Program. Within this bill there is <u>no appropriation</u> for the Oil and Gas Research Program. This Program is funded from oil and gas gross production and oil extraction tax revenues currently up to the \$4 million level. Senate Bill 2029 would increase that amount to \$10,000,000. Additional information about the Oil and Gas Research Fund/Program is behind the tab titled OGRP.

Pipeline Authority. A portion of the Oil and Gas Research Fund is utilized to fund the North Dakota Pipeline Authority. Justin Kringstad, a consultant, is the Director of the Pipeline Authority. The Commission transferred \$301,500 from the Oil and Gas Research Fund for the Authority during the 2011-2013 biennium. These funds are utilized to compensate the Director of the Authority and for studies conducted by the Authority. More information about the Pipeline Authority is available under the tab titled Pipeline Authority.

Administration. The Administration budget is part of Subdivision 1 of Section 1 and is also referenced in Sections 3, 5, and 6 of Senate Bill 2014 or Budget No. 405. **Subdivision 1**

The funding for the administrative office of the Industrial Commission consists of two and .31 full-time employees. The .31 position is currently vacant. The Executive Budget increases this position by .69 making it into a full-time employee. The administrative budget also includes the funding for the state's participation in the Interstate Oil and Gas Compact Commission. This Commission is a multi-state organization which 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 \$647,547 for the office and then a total of \$40,727,518 when you include the Lignite Research Program and lease (bond) payments. With the additional .69 FTE and benefits and the salaries and wages included in the Governor's Executive Budget for all state employees the administrative office request reflects an increase of \$159,336 from the prior biennium. The administrative budget is funded by the agencies that report to the Industrial Commission. You will see this funding source noted in **Section 6** where authority is granted for these agencies to transfer funds to the Industrial Commission.

Section 5 includes language that would allow the Industrial Commission to utilize funds that may become available from bonds issued by the Commission 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 of Section 1 includes the lease payments (bond payments) for the North Dakota Building Authority in the amount of \$19,809,969 – see line 23 on page 1. This is a decrease from the prior biennium of \$5,579,764. 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, Developmental Center located in Grafton, State Hospital, Youth Correctional Center, International Peace Garden, various buildings on the University System campuses, Southeast Human Services Center in Fargo, Health Department, James River Correctional Center in Jamestown, Historical Society projects, Crime Lab, Parks and Recreation, Extension Service, Job Service in Bismarck and Grand Forks and the Veterans Home. During this past biennium the Commission acting as the North Dakota Building Authority issued the 2012 Series A Bonds which refinanced four bond issues and achieved present value savings of just over \$1.8 million.

Attached for your information is the Debt Service Schedules for all the outstanding bond issues. The proposed Executive Budget does not include any bonding by the North Dakota Building Authority. If there was bonding proposed this attachment shows that there is available debt service under the 10% of 1¢ statutory limitation in the amount of \$50.6 million.

Section 3 provides the breakdown on the source of funding for the \$19+ million of lease (bond) payments for the upcoming biennium. The following non-General Fund sources or energy conservation savings* will be utilized to pay a portion of these payments:

*University System – UND (05A)	\$	491,397
*Missouri River Correctional Center (03B)	\$	16,024
Job Service North Dakota (02A/10B)	\$	426,325
Job Service North Dakota (93B/02C/2012A	\$	114,051
Historical Society (05A)	\$	33,333
Veterans Home (10A/B)	\$	408,840
Dept. of Health (02A) (federal funds)	\$	183,973
	\$1	1,673,943

In addition the ConnectND bond costs for the 2013-2015 biennium total \$2,504,100. Seventy-one percent of these costs are paid by the University System.

Thank you for the opportunity to present testimony on the Industrial Commission budget and to briefly comment on a number of the programs that the Industrial Commission oversees.

		NOI	RTH DA	KOTA	BUILD	ING A	UTHOR	ITY DE	BT SE	RVICE		
12.20.12												
				2006A								
	2006B	2010B		1998A				Other	Energy	Total	10% of \$.01	Available
Biennium	2001A	2002A	2005A	2000A	2010A/B	2012A	Totals	Source	Conser.	Gen. Fund	Sales Tax*	Debt Ser
2013-15	2,085,497	923,550	6,573,831	2,002,201	525,525	7,816,050	19,926,654	3,787,307	507,421	15,631,926	61,759,540	46,127,614
2015-17	2,110,338	917,956	6,570,669	2,004,000	460,544	3,084,650	15,148,157	1,102,614	507,368	13,538,175	64,229,922	50,691,747
2017-19	2,126,363	917,144	6,575,206	1,377,800	504,531	1,809,463	13,310,507	1,146,911	507,785	11,655,811	66,799,118	55,143,307
2019-21	1,865,172	928,088	6,574,469	0	490,888	1,797,750	11,656,367	1,140,293	507,625	10,008,449	69,471,083	59,462,634
2021-23	812,924	492,700	6,573,256	0	481,056	909,000	9,268,936	840,392	499,535	7,929,009	72,249,927	64,320,918
2023-25	0	0	3,285,650	0	465,981	0	3,751,631	499,317	245,604	3,006,710	75,139,924	72,133,214
2025-27	0	0	0	0	448,181	0	448,181	448,182	0	0	78,145,521	78,145,52
2027-29	0	0	0	0	425,469	0	425,469	425,468	0	0	81,271,341	81,271,34
2029-31	0	0	0	0	174,031	0	174,031	174,031	0	0	84,522,195	84,522,195
Totals	9,000,294	4,179,438	36,153,081	5,384,001	3,976,206	15,416,913	74,109,933	9,564,515	2,775,338	61,770,080		
	4.15%	3.24%	4.23%	4.13%	3.33%	1.41%						
	-											
	mber 2012 fore 4% increase e biennium.											

Department of Mineral Resources (DMR)



Senate Appropriations Committee

January 21, 2013

Lynn D. Helms, Director
Department of Mineral Resources
North Dakota Industrial Commission



The DMR budget is 98% general funds and 2% federal funds. Budget costs are primarily salary and benefits (82%). The federal funds for the 2013-2015 biennium are not expected to increase over the current biennium funding.

The operating budget consists primarily of Lease/Rent (30%) for the Bismarck office, warehouse, and three field offices. Other items of significant costs include travel (28%), primarily for fieldwork, and IT costs (12.5%) including Data Processing, Telephone, and Contractual Services.



SALARIES AND BENEFITS

During the 2011-2013 biennium we experienced a significant increase in workload due to a record setting rig count and oil production. This increased workload resulted in a drilling permit back log of over 400 permits and an order back log of approximately 1000 administrative orders. Current staffing levels are adequate to keep up with about 180 rigs and 11,000 wells. We have now exceeded that level of rigs and anticipate exceeding the well number by the end of the current biennium. Even with the additional staffing being requested in this budget, some seasonal temporary staffing will be crucial to meeting our mission both in the field and in the central office and flexibility is needed so that the personnel can be assigned to meet the most critical need. Increased interest in oil and gas and other minerals found in North Dakota is also resulting in an increased workload with the Geological Survey staff. The Department also continues to face difficulties in hiring experienced oil and gas and geological staff, therefore housing allowances and market salaries may be needed to find qualified personnel.

The executive budget recommendation funds 100% of the requested increase.

OPERATING

Travel

DOT motor pool rates will increase 27% from the 2011-2013 biennium resulting in an inflationary increase of \$12,940 for the Geological Survey, and \$231,932 for the Oil and Gas Division. Additional inflationary increases are hitting In-State Lodging, Utilities, Insurance, Janitorial, Data Processing, and ITD rates. To offset these increases and meet the 100% budget guideline, the number of field inspections would have to be reduced at a time when industry has a large number of inexperienced personnel who need guidance and supervision. This could result in inadequate protection of potable waters and correlative rights.

Lease/Rent Bldg/Land

Geological Survey rent is increasing \$5,000 in our Bismarck office building, and Oil and Gas Division rent is increasing \$137,368 in our Bismarck, Dickinson, Minot, and Williston office buildings. The field offices currently provide a location for efficient synchronization of inspector data to our main database, contact between the general public and local Oil and Gas Division employees, and for inspectors to complete written correspondence.

Postage & Advertising Services

Applications received for hearings have continued to rise dramatically during the 2011-2013 biennium. Decisions on hearings are mailed out to all parties of such cases. The current postal budget of \$14,107 will be exceeded by \$20,000. The current advertising budget of \$82,000 will be exceeded by \$30,000. Holding funding for postage and legal advertisements constant to meet budget guidelines would have required limiting the number of applications heard by the Commission. Since this would cause untimely delays in permitting and drilling wells and would have resulted in the loss of revenue to the state and royalty owners, this was not considered an acceptable option.

The executive budget recommendation funds 100% of the requested increase.



Oil and Gas Exploration and Production (NDCC 38-08-01)

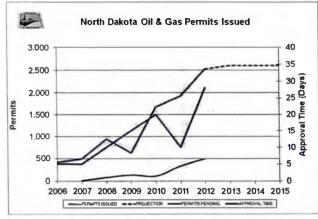
It is hereby declared to be in the public interest to foster, to encourage, and to promote the development, production, and utilization of natural resources of oil and gas in the state in such a manner as will prevent waste; to authorize and to provide for the operation and development of oil and gas properties in such a manner that a greater ultimate recovery of oil and gas be had and that the correlative rights of all owners be fully protected; and to encourage and to authorize cycling, recycling, pressure maintenance, and secondary recovery operations in order that the greatest possible economic recovery of oil and gas be obtained within the state to the end that the landowners, the royalty owners, the producers, and the general public realize and enjoy the greatest possible good from these vital natural resources.

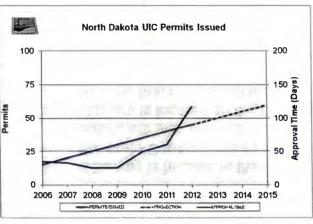
Geophysical Exploration (NDCC 38-08.1-02)

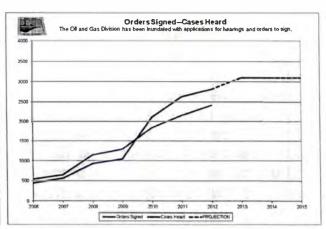
Notwithstanding any other provision of this chapter, the commission is the primary enforcement agency governing geophysical exploration in this state. Any person in this state engaged in geophysical exploration or engaged as a subcontractor of a person engaged in geophysical exploration shall comply with this chapter; provided, however, that compliance with this chapter by a crew or its employer constitutes compliance herewith by that person who has engaged the service of the crew, or its employer, as an independent contractor.

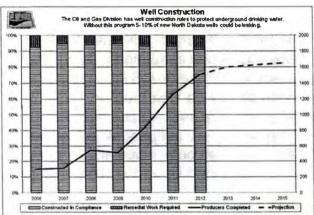
Carbon Dioxide Geological Storage (NDCC 38-22-01)

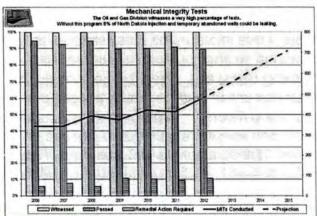
It is in the public interest to promote the geologic storage of carbon dioxide. Doing so will benefit the state and the global environment by reducing greenhouse gas emissions. Doing so will help ensure the viability of the state's coal and power industries, to the economic benefit of North Dakota and its citizens. Further, geologic storage of carbon dioxide, a potentially valuable commodity, may allow for its ready availability if needed for commercial, industrial, or other uses, including enhanced recovery of oil, gas, and other minerals. Geologic storage, however, to be practical and effective requires cooperative use of surface and subsurface property interests and the collaboration of property owners. Obtaining consent from all owners may not be feasible, requiring procedures that promote, in a manner fair to all interests, cooperative management, thereby ensuring the maximum use of natural resources.

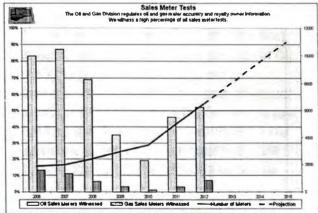














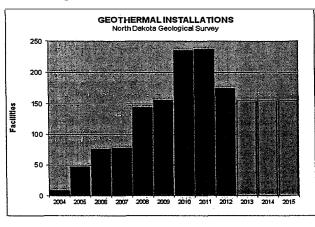


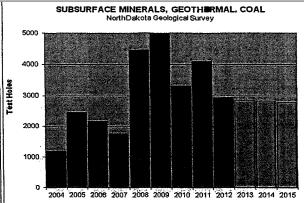


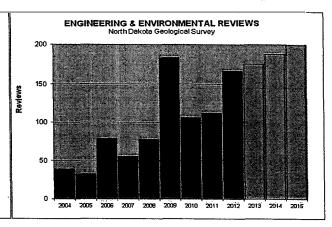
The North Dakota Geological Survey was created by an act of the North Dakota Legislature in 1895. After more than 117 years, the Survey still serves as the primary source of geological information in the state. Its mission over the years has grown and is now three-fold: to investigate the geology of North Dakota; to administer regulatory programs and act in an advisory capacity to other state agencies; and to provide public service to the people of North Dakota.

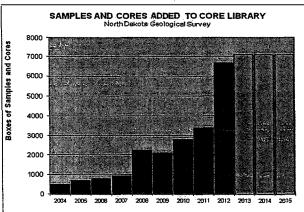
The Geological Survey publishes maps and reports on the mineralogical, paleontological, and geochemical resources of North Dakota, including oil and gas, coal, uranium, clay, sand and gravel, volcanic ash, potash and other salts, etc. In addition to the mapping of subsurface resources, the Survey is actively mapping the surface geology throughout the state with an emphasis on urban areas and the identification of geohazards such as landslides. Survey publications support the regulatory programs of the Industrial Commission, as well as other state and federal agencies, and assist mineral companies, geotechnical consulting firms, city and county governments, landowners, and citizens of the state. The North Dakota Geological Survey regulates coal exploration, subsurface mineral exploration and development (this includes all elements, minerals, and compounds other than oil and gas, sand and gravel, and coal), geothermal facilities (both commercial and residential), the Class III Underground Injection Control Program, and paleontological resources on state-owned lands.

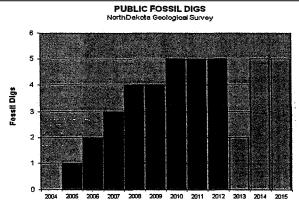
The Geological Survey and the Oil and Gas Division are in the Department of Mineral Resources and under the North Dakota Industrial Commission. The main office of the Department of Mineral Resources is located at 1016 East Calgary Avenue in Bismarck. The paleontology program of the Geological Survey is housed in the Clarence Johnsrud Paleontology Laboratory in the North Dakota Heritage Center (state museum) on the State Capitol grounds in Bismarck. The North Dakota State Fossil Collection, as well as the State Rock and Mineral Collection, are also housed in the Heritage Center. The North Dakota Geological Survey's Wilson M. Laird Core and Sample Library is located on the University of North Dakota campus in Grand Forks. The facility currently houses 75 miles of core (400,000 feet in 133,000 boxes) and 38,000 boxes of samples (also called drill cuttings or cuttings).

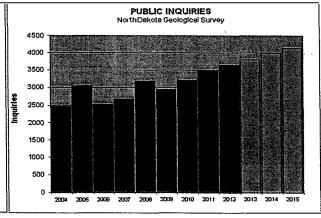








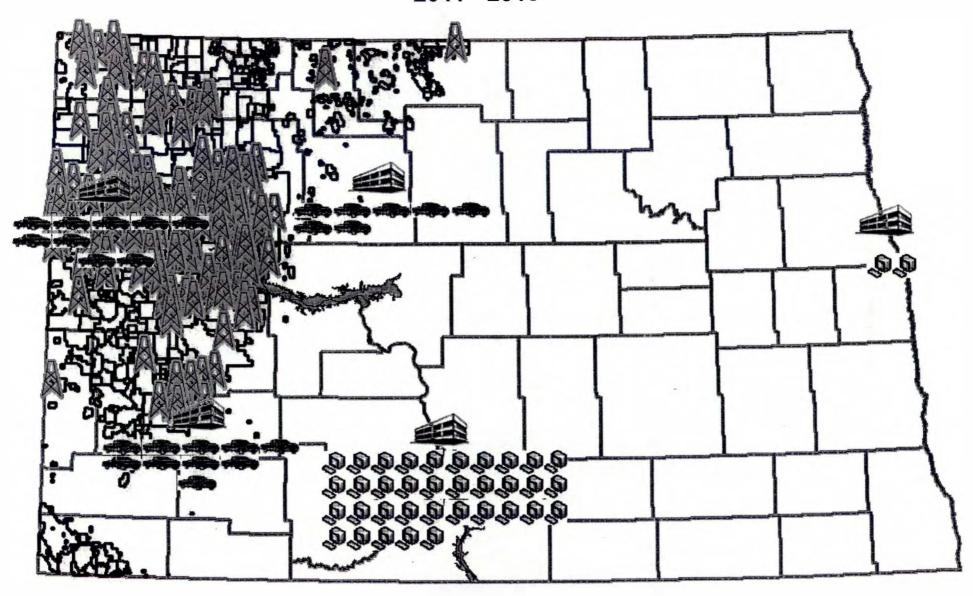




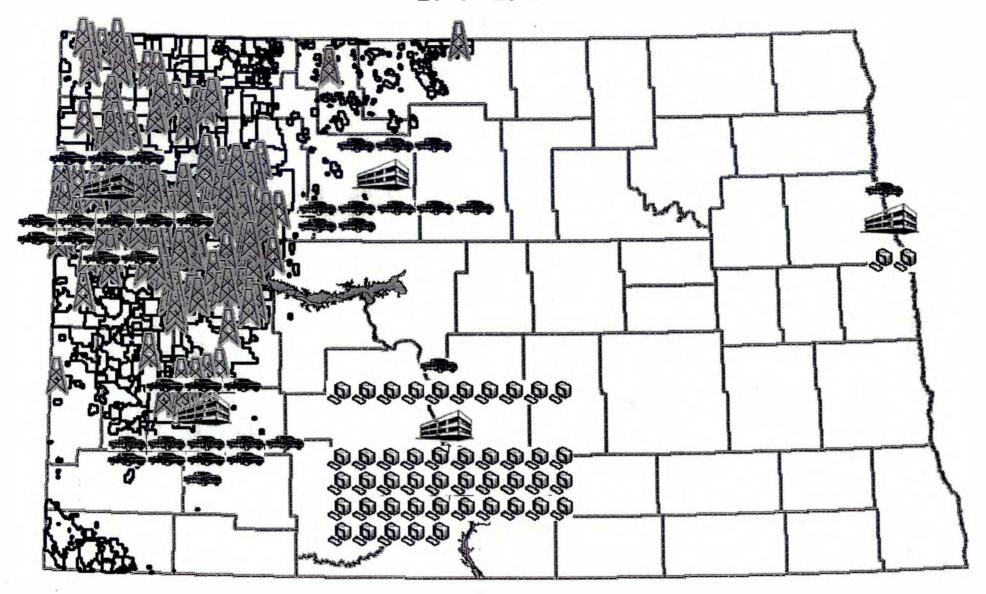




2011 - 2013

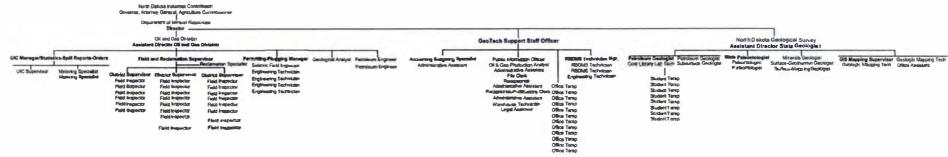


2013 - 2015





2011 - 2013



Programs
Activity versus 2 years ago (2010-2012)

Bonding	157%
Core Library (Core & Sample Boxes Received)	240%
Field Inspection	rigs 144% & wells 150%
Geology – inquiries, georeviews, and publications	135%
Hearings, dockets, and Industrial Commission orders	133%
Paleontology (Public Fossil Digs)	100%
Permitting – Oil and Gas	166%
Production accounting	212%
Reclamation	144%
Underground injection	110%



2013 - 2015



Programs
Activity Forecasted (2013 -2015)

Bonding	115%
Core Library (Core & Sample Box Anticipated to be Received)	108%
Field Inspection	rigs 110% & wells 120%
Geology – inquiries, georeviews, and publications	136%
Hearings, dockets, and Industrial Commission orders	110%
Paleontology (Public Fossil Digs)	125%
Permitting – Oil and Gas	105%
Production accounting	130%
Reclamation	140%
Underground injection	150%





- Change funding source for 2-FTE (contingency Field Inspector and Legal Assistant) from Special to General Fund **Implemented**.
- New 1-FTE (Petroleum Engineer) for Oil & Gas Division Implemented.
- New 4-FTE (Field Inspection Engineering Technicians) for Oil & Gas Division **75% Implemented** (3 hired, 1 advertised).
- New 1-FTE (Measurement Specialist Engineering Technician) for Oil & Gas Division **Implemented**.
- New 1-FTE (Production Analyst) for Oil & Gas Division- Implemented.
- New 1-FTE (Subsurface Mineral Geologist) for Geological Survey Implemented.
- New 1-FTE (Petroleum Engineer) for Carbon Storage Regulatory Program Implemented.
- New 2-FTE (Field Inspection Engineering Technicians) Oil & Gas Contingency >9,300 wells Approved by Emergency Commission (12/04/12, 2 advertised).



2011-2013 Appropriation Update (Non-FTE requests included in Executive Budget)

Market Salary Funds: Implemented.

Change the funding source for \$9,000 in Geological Survey from Federal Funds to General Fund – **Implemented**.

SECTION 5. LEGISLATIVE MANAGEMENT STUDY. During the 2011-2012 interim, the legislative management shall consider studying primacy in the administration of federal environmental protection agency regulations – **Completed**.





2 FTE engineering technician for OGD authorized 12/04/12 (After base budget submitted).

- 1 FTE engineering technician for OGD Bismarck office well log and directional survey compliance and QC.
- 1 FTE engineering technician for OGD Bismarck office stage 1 and 2 review of O&G drilling permits.
- 1 FTE engineering technician for OGD Bismarck office stage 1 and 2 review of UIC underground injection permits.
- 1 FTE engineering technician for OGD Bismarck office database and public mapping system support.
- 1 FTE petroleum geology analyst for OGD Bismarck office regulation of well cementing plus core and sample submission compliance.
- 1 FTE Accounting Budget Specialist I DMR assist Accounting Budget Specialist III with payroll.
- 1 FTE surface geologist for Geological Survey Division Bismarck office respond to unprecedented demand for aggregate, increasing number of waste permits, and infrastructure siting reviews.
- 3 FTE petroleum engineers for OGD field inspection focusing on drilling rigs.
- 3 FTE engineering technicians OGD field inspection focusing on wells and facilities.
- 1 FTE core library technician/geothermal facility inspector GSD Grand Forks.
- 1 FTE petroleum engineer for OGD Bismarck office-supervise oil and gas production audit and measurement department.
- 1 FTE engineering technician for OGD Bismarck office oil and gas measurement field inspection.
- 1 Office assistant for OGD Bismarck-production auditing and hearing case load.
- 1 Office assistant for OGD Bismarck-general office filing and reception.
- 3 FTE engineering technicians contingency if well count exceeds 15,000 OGD field inspection-focusing on wells and facilities.



2013-2015 Budget Needs (Optional non-FTE requests included in Executive Budget)

Inflationary Increases.

Additional leased space for additional staff.

Litigation (State vs. Federal Agencies) – ONE TIME - \$1,000,000.

Market salary funds (included in agency salaries and benefits) – ONE TIME - \$450,000.

Housing Allowance - ONE TIME - \$400,000.

Architectural – ONE TIME - \$25,000.

Analysis of oil bearing rocks – ONE TIME - \$80,000.

Geothermal Temperature Profiles – ONE TIME \$50,000.

Wide Bed Plotter - ONE TIME - \$5,800.



2011-2013 Estimated Spending & One-time funding needs status

2011 - 2013 Spending

Special Projects			
	<u>Amount</u>	Spent to Date	Projected Remainder Available
Core Library Temps	\$90,000	\$65,244	\$24,756
Paleontology Temps	\$56,727	\$29,826	\$26,901
RockEval	\$40,000	\$35,564	\$4,436
Shallow Gas	\$25,000	\$4,500	\$20,500
Proppant	\$50,000	\$45,000	\$5,000



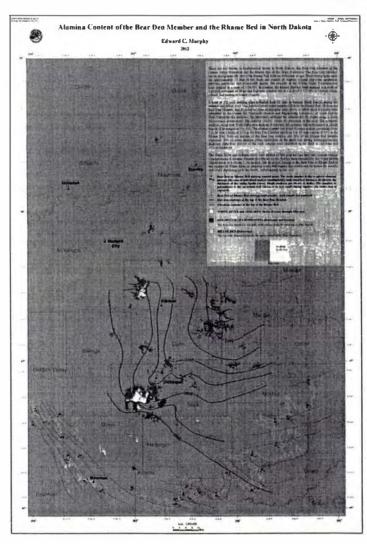


2013 – 2015 Estimating Spending Special Projects

Anticipated Amount

RockEval	\$80,000
Temperature Profile	\$50,000
Proppant	\$25,000

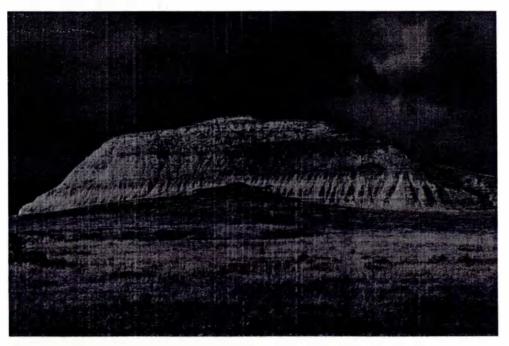
PROPPANT PROJECT (2011-2013)



The alumina (aluminum oxide) content of clay samples collected from 62 sites in western North Dakota. Bear Den Member deposits are shown in brown and the Rhame Bed in yellow. The Geological Survey published this map in August 2012.

Millions of tons of sand and ceramic proppants are used every year in the Williston Basin, part of a multi-billion dollar industry. During the 2009-2011 biennium, the Geological Survey collected 125 sand samples throughout the state in our search for deposits that could be utilized for oil and gas proppants in the well fracing process. In the fall of 2011, we collected 232 clay samples from western North Dakota to determine their suitability for the manufacture of ceramic proppant.

The Nanoscale Science and Engineering Laboratory at North Dakota State University determined the alumina content using x-ray fluorescence and is currently determining the clay mineralogy using x-ray diffraction. The alumina content of the clay samples ranged from 7 to 34% with a mean of 21% in the Bear Den Member and 18% in the Rhame Bed.



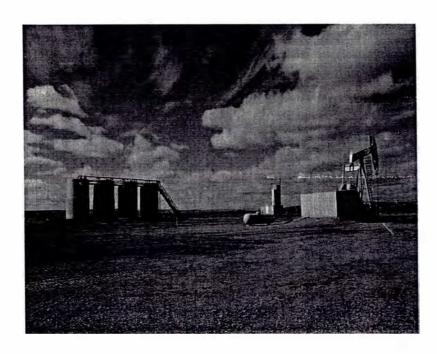
Seventeen feet of brightly colored clay of the Bear Den Member (Golden Valley Formation) at the base of a butte in Dunn County.

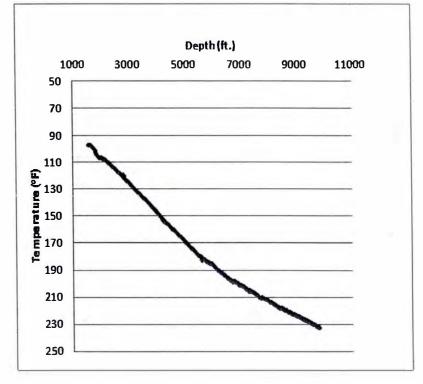
WILLISTON BASIN TEMPERATURE PROFILE PROJECT (2013-2015)

The burial history and temperature profile of the Williston Basin are important components when calculating areas within the basin where rocks are hot enough or were hot enough at one time in geologic history to generate oil. Temperature profiles can be obtained by temperature logging oil wells that have been idle for several months thus allowing the fluid in the well to come to the same temperature as the surrounding rock.

The North Dakota Petroleum Council recently donated \$140,000 towards this project. In addition to hiring a logging firm to temperature log a dozen oil wells to a depth of 10,000 feet, a trailer-mounted temperature probe will be purchased that will enable us to log a number of wells, but to a shallower depth. At least fifty additional wells will be logged using the shallow probe and the results will be matched to the deeper temperature profiles. These temperature profiles, scattered across the basin, will enable more accurate estimates of where rocks in the

Williston Basin were hot enough to generate oil (mature areas).





Photograph on the left: A producing oil well in Mercer County. Graph on the right: Temperature profile of the Rauch Shapiro Fee #21-9 in Billings County.

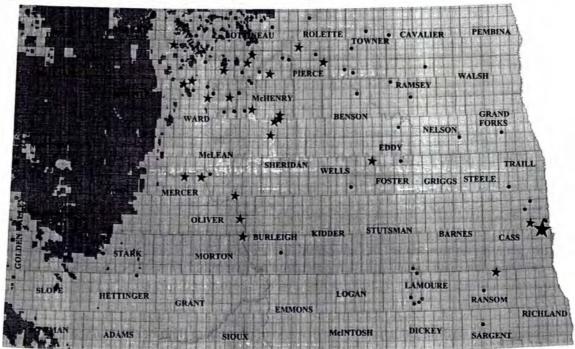
SHALLOW GAS PROJECT (2011-2013)



Methane bubbles in a groundwater sample recently obtained from a private well southwest of Harwood in Cass County (large star on map).

The Geological Survey recently completed phase II of a study of shallow natural gas in North Dakota. Having detected methane in 905 of the 4,325 ND State Water Commission monitoring wells tested, we turned our attention to private wells with historical reports of gas. In the fall of 2012, we investigated more than 100 private wells for methane and detected gas in 25.

We will be analyzing a dozen or so groundwater samples during the spring of 2013 for major ions and isotopes to enable us to determine the source of the gas and identify chemical groundwater signatures that might assist the oil and gas industry in natural gas exploration.



Private wells with reported shows of methane are indicated with a red dot and those we were able to confirm contain methane are indicated by a star. Oil fields are shown in gray.

ARCHITECTURAL PLANS FOR EXPANSION OF THE WILSON M. LAIRD CORE AND SAMPLE LIBRARY (2013 – 2015)

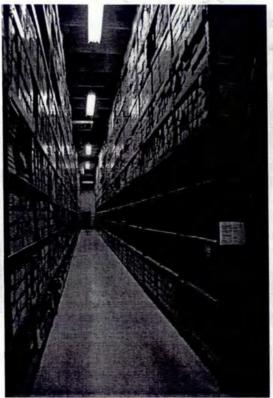
Oil companies are required by law to archive cores and samples (small pieces of rock ground up by the drill bit) in the Wilson M. Laird Core and Sample Library located on the University of North Dakota Campus in Grand Forks. The core library was constructed in 1980 and is quickly filling to capacity due to record-setting drilling activity in North Dakota. Current estimates are that the core library will be completely filled in 2016. The core library warehouse (13,200 square feet) will need to be tripled in size in order to accommodate future cores and samples.

An architectural firm will need to draw up plans and cost estimates for a core library expansion during the 2013-2015 biennium so that we can bring

them to the legislature in 2015 for approval.



The Wilson M. Laird Core and Sample Library on the campus of the University of North Dakota. The core library houses over 75 miles of core (133,000 boxes of core) and 38,000 boxes of samples.

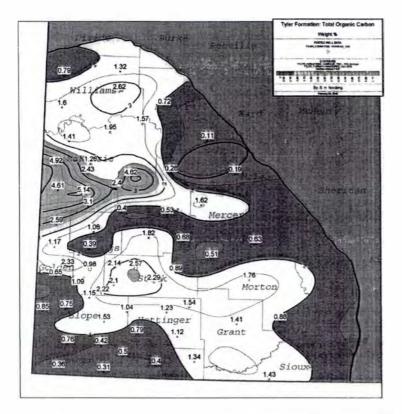


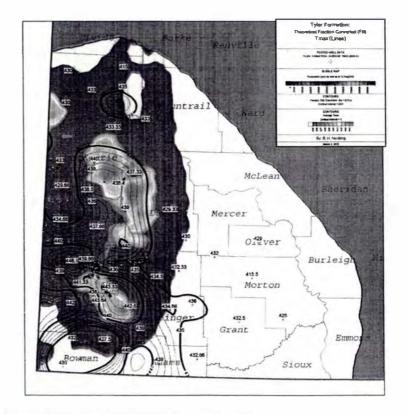


Both photographs are shown looking to the east down Aisle 1 in the core and sample library. The photograph on the left was taken on July 13, 2012 after the aisle had been reboxed resulting in a space savings (open bins) of approximately 40%. The photograph on the right was taken on October 19, 2012 after all but one of the bins in Aisle 1 had been filled to capacity with new core.

OIL-BEARING ROCK ANALYSIS PROJECT (2011-2013)

The cores in our core and sample library in Grand Forks provide valuable insight into the oil generation history of the Williston Basin. In 2012, the Geological Survey collected and analyzed 664 samples of oil-bearing rocks in the core library for the total organic carbon content and a suite of rock analyses called RockEval. The majority of these rock samples came from the Tyler Formation. The results of these analyses can be used to predict where rocks in the Williston Basin were buried deep enough and long enough to generate oil (mature areas).

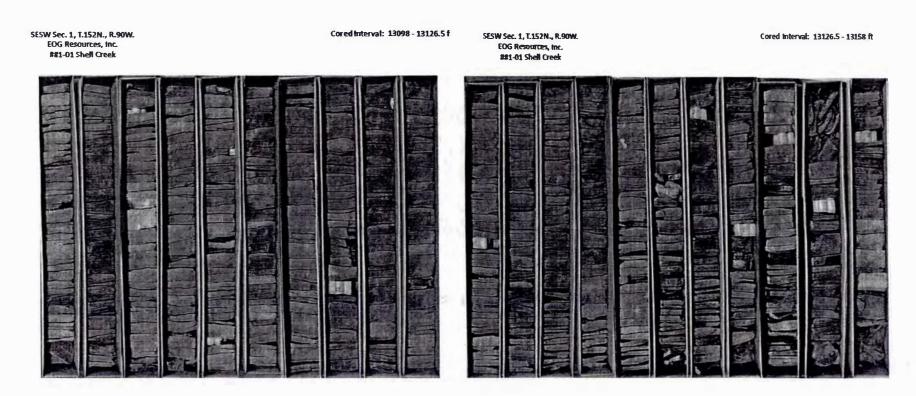




Map on the left: Map showing the average total organic content of the Tyler Formation in the western half of North Dakota. Fair, good, or excellent amounts of organic carbon are shown in shades of green, yellow and pink respectively. Map on the right: Map of the western half of North Dakota showing the fraction of reactive kerogen within the Tyler Formation that has been converted to petroleum. The posted values and the black contours are the average T_{max} values obtained from Rock-Eval pyrolysis. Wells that have produced from the Tyler Formation are shown as the color filled circles with the colors keyed to the initial production of these wells. Most of the wells lie along the east-west Dickinson-Fryburg trend.

OIL-BEARING ROCK ANALYSIS PROJECT (2013-2015)

In the 2013-2015 biennium, the Geological Survey will be shifting the emphasis from rocks above the Bakken (previous work was primarily in the Tyler Formation) to rocks below the Bakken and Three Forks Formations. We plan on obtaining 1,300 rock samples from core in the Icebox, Red River, and Interlake Formations for total organic carbon and RockEval analysis. The results will significantly increase our knowledge of the maturity of the oil-bearing rocks that occur below the Bakken and outside of the Bakken mature area.



Sixty feet of core of the Ice Box Formation (Winnipeg Group) from EOG Resource's #1-01 Shell Creek well in Mountrail County. The shale in these three-foot-long boxes is gray to grayish green in color. The bright green colors are Styrofoam spacers noting where core was removed for testing.



2011-2013 Status of Federal Funding

	Budgeted Amount	Received to Date
UIC Oil & Gas (EPA)	\$210,001	\$102,000
PSC Coal (OSM-DOI)	\$16,000	\$7,539
STATEMAP	\$17,484	\$0
NCRDS-Coal (USGS-DOI)	\$20,000	\$14,863
CO ₂ – GeoUnits (USGS-DOI)	\$0	\$23,169



2013-2015 Possible Changes in Federal Funding -Change Effect -Plan to Address Changes

	Anticipated Award
UIC Oil & Gas (EPA)	\$210,000
PSC Coal (OSM-DOI)	\$9,840
STATEMAP (USGS-DOI)	\$13,790
NCRDS-Coal (USGS-DOI)	\$30,380

No Anticipated Reductions 2013-2015

Renewable Energy Program



INDUSTRIAL COMMISSION OF NORTH DAKOTA

RENEWABLE ENERGY PROGRAM

Governor
Jack Dalrymple
Attorney General
Wayne Stenehjem
Agriculture Commissioner
Doug Goehring

Renewable Energy Program North Dakota Century Code 54-63

History of the Renewable Energy Program

North Dakota's Renewable Energy Program was established by the Legislature in 2007 under the control of the North Dakota Industrial Commission. The law provides that the Industrial Commission shall consult with the Renewable Energy Council. The Program's responsibilities include providing financial assistance as appropriate to foster the development of renewable energy and related industrial use technologies including, but not limited to, wind, biofuels, advanced biofuels, biomass, biomaterials, solar, hydroelectric, geothermal and renewable hydrogen through research, development, demonstration and commercialization. In addition the Program shall promote research and utilization of renewable energy co-product utilization for livestock feed, human food products and industrial use technologies. The Commission has adopted policies to implement this Program.

The Legislature further provided that the Commission shall contract with the Department of Commerce to provide technical assistance to the Renewable Energy Council and the Industrial Commission to carry out the law, including pursuit of aid, grants or contributions of money and other things of value from any source for any purpose consistent with the law.

In 2007 and 2009 the Legislature appropriated \$3,000,000 each biennium from the General Fund. In 2011 the amount was \$1,500,000. Section 15 of SB 2014 would authorize a continuing source of funding for the program -- .5% of the Resources Trust Fund. That percentage of funding for the 2013-2015 biennium is projected to provide \$2,734,767 for the Program. Senate Bill 2027 also proposed a continuing source of funding for the program—5% of the monies credited to the Resources Trust Fund with a \$3,000,000 cap.

Mission Statement

The Mission of the Renewable Energy Program is to promote the growth of North Dakota's renewable energy industries through research, development, marketing and education.

Grant Round Timelines

By policy grant round application deadline dates were established to be January 1, May 1 and September 1 of each year. Additional grant round deadline dates may be established by the Industrial Commission of North Dakota.

Grant Round Process & Procedures

A group of Technical Reviewers are identified by the Department of Commerce staff to analyze and critique the applications. Based on the analysis of the Technical Reviewers the Dept. of Commerce staff (Andrea Holl Pfennig) makes a recommendation to the Renewable Energy Council. The Council then makes a recommendation to the Industrial Commission. If the Commission approves funding the Industrial Commission Executive Director negotiates a contract and payments are made based upon work completed.

Grants may not exceed the legislative appropriation. By policy all projects must generate matching funds from industry or other sources (e.g., various federal government agencies, non-profit organizations) of cash or in-kind services (contributed equipment, materials or services). In-kind services may not exceed fifty percent of the total Commission funding amount. A grant may not exceed fifty percent of the total project cost. A higher priority will be given to those applications having private industry investment. The Commission has established that the maximum amount of any one grant is \$500,000.

Funded Projects

The Commission has approved the funding of 27 projects including 2 projects that were funded from the Biomass Incentive Research Fund. Currently there are 2 applications for Grant Round 18 that are in the review process. The total amount of Renewable Energy Program funding committed to the 27 approved projects as of December 31, 2012 is \$7,439,045. Each of these projects has match funding which means that the Renewable Energy Program funding has been leveraged to result in projects totaling over \$25.3 million. Some of the ongoing projects are:

- Biobased Hybrid Resins for Pultrusion Composites
- Energy Beet Research Phase II
- Distributed Nitrogen Fertilizer plant Engineering and Development
- Higher-Level Blend Ethanol Marketing
- Renewable Energy Commodity Trading Education Program

Renewable Energy Council

The Renewable Energy Council is appointed by the Governor. Current members are as follows:

Al Anderson, Commerce Commissioner - by law the Commissioner serves as Chairman Al Christianson, Great River Energy – represents Biomass Industry
Terry Goerger – represents the agriculture industry
Rod Holth, Green Vision – represents advanced biofuels and sugar-based biofuel
Eric Mack, ADM – represents biodiesel industry
Mark Nisbet, Excel Energy – represents wind industry
Randy Schneider – represents ethanol industry

ANALYSIS OF THE RENEWABLE ENERGY DEVELOPMENT FUND

N.D.C.C. 54-63-04

Continuing Appropriation

	2011-2013 Biennium	2013-2015 Biennium
Beginning Balance	\$3,355,358 ¹	\$1,778,858
Add estimated revenues ²		
General Fund Appropriation	\$1,500,000	\$2,734,767 ⁴
Interest Income	\$ 8,250	\$ 7,000
Applicant contribution	\$ 1,500	\$ 1,000
Total Available	\$4,865,108	\$4,521,625
Less estimated project expenditures and commitments		
Project Expenditures & Commitments ³	\$2,980,250	\$4,000,000
Administrative Costs	\$ 106,000	\$ 110,000
Total estimated expenditures	\$3,086,250	\$4,110,000
Estimated ending balance	\$1,778,858	\$ 411,625

⁽¹⁾ The Renewable Energy Program/Fund was authorized in 2007 and received \$3,000,000 General Fund appropriations in each of the 2007-2009, 2009-2011 biennia & \$1,500,000 in the 2011-2013 biennium. In addition some special funds were transferred from the Biomass Incentive Fund.
(2) Revenues under the 2009-2011 biennium reflect the General Fund appropriation of \$1,500,000. Other estimated revenues include actual interest income of \$6,556 and application contribution income of \$1,000 through December, 2012 with estimated revenues for the remainder of the biennium.

⁽³⁾ Actual project expenditures through December 31, 2012 totaled \$1,712,352 and as of January 1, 2013 the Commission has outstanding commitments of \$2,090,267 for 12 projects with 2 project applications in the review process that total \$370,000 and one additional grant round scheduled for May 1, 2013. Actual administrative and technical costs through December 31, 2012 total \$66,740 with an estimate for the remainder of the biennium.

⁽⁴⁾ Section 15 of SB 2014 establishes a continuing appropriation source for the Renewable Energy Fund—one-half of one percent of the amount credited to the Resources Trust Fund. The Executive Budget estimates that \$2,734,767 will be transferred during the 2013-2015 biennium. Senate Bill 2027 also establishes an appropriation source for the Renewable Energy Fund with 5 percent of the monies credited to the Resources Trust Fund with a \$3,000,000 cap.

DEPARTMENT OF COMMERCE TESTIMONY ON SENATE BILL 2014 JANUARY 21, 2013, 8:30 A.M.

SENATE APPROPRIATIONS COMMITTEE HARVEST ROOM SENATOR RAY HOLMBERG, CHAIRMAN

ALAN ANDERSON - COMMISSIONER, ND DEPARTMENT OF COMMERCE

Good morning, Mr. Chairman and members of the committee, my name is Alan Anderson and I serve as the Commissioner for the North Dakota Department of Commerce. As Commerce Commissioner I also have the pleasure of serving as the chairman of both the Renewable Energy Council and the EmPower North Dakota Commission.

The EmPower North Dakota Commission was established by the 2007 legislative assembly and made permanent by the 2009 legislative assembly. Its members are appointed by the Governor. It is an industry lead effort that allows all of our energy industries, both renewable and traditional, to have a voice into the state's energy policy.

On behalf of the EmPower ND Commission, I am here today to speak in favor of Senate Bill 2014. Specifically the EmPower ND Commission supports the Renewable Energy Program, the Housing Incentive Fund, and the increased staffing for the Department of Mineral Resources.

The EmPower ND Commission supports a permanent funding mechanism for the Renewable Energy Program, similar to the Oil & Gas Research and Lignite Research programs. The EmPower ND Commission recommended, and the interim Energy Development & Transmission Committee introduced, SB 2027 that provides a similar funding mechanism as is included in SB 2014. The difference between the two versions is that SB 2027 provides a higher percentage, but caps it at \$3 million per biennium. SB 2014 has a smaller percentage, but doesn't have a cap. In the 2013-15 biennium, the SB 2027 version would provide \$3 million, while the SB 2014 version would provide an estimated \$2,734,767.

Examples of projects funded from the Renewable Energy Program include:

- Renewable Energy Commodity Trading Education Program (\$500,000). This program
 will develop a world class renewable energy commodity trading educational programs for
 students, feedstock suppliers, and industry personnel at NDSU with match provided by
 ADM and Gavilon.
- Biobased Hybrid Resins for Pultrusion Composites (\$200,000). This project will utilize NDSU expertise to develop novel polyurethane resins from renewable materials such as vegetable oils. This would be used to fabricate items such as biobased plastics and fiberglass. If successful, the composites would be manufactured by Tecton in Fargo.
- Distributed Nitrogen Fertilizer Plant Engineering and Development (\$431,000). This project will develop a Basic Engineering Design Package for a small-scale, distributed nitrogen fertilizer plant that will be co-located at Tharaldson Ethanol.

The EmPower ND Commission also supports the Governor's recommended \$30 million appropriation for the Housing Incentive Fund. The EmPower ND Commission recommended, and the interim Energy Development & Transmission Committee introduced, HB 1029 which extends the sunset for the Housing Incentive Fund and provides for tax credits in the amount of \$20 million. Combined, these two bills would provide a total of \$50 million for assistance in providing affordable housing throughout the state. Affordable housing has been identified as one of the key challenges to attracting and retaining workforce in the state.

The EmPower ND Commission recommends the State of North Dakota:

Recognize the additional burdens new energy developments are placing on state regulatory agencies and provide adequate funding and staffing levels for North Dakota Department of Health, North Dakota Department of Mineral Resources, North Dakota Public Service Commission, and North Dakota State Water Commission to ensure that each will be able to properly manage their respective programs.

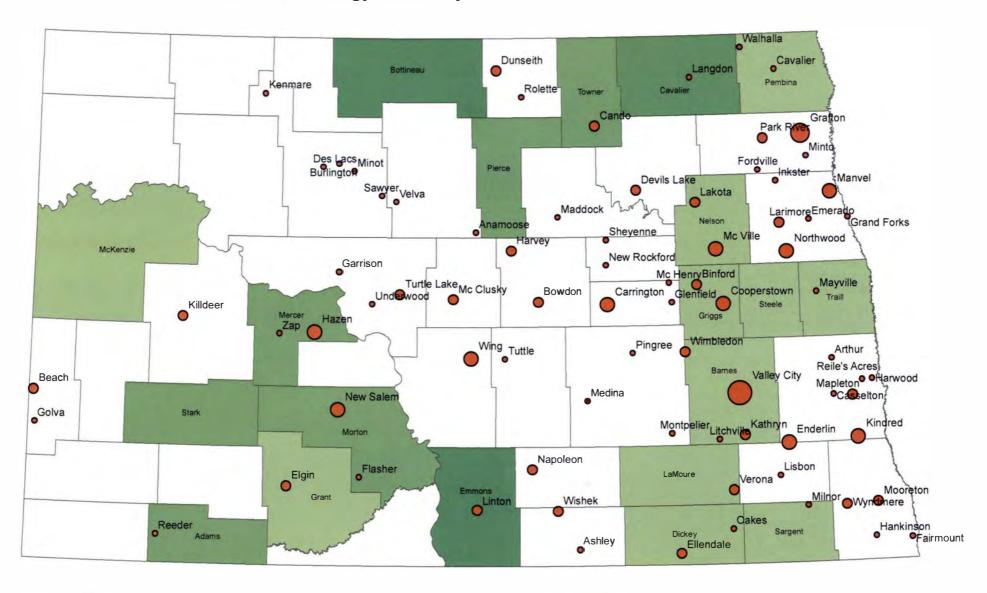
It is important for energy development, as well as for the safety of the citizens and environment, that proper resources are being put forward to the regulation of the industry. It is vital that the state maintain regulatory primacy and that requires having sufficient staff resources within our regulatory agencies. A lack of adequate staff resources could also impede energy development. The EmPower ND Commission supports the additional FTEs and salary dollars for the Department of Mineral Resources as recommended by the Governor in SB 2014.

As Commerce Commissioner, I would also like to provide a few comments on the Energy Conservation Fund. This fund is created in the Department of Commerce's appropriation bill (section 8 of SB 2018) and the funding source is included in section 15 of SB 2014. The Energy Conservation Fund will be used to provide energy efficiency grants for public buildings throughout the state. This has the potential to save significant taxpayer dollars over time.

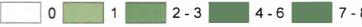
This new program will be similar to the Energy Efficiency and Conservation Block Grant program that utilized about \$8.5 million in federal fiscal stimulus dollars. These funds were used to retrofit 198 building with about 3.5 million square feet. These projects provide an annual savings of \$1.11 million. A map of these projects is attached to my testimony.

Mr. Chairman and members of the Appropriations Committee, I respectfully request your favorable consideration of Senate Bill 2014. That concludes my testimony and I am happy to entertain any questions.

Energy Efficiency and Corvation Block Grant: Number of Energy Efficiency Retrofits and Locations







City Buildings



Dakota Spirit AgEnergy Cellulosic Biorefinery

Great River Energy (GRE)

Funds helped pay for the development phase of a cellulosic biorefinery, including a Pre-FEED study and financial model. The biorefinery will be located adjacent to GRE's Spiritwood Station, a combined heat and power (CHP) facility near Spiritwood, ND. Utilizing proven Danish technology, the biorefinery will convert wheat straw and/or corn stover to higher value energy products such as cellulosic ethanol, C5 molasses and purified lignin pellets. The REP provided \$500,000, 40% of the total project costs.

Developing a Biomaterials Industry in ND

North Dakota State University

Funds for this project will be used to demonstrate a new pretreatment process for densifying biomass. The pretreated biomass could feed an integrated biorefinery that would produce fuels, chemicals, and composites. The REP provided \$406,120, 50% of the total project costs.

Biobased Hybrid Resins for Pultrusion Composites

North Dakota State University

Funds for this project will be used to develop bio-based composites. If successful, the composites would be manufactured in Fargo at the Tecton facilities. The main source of feedstock for this project will be ND vegetable oils. An award of \$200,000 will provide 50% of the project cost.

Distributed Nitrogen Fertilizer Plant, Engineering and Development

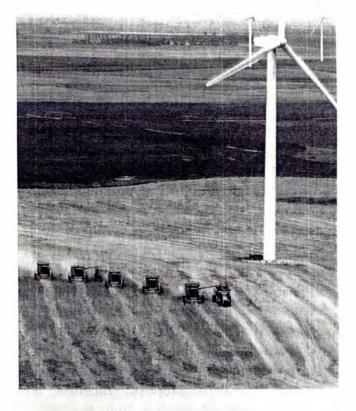
Progressive Nutrient Systems, LLC

This project will develop a Basic Engineering Design Package for a small-scale, distributed nitrogen fertilizer plant that will be co-located at Tharaldson Ethanol. The REP provided \$431,000, 43% of the total project costs.

For More Information

Call the Industrial Commission at 701-328-3722 or visit us on the web:

www.nd.gov/ndic/renew-infopage.htm





Renewable Electrolytic Ammonia Production from Water and Nitrogen

Energy & Environmental Research Center (EERC)

EERC will develop and demonstrate a onestep electrolytic process for renewable ammonia production that utilizes inputs of water, air-separated nitrogen, and windgenerated electricity. A grant award of \$250,000 consisted of 42% of the total project cost.

Dakota Turbines

Posilock Puller, LLC

This project will create the most reliable, cost-effective and efficient small wind turbine on the market and is scalable from 5 - 100 kW. A grant award of \$285,373 provided 40% of the total project cost.

Statewide Ethanol Marketing Campaign

ND Ethanol Council

A marketing campaign focused on increasing the amount of higher-level ethanol blends (E15+) used in ND will be developed. All of the state's ethanol stakeholders are involved in the project, establishing a consistent statewide promotional message for higher-level blends. The REP provided \$199,600, 47% of the total project costs.

Renewable Energy Program

About the Program

North Dakota's Renewable Energy Program (REP) was established by the Legislature in 2007 to promote the growth of North Dakota's renewable energy industries through research, development, marketing, and education.

The grant program is competitive and proposals go through a peer review process before being considered by the Renewable Energy Council (REC). The REC is appointed by the Governor and made up of 7 individuals including the Commerce Commissioner, who serves as chairman, and representatives from the following 6 industries: agriculture, biomass, biodiesel, wind, ethanol and sugar beet based ethanol. If a proposal receives a favorable recommendation from the REC, it is brought to the Industrial Commission for final consideration.

Eligible projects can receive up to \$500,000 and require a 50% match. There are 3 grant rounds per year. The application deadlines are January 1, May 1, and September 1.

Blue Flint Ethanol E85 Blending Facility

Blue Flint Ethanol, LLC (BFE)

BFE installed facilities that allow for in-line blending of E85. BFE is marketing E85 to retail fuel stations in the state. It is believed that consistent availability of an E85 product that is blended into the truck as opposed to splash or tank blended will grow retail market use of this product. The grant award of \$50,000 consisted of approximately 43% of the total cost of the project.

Developing a Biomaterials Industry in ND

North Agricultural Experiment Station, North Dakota State University

This project completed a front end engineering and design (FEED) study for a pilot scale plant to demonstrate the commercial potential of technology to produce materials and fuel from biomass feedstock. produce bio-based cellulose nanowhiskers. The grant award of \$800,000 consisted of approximately 45% of the total cost of the project.

Corn Oil Extraction

Headwaters Inc., & Great River Energy

Equipment to extract corn oil, a product not currently harnessed in ND, was set up at Blue Flint Ethanol. The oil provides another revenue source for ethanol plants. A grant award of \$500,000 consisted of 25% of the total project cost.

Evaluation of ND Perennial Herbaceous Biomass Crops

ND Natural Resources Trust

Phase II of a 10 year study, the project contributed to long-term data that will ultimately determine the most productive grass species, optimal harvest methods, and best practices to maintain productive perennial biomass stands in ND. A grant award of \$280,000 consisted of 67% of the total project cost.

Energy Beet Research, Phase II

Green Vision Group

This project will finalize a cost effective and energy efficient plant design and advance development of North Dakota's first 20 MGY energy beet biofuel plant. A grant of \$500,000 provided 50% of the total project cost.

Re

No

Α

est

the

fe€

pro

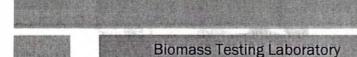
be

An

the

No Fu de tra fer pe

5C



ergy s set up North Dakota State University

product provides I plants. isted of

A Biomass Testing Laboratory was established to evaluate physical and thermal characteristics of diverse ND feedstock and the densified biomass products. The lab is a joint venture between NDSU and USDA-ARS in Mandan. An award of \$225,000 provided 40% of the project cost.

aceous

project that will oductive nethods, 'oductive A grant

67% of

Renewable Energy Commodity Trading Education Program

North Dakota State University

Funds for this project will be used to develop a renewable energy commodity trading educational program for students, feedstock suppliers, and industry personnel. A grant of \$500,000 provided 50% of the total project cost.

effective ign and Dakota's plant. A % of the

Lignite Research & Development Program (LRP)

Page 1 of 15

January 21, 2013

Mike Jones

Director & Technical Advisor

Lignite Research Council

SB 2014

Lignite R&D Program Funding Testimony of Mike Jones, John Dwyer & Sandi Tabor Before the Senate Appropriations Committee

I. Overview of the Lignite Industry

A. Current Lignite Industry in North Dakota

- 30 million tons of lignite coal
 - Serves 2 million people with electricity
 - Serves 225,000 homes with SNG (Synthetic Natural Gas)
 - Produces 1,000 tons per day of agricultural fertilizer

B. Annual Economic Contribution to North Dakota (2012 projected)

- Over 4,000 people employed / more than 17,500 total direct/indirect/ or one out of every 22 jobs in the state is tied to the lignite industry
- \$1,200 million in direct expenditures / each dollar spent multiplies into three dollars for our economy for a total of nearly \$3.5 billion
- \$1,076 million in personal income
- \$101.6 million in state tax revenues

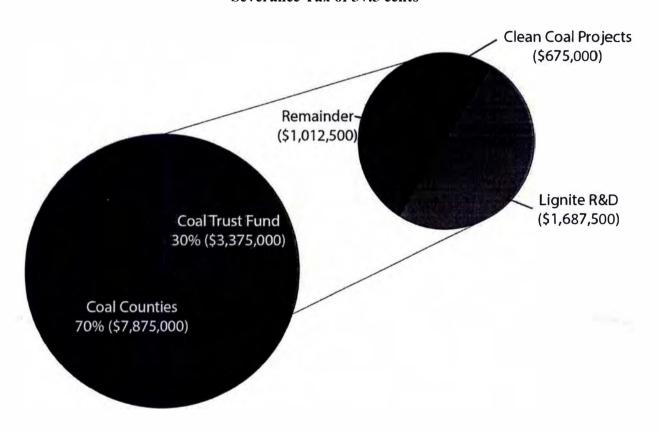
II. Overview of the Lignite Research Council

A. 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
 - Appointed by the Governor
 - Provides advice on policy and guidelines
 - Provides recommendations on project funding
 - Members are representatives from both the private and public sectors

B. What are Funding Sources of R&D Program?

ND Coal Severance Tax Annual Revenue and Distribution (Assumes 30 million tons of annual production) Severance Tax of 37.5 cents*



Summary of Lignite R&D Funding

Summary of Annual Revenue

\$1,687,500
675,000
600,000*
1,250,000**
\$4,212,500
<u>x2</u>
\$8,425,000

Additional revenues are also received from investments made in the Dakota Gasification Plant.

^{*}Note: In addition to the funding from the Coal Trust Fund, the Lignite R&D Program receives revenue from a two-cents-per-ton R&D tax.

^{**}Note: The legislature has authorized that a portion of the Coal Conversion Tax be transferred to the Lignite Research Fund through July 31, 2018.

III. Summary of 2011-13 activities

A. Research Projects for existing facilities – What are the benefits?

- Combustion, gasification & environmental research projects help identify technologies that increase efficiencies, reduce emissions, and increase use of combustion byproducts (EERC)
 - Examples are:
 - \$80,000 in state money has resulted in sales of nearly 100 percent of fly ash generated at Coal Creek Station – resulting in annual sales revenue of \$2.5 million versus landfill costs of \$2 million
 - \$400,000 in state money has resulted in \$13.5 million DOE investment for coal dryer development at Coal Creek Station Unit II and subsequent investment of over \$600 million to integrate coal drying at Coal Creek Station. This project in turn has led to the construction of a \$375 million power plant at Spiritwood near Jamestown. The plant will be fueled with beneficiated lignite
 - \$3 million in state money was leveraged for total of \$30 million used for research and demonstration projects to develop cost-effective mercury control technologies for lignite-based plants
 - \$3.1 million in state money has been leveraged for a total of \$158 million used to demonstrate the technical and economic feasibility of *storing* CO₂ in terrestrial and geological formations (EERC PCOR)
 - \$490,000 in state money has been leveraged for a total of \$8,716,523 used for research on Oxy-firing to demonstrate one possible lower cost option for capturing CO₂ by burning coal in oxygen instead of air to produce a flue gas rich in CO₂.
- B. Demonstration Projects Lignite Vision 21 Program (LV21) Primary purpose is to assist with developing new projects with cost-effective clean coal technologies to meet additional energy demands.
 - What is in it for State? LV21 means new taxes and new jobs!
 - ALE Coal-to-liquid fuels (CTL) Plant (30,000 bpd gasoline) would mean (estimated):
 - o 700 direct jobs
 - o 9 million more tons of coal
 - \$4 billion capital cost
 - o Go-no go decision by December 2013

January 21, 2013

Mike Jones

Director & Technical Advisor

Lignite Research Council

SB 2014

- GNPD Coal-to-hydrogen-electricity plant (175 MW) would mean (estimated):
 - o 350 direct jobs
 - o \$8.17 million more in annual tax revenue
 - o 2.8 million more tons of coal
 - o \$3 billion capital cost
 - Mine permit application filed, coal beneficiation demonstration plant constructed
- GRE Spiritwood 99-megawatt power plant will mean when it is operative (estimated):
 - o 43 operating jobs (24 direct power plant and 19 for transportation of beneficiated coal)
 - o \$380 million/year economic impact
 - o 700,000 more tons of coal
 - o \$375 million capital cost
 - Construction completed, operation due to begin January 2015
- Support Services to Developers under LV21
 - Environmental/Regulatory
 - Research & Development
- What is North Dakota's commitment to LV21?
 - Unqualified support from Legislature and Industrial Commission (Governor, Attorney General & Ag Commissioner)
 - o Agency support shortens lead times / reduces risk
 - \$10 million in *matching* funds for development phase for each project upon Industrial Commission approval

C. Marketing Activities - What are the benefits?

- Marketing program includes advertising flights (concentrated in targeted market areas in ND & MN)
 - Research shows advertising on broadcast television has improved overall favorability of coal-based electricity in Minnesota and North Dakota
 - o Over 75% in ND favor coal-based electricity
- Development and implementation of successful marketing plan helps preserve and enhance lignite markets
 - Messages include affordability, reliability, increasingly cleaner and energy security

D. Lignite Study Initiatives (20011-2013)

- Beneficial Use of CO₂ Study
 - Completed 1/12
 - Identified opportunities for beneficial use of CO₂ from lignite-based energy conversion facilities in North Dakota
- Lignite-based Advanced Generation Technology Systems at 175-225 MWe Size range
 - Evaluated "Best" options for new 175-225 MWe lignite-based power plant
 - Completed 12/12

E. How was \$19.97 million R&D appropriation allocated in present biennium (2011 to 2013)?

Appropriated		Amount (\$) \$19,970,600
Expended (Estimated)		
Research Activities	(\$1,120,000)	
Demonstration	(\$1,900,000)	
Marketing	(\$491,700)	
Litigation (General Fund and LRF)	(\$855,665)	
Administration	(\$750,000)	
Enhance, Preserve and Protect	(\$1,505,375)	
Subtotal		(\$6,622,740)
Balance (Appropriated less expended funds)		\$13,347,860

F. Future commitments for Lignite Vision 21 Program (Demonstration Projects)

The NDIC has made formal commitments to three projects under the Lignite Vision 21 Program. Outstanding commitments for these three projects for subsequent biennia are dependent on start-up for the Spiritwood facility, and construction for ALE CTL and GNPD Coal-to-hydrogen-to-electricity projects.

Oı	utstanding NDIC commitments for these LV21 projects are:	NDIC <u>Commitments</u>
•	ALE Coal-to-Liquid Fuels Project	\$ 8,650,000
•	GRE Spiritwood Project (Beneficiated coal/lignite-based electricity/renewable energy)	\$ 75,000
•	Great Northern Project Development/South Heart	\$ 3,572,866
	Expected NDIC Commitments ('11 to '13 Biennium)	\$12,297,866

IV. Summary of 2013-15 Planned Activities:

A. Overview of Political/Regulatory Climate

• The Landscape has Changed



March 30, 2012 Obama Delivers a Death Blow to the Coal Industry

THE HUFFINGTON POST
June 12, 2012
U.S. Coal Industry May Be Pushe
Aside As America Switches To
Cheap, Clean Energy Alternative

Manager Manager Page 12, 2012

Holding on to the past denies coal industry's future

FierceEnergy

June 11, 2012

Goodbye to Coal?

ECONOMY
April 4, 2012
Mine Union President
Compares Fate of Cc
Industry to Osama Bin
Laden's Death

July 28, 2012
Record number of coal-fired generate to be shut down in 2012

• Future environmental issues will have a significant impact on our competitiveness / growth potential

Action 2011 2012 2013 2014 2015 2016 2017 MACT Rule Pre-compliance Period for existing sources MACT Rule Compliance for existing sources EGU MACT Criteria

2018 Nonattainment Areas Designated New or Revised Standards **Pollutants NAAQS SIP Compliance** (NO₂, SO₂, Ozone, PM) State SIPs Developed Coal Combustion Residuals Develop New 316(b) Rules 316 (b) Rule Pre-compliance Period 316 (b) Rule Compliance Water .316 (b) New Guidelines **Develop New Effluent Guidelines Rules** Effluent Guidelines Compliance Greenhous (GHG)

EPA New Regulatory Actions Timeline

B. Industry Response

- Intensive year-long strategic planning process
 - Identified several key foundations that must be addressed
- Board of Directors agreed to:
 - Three-year plan to fight back
 - Significant increase in dues to support plan

C. Enhance, Preserve and Protect Project

- Goals
 - To preserve and protect the existing lignite fleet in North Dakota
 - Support existing partners in the development of new lignite facilities
 - Explore new avenues to develop value-added opportunities for lignite and combustion waste products
- Research and Development Program
 - Address immediate technology needs as existing plants comply with new regulations
 - Discover new beneficial uses for lignite
 - Examine technology options that will allow a new lignite fleet to develop
- Public Affairs Program
 - Aggressively push back against proposed rules and legislative initiatives that do not make scientific or economic sense
 - Develop coalitions throughout the region to educate and address misinformation regarding lignite-based generation
 - Coordinate with the State on issues of common concern
 - Explore opportunities to improve our communications with federal agencies
- Support Services to Developers under LV21
 - Environmental/Regulatory
 - Research & Development
- Lignite Study Initiatives Proposed (2013-2015), subject to review and approval
 - Determine best options for new strategies for NOx control for lignite based plant using North Dakota lignite
 - Determine life cycle CO₂ footprint for natural gas based electricity

V. 2013-2015 Budget

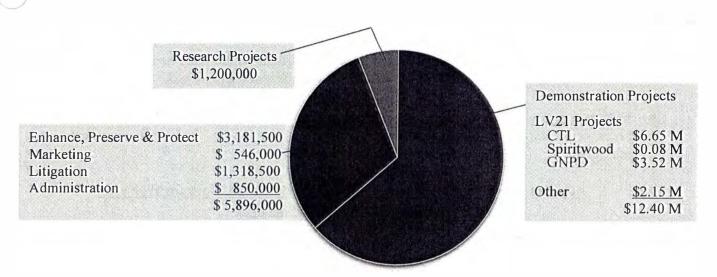
A. Governor's Industrial Commission budget of \$19.5 million consists of:

Research and Education Activities	\$ 1,200,000
Demonstration Projects	\$12,404,000
Marketing	\$ 546,000
Litigation	\$ 1,318,500
Enhance, Preserve and Protect	\$ 3,181,500
Administration	\$ 850,000
	\$19,500,000

B. What is proposed for 2013 - 2015 Biennium for lignite R&D program?

How will \$19,500,000 be allocated in 2013 to 2015 biennium?

2013 – 2015 Lignite R&D Proposed Appropriation



Total Amount = \$19.5M

Page 10 of 15

January 21, 2013

Mike Jones

Director & Technical Advisor

Lignite Research Council

SB 2014

Summary of Research, Development & Marketing Components

- Research Each dollar in state funds has generated another six 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;
- Enhance, Preserve and Protect The lignite industry in partnership with the State of North Dakota has developed a 3 year plan to aggressively work to preserve and protect the existing lignite fleet in North Dakota, support existing partners in the development of new lignite facilities, and explore new avenues to develop value-added opportunities for lignite and combustion waste products;
- Marketing Developed regional lignite marketing plan, presently being implemented;
 Assistance to Lignite Vision 21 Program participants; Identified new markets for beneficiated lignite;
- <u>Development (Demonstration)</u> Feasibility and permitting of clean coal demonstration projects which will provide new markets for lignite-based electrical generation and renewable energy, upgraded or beneficiated lignite, liquid fuels such as gasoline, diesel and jet fuels, and by-products such as activated char for enhanced mercury control; Implemented *Lignite Vision 21 Program* to develop new clean coal energy conversion projects;
- <u>Litigation</u> Funds are made available if needed for litigation that may be necessary to protect and promote the continued development of lignite resources; and
- <u>Bottom Line</u> 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, and our state.

Additional information is also available on the R&D Program Web site: http://www.state.nd.us/ndic/lrc-infoP.htm

Summary of 2013 - 2015 Small Research Projects

FY06-LV-143: "Plains CO2 Reduction Partnership - Phase II": Program Funding: \$360,000; Total Project Costs: \$21,487,892. Objective: Initiate Phase II activities by performing field sequestration validation tests leading to eventual commercial applications that include geologic storage and coal seams (producing coal bed methane) in addition to land management practices and wetlands.

FY08-LXII-159: "Demonstration of Coal Combustion Products for Green Roadbuilding in Medora, North Dakota": Program Funding: \$125,000; Total Project Costs: \$377,725. Objective: Demonstrate environmentally sustainable (green) roadbuilding using multiple coal combustion product (CCP) utilization applications and, in the process, educate North Dakota industry, state agencies, and the public about environmentally sustainable construction.

FY08-LXII-160: "Center for Air Toxic Metals Program Affiliates Membership for the North Dakota Industrial Commission (NDIC)": Program Funding: \$45,000; Total Project Costs: \$270,000. Objective: Develop information on the behavior of air toxic substances that allows for the prediction of the fate of air toxic metals, the enhancement of existing control technologies, the identification of new control technologies, the optimization of utilization and disposal of residuals, and pollution prevention.

<u>FY08-LXIV-163: "Coal Ash Behavior in Reducing Environments (CABRE III)":</u> Program Funding: \$150,000; Total Project Costs: \$2,401,174. Objective: Conduct research and demonstrate fuel ash-related problems that affect gasification performance and provide more reliable evaluation tools for gasifier design engineers and operators to assess coal requirements and optimize operating conditions.

<u>FY08-LXIV-164: "Partnership for CO2 Capture":</u> Program Funding: \$300,000; Total Project Costs: \$3,410,000. Objective: Conduct pilot-scale demonstration testing of selected CO2 separation and capture technologies for fossil fuel-and biomass-fired systems. The technologies may include solvent scrubbing, oxygen-fired combustion, and gas separation membranes.

<u>FY10-LXVII-168</u>: "Lignite Education Program": Program Funding: \$156,000; Total Project Costs: \$312,000. Objective: to educate teachers from North Dakota and neighboring states about the economic benefits, career opportunities and operations of the lignite industry, enabling them to educate their students about the industry.

FY10-LXIX-171: "Partnership for CO2 Capture-Phase II": Program Funding: \$150,000; Total Project Costs: \$1,860,000. Objective: This project focus is to develop promising technologies toward demonstration and commercialization that capture and separate CO2 from a dilute gas stream produced by combusting fossil fuels. In order for this to happen, the program will focus on developing and demonstrating a range of CO2 capture technologies while achieving high reductions in SOx, NOx, particulate, mercury, and other gas constituents as required by CO2 capture technologies.

<u>FY10-LXIX-173: "Evaluation of Novel Technologies for CO2 Capture":</u> Program Funding: \$50,000; Total Project Costs: \$1,935,156. Objective: This project will evaluate technologies that have the potential to dramatically reduce the cost of CO2 capture from a dilute gas stream produced by combusting fossil fuels. The technology that has been chosen for evaluation and optimization is the Neumann System Group's (NSG's) NeuStreamTM technology.

Page 12 of 15

January 21, 2013

Mike Jones

Director & Technical Advisor

Lignite Research Council

SB 2014

FY10-LXX-175: "Center for Air Toxic Metals Affiliates Program": Program Funding: \$45,000; Total Project Costs: \$1,000,000. Objective: This project will use a cradle to grave approach to solve scientific and environmental issues related to the production of energy and industrial processes in an environmentally responsible manner and to assist impacted organizations to meet pending regulations and control challenges. The focus of these efforts will be on air toxic metals with particular interest in Mercury emissions.

<u>FY11-LXXI-177: "Annual LEC Education Seminar: Energy, Economics & Environment"</u>: Program Funding: \$160,000; Total Project Costs: \$320,000. Objective: The program involves a two credit, four day seminar to educate ND, MN, SD & MT teachers about lignite industries.

FY12-XXII-178: "Evaluation of CO2 Capture from Existing Coal Fired Plants by Hybrid Sorption Using Solid Sorbent (CACHYSTM)": Program Funding: \$350,000; Total Project Costs: \$3,690,000. The objective of this project is to improve the current state-of-the-art by developing a novel sorbent-based, post-combustion technology, namely the CACHYSTM process that can achieve at least 90% carbon dioxide (CO2) removal from coal-fired power plants while demonstrating progress toward achievement of the U.S. Department of Energy's (DOE) target of less than a 35% increase in the levelized cost of electricity (LCOE).

FY12-XXIII-179: "Demonstration of Multipollutant Reduction Using a Lextran 3-in-1 Wet Scrubber": Program Funding: \$67,200; Total Funding: \$199,050. The general objective is to conduct pilot-scale combustion testing of the Lextran 3-in-1 gas cleaning technology using lignite-fired flue gas conditions at the Energy and Environmental Research Center.

FY12-XXIII-180: "Novel In-situ Sorbent Activation Process (SAP) – An Evaluation of North Dakota Lignite and Lignite Byproduct Feasibility to Reduce Mercury in Exhaust Gases Over an Extended Period of Time": Program Funding: \$400,000; Total Project Costs: \$1,045,000. The overall objective of the proposed project is to test the commercial application of EPRI's patented mercury control technology (SAP) at commercial scale and over a longer duration on North Dakota lignite at Great River Energy's Coal Creek Station.

FY12-XXIII-181: "Geomechanical Study of Harmon Lignite and Surrounding Rocks for Underground Coal Gasification in Western North Dakota": Project Funding: \$242,729; Total Project Costs: \$485,712. The objective of this project is to determine the feasibility of using underground coal gasification (UCG) to access currently un-economic lignite resources in North Dakota.

Summary of 2013 – 2015 <u>Demonstration</u> Projects (Matching Funds)

FY06-LVII-148: "Lignite Vision 21 Project Coal-to-Liquids Plant McLean County, North Dakota": Program Funding: \$10,000,000; Total Project Costs: \$50,000,000. Objective: Complete the Front-End Engineering and Design (FEED) for a 10,000 barrels per day (bpd) coal to liquids (CTL) plant to be located in McLean County, North Dakota. The 10,000 bpd CTL will use indirect liquefaction and Fischer Tropsch to produce diesel, jet fuel, and naphtha. Also, the plant as proposed would yield other products and electricity. Limited activity is noted on this project. This contract is being amended.

FY07-LVIII-149: "Spiritwood Energy Power Plant": Program Funding: \$2,000,000; Total Project Costs: \$375,000,000. Objective: Construct and operate a beneficiated lignite-fired combined heat and power plant near Spiritwood that would provide steam for an expanded malting facility and yet to be determined steam client. The size of the boiler for the combined steam and electrical load is equivalent to a 99 MW power system.

FY07-LXI-154: "Development of Biomimetic Membranes for Near-Zero PC Power Plant Emissions": Program Funding: \$260,000; Total Project Costs: \$5,832,241. Objective: Evaluate and demonstrate the ability of a contained liquid membrane permeator to capture CO2 from flue gas produced during the combustion of lignite.

FY07-LXI-157: "North Dakota Partnership in the Canadian Clean Power Coalition Phase III": Program Funding: \$130,000; Total Project Costs: \$260,000. Objective: To support the development of advanced coal utilization technologies including gasification, oxy-fuel combustion, and various carbon removal technologies that can be applied to conventional coal power plants.

<u>FY07-LXI-158: "Demonstration of WRI's Pre-Combustion Mercury Removal Process for Lignite-Fired Power Plants"</u>: Program Funding: \$188,000; Total Project Costs: \$595,000. Objective: To develop and demonstrate precombustion mercury removal of raw coal by thermal treatment.

FY08-LXII-161: "Lignite Vision 21 Feasibility Project Phase IV – Engineering, Business Development and Design": Program Funding: \$7,328,807; Total Project Costs: \$28,300,000. Objective: Conduct Pre-FEED (front-end engineering and design) and FEED studies showing the feasibility of constructing a coal gasification project making pipeline quality synthetic natural gas from lignite.

FY08-LXIII-162: "Plains CO2 Reduction Partnership - Phase III": Program Funding: \$2,400,000; Total Project Costs: \$136,231,052. Objective: Demonstrate technical and economic technologies to store CO2 in geologic formations in the region. One demonstration project will be conducted in western North Dakota and the other demonstration project will be conducted in British Columbia.

FY09-LXV-165: "CO₂ Capture Demonstration Project": Program Funding: \$2,700,000; Total Project Costs: \$5,400,000. Objective: Conduct a Front End Engineering and Design study involving the application of Powerspan's technology to remove 90% of the carbon dioxide from a 120 MW flue gas slipstream of Unit 1 of the Antelope Valley Station.

FY09-LXV-166: "Long-term Assessment of Selective Catalytic Reduction Reactor Slip Stream Performance of Utilities Burning Lignite Coal": Program Funding: \$200,000; Total Project Costs: \$1,050,000. Objective: Conduct testing of selective catalytic reduction technology to remove nitrogen oxides from the flue gas of SaskPower's Poplar River Station Unit 1, which burns Fort Union Lignite.

Page 14 of 15
January 21, 2013
Mike Jones
Director & Technical Advisor
Lignite Research Council
SB 2014

<u>FY10-LXVI-167</u>: "Application of Waste Heat Recovery Generation at Great River Energy's Coal Creek Station": Program Funding: \$55,000; Total Project Costs \$110,000. Objective: Calnetix will evaluate waste heat sources at lignite based power plants to determine if additional waste heat recovery can be applied economically to these facilities.

<u>FY10-LXVIII-169</u>: "Alstom Oxy-fired Demonstration Project": Program Funding: \$490,000; Total Project Costs: \$8,716,523. Objective: Alstom will use their 5MW pilot facility to examine the impact of oxy-firing on boiler performance with a range of US coals. Funding from the LRC will be used to partially fund testing a ND lignite coal supplied by GRE that has been upgraded using their Dry-fining process.

<u>FY10-LXIX-171: "Partnership for CO2 Capture – Phase II":</u> Program Funding: \$150,000; Total Project Costs: \$1,860,000. Objective: To identify and help commercialize a range of CO2 capture technologies that can be used by the electric utility industry to meet potential regulations to capture and sequester CO2 from lignite-fired power plants.

<u>FY10-LXIX-172</u>: "WRITECoal Gasification Process for Low Rank Coals for Improved Integrated Gasification Combined Cycle with Carbon Capture: Phase II – Pilot-scale Demonstration": Program Funding: \$549,500; Total Project Costs: \$1,970,022. To demonstrate the Western Research Institute's WRITECoalTM gasification process for IGCC with CO2 capture, fuel cell applications, and chemicals production.

FY11-LXXI-176: "Field Evaluation of Novel Approach for Obtaining Metal Emission Data": Program Funding: \$235,120; Total Project Cost: \$573,000. Objective is twofold: 1) to evaluate the EERC-developed multi-element sorbent trap (ME-ST) technology at two ND lignite-fired full-scale sites, and 2) to provide metal and halogen emission data at these sites.

FY12-LXXII-178: "Evaluation of CO2 Capture from Existing Coal Fired Plants by Hybrid Sorption Using Solid Sorbent (CACHYSTM)": Program Funding: \$350,000; Total Project Costs: \$3,690,000. Objective: The project team proposes to develop and demonstrate a hybrid solid sorbent based process to capture CO2 from flue gas using novel process chemistry and contactor conditions. The goal is cost effective CO2 capture and separation technology applicable to lignite based power plants

Summary of 2011 – 2013 <u>R&D Projects</u> (Non-Matching Funds)

LMFS-10-40: "Lignite Vision 21 Program - Phase VI Environmental Permitting and Transmission Plan Development of Lignite 21 Projects": Program Funding: \$1,312,500; Objective: 1) coordinate and assist the Lignite Vision 21 Program (LV21P) participants; 2) develop and implement legal, marketing, generation, environmental, and transmission strategies; 3) manage the LV21P projects in order to eliminate any potential duplication; and 4) maximize value for the State of North Dakota.

LMFS-10-40A: "A Study of Lignite-Based Advanced Generation Technology Systems": Program Funding: \$150,000; Objective: To evaluate the potential technology options for a new 175-225 MWe lignite-based base load power plant to be built in North Dakota. Options to be considered include PC-fired boiler, circulating fluidized bed boiler and an integrated gasification combined cycle system.

LMFS-10-40B: "Beneficial Use of CO2 for North Dakota Lignite Fired Plants": Program Funding from LV21P: \$275,000; Total Project Funding: \$414,000. Objective: To evaluate the technical options for beneficial use of CO2 from plants using ND lignite. In addition, the market potential based on the markets for the products produced will be determined.

LMFS-07-39D: "Lignite Gasification Technologies Summary Report": Program Funding: \$50,000 from LV21P; Total Project Funding: \$100,000. Phase V Project Objective: Compile various lignite gasification research, development and demonstration project information into a summary report. The unique properties of lignite from the US will be discussed and the impact of those properties on gasification system performance discussed.

<u>LMFS-40: "Lignite Marketing Program - Phase VI":</u> Program Funding: \$1,312,500; Objective: To improve the public image and promote the use of lignite-based electricity, to build a public support base, to ensure growth and stability of the regional lignite industry and to assist in the development of energy and environmental policies.

Summary of 2009 – 2011 Marketing Projects (Matching Funds)

FY06-LVI-147: "Implementation of Lignite Regional Energy Marketing Plan": Program Funding: \$2,400,000; Total Project Costs: \$4,800,000. Objective: Improve and maintain overall public regional image of coal and promote the use of coal as a low-cost, efficient and environmentally compatible energy source to ensure the continued utilization and growth of coal-based electrical energy.

<u>FY10-LXVII-170</u>: "Implementation of North Dakota Lignite Energy Marketing Plan (dated October 2009)": Program Funding: \$819,000. Total Project Costs: \$1,638,000. Objective: Improve and maintain overall public regional image of coal and promote the use of coal as a low-cost, efficient and environmentally compatible energy source to ensure the continued utilization and growth of coal-based electrical energy.

Transmission Authority



INDUSTRIAL COMMISSION OF NORTH DAKOTA NORTH DAKOTA TRANSMISSION AUTHORITY

Governor
Jack Dalrymple
Attorney General
Wayne Stenehjem
Agriculture Commissioner
Doug Goehring

NORTH DAKOTA TRANSMISSION AUTHORITY Chapter 17-05 North Dakota Century Code

The North Dakota Transmission Authority was created by the North Dakota Legislative Assembly in 2005. Since its inception the Authority's mission has been to facilitate the development of transmission infrastructure in North Dakota. The Authority was established to serve as a catalyst for new investment in transmission by facilitating, financing, developing and/or acquiring transmission to accommodate new lignite and wind energy development. The Authority is a builder of last resort, meaning private business would have the first opportunity to invest in and/or build additional needed transmission.

By statute the Authority membership is comprised of the members of the Industrial Commission. Sandi Tabor has served as Director of the Authority since 2006. Ms. Tabor works closely with the Executive Director of the NDIC, Ms. Karlene Fine. The Authority has no other staff and receives no direct General Fund appropriation. Funding for the Authority comes from the Lignite Research, Development and Marketing Program.

The powers of the Authority include: 1) make grants or loans or borrow money; 2) to issue up to \$800 million in revenue bonds; 3) enter into lease-sale contracts; 4) own, lease, rent and dispose of transmission facilities; 5) enter into contracts to construct, maintain and operate transmission facilities; 6) investigate, plan prioritize and propose transmission corridors; and 7) participate in regional transmission organizations. In 2009 the Legislature provided the Authority with the power to attach the moral obligation of the State on up to 30% of any revenue bonds sold in conjunction with the financing of a transmission line project.

During the current biennium the Transmission Authority, in partnership with Basin Electric Cooperative and Montana Dakota Utilities, conducted a study on electric baseload needs for the region through 2032 titled "Power Forecast 2012 – Williston Basin Oil and Gas Related Electrical Load Growth Forecast." This study showed that the electric baseload needs for North Dakota by 2032 will triple – going from the current baseload of 974 to 3030 MW. In order to provide that baseload to North Dakota citizens, both residential and commercial, additional transmission lines will need to be built and we are pleased that the private sector has already begun the process of getting these lines in place. The full study is posted on the Industrial Commission website at http://www.nd.gov/ndic/ic-press/Power2012.pdf

The Authority's work has also focused on interaction with members of Midwest Independent System Operator (MISO), the Organization of MISO (OMS) and other regional and state planning and permitting authorities to ensure transmission policies developed will be favorable to any new ND projects (coal or wind) that may come before these groups.

The Authority has continued to be engaged in the next phase of MISO transmission line development work ... a task force called the Multi-Value Project (MVP) Candidate Task Force. This group evaluated the feasibility of "starter project" lines. During this past year the MVP process moved from study to final recommendation. The transmission lines identified by the MVP study are lines that have near-term value to the ultimate build-out of transmission across the MISO footprint. The significance of a transmission project being identified as an "MVP line" is that the cost of building the line will be allocated across the MISO footprint. Seventeen lines were identified as MVP lines. Of particular importance to North Dakota are the Ellendale to Big Stone, Big Stone to Brookings and Brookings to Twin Cities lines. Montana-Dakota Utilities Co, Great River Energy, Otter Tail Power Company and Xcel have indicated an interest in building the Ellendale to Twin Cities segments.

Ms. Tabor, along with representatives from the North Dakota Public Service Commission, is also involved in a planning process including the 39 states located within the Eastern Interconnection. This planning process is focused on identifying the infrastructure needs to move power from western rural areas of the country (like North Dakota, South Dakota and Kansas) to the urban areas of the eastern United States. The study is financed through a grant from the Department of Energy and will be completed in the near future.

The Transmission Authority also coordinates its activities with the Public Service Commission and the Department of Commerce and regularly reports to the Industrial Commission.

A copy of the Transmission Authority's annual report is available on the Industrial Commission website at http://www.nd.gov/ndic/ under publications.



Study Regions — Comparison

MW Demand			
	2012	2032	Additional
North Dakota	974	3,030	2,057
Montana	204	608	404
South Dakota	31	83	52
Total	1,209	3,721	2,512

Oil and Gas Research Program (OGRP)



INDUSTRIAL COMMISSION OF NORTH DAKOTA

OIL AND GAS RESEARCH COUNCIL

Brent Brannan, Director E-Mail: brentbrannan@gmail.com Governor Jack Dalrymple Attorney General Wayne Stenehjem Agriculture Commissioner **Doug Goehring**

Oil and Gas Research Program North Dakota Century Code 54-17.6

History of the Oil and Gas Research Program

North Dakota's Oil and Gas Research Program (OGRP), established by the Legislature in 2003, is a state/industry program designed to demonstrate to the general public the importance of the State oil and gas exploration and production industry, to promote efficient, economic and environmentally sound exploration and production methods and technologies, to preserve and create jobs involved in the exploration, production and utilization of North Dakota's oil and gas resources, to develop the State's oil and gas resources, and to support research and educational activities concerning the oil and natural gas exploration and production industry. The Program is funded from two percent of the State's share of the oil and gas gross production tax and oil extraction tax revenues, up to \$4 million, each biennium.

Mission Statement

The Mission of the Oil and Gas Research Council is to promote the growth of the oil and gas industry through research and education.

General Criteria

Priority areas of the Program that promote the growth of the oil and gas industry through research and education in no particular order include, but are not limited to, the following:

- Generate information and knowledge that will have the highest probability of bringing new oil and gas companies and industry investment to North Dakota.
- Have the highest potential for preserving and creating oil and gas jobs, wealth, and tax revenues for North Dakota.
- Most effectively educate the general public about the benefits and opportunities provided by the North Dakota oil and gas industry.
- Positively affect ultimate recovery from North Dakota's existing oil and gas pools. •
- Preserve existing production levels.
- Identify oil and gas exploration and production technologies presently not used in North Dakota.
- Identify oil and gas potential in non-producing counties.
- Maximize the market potential for oil, natural gas, and the associated byproducts.
- Improve the overall suitability of the oil and gas energy industry in North Dakota through the development of new environmental practices that will help to reduce the footprint of oil and gas activities
- Develop baseline information that will lead to other projects, processes, ideas, and activities.

Grant Round Timelines

Grant round deadline dates are June 1 and November 1 of each year. Additional grant round deadline dates may be established by the Industrial Commission and we currently have one scheduled for February 15, 2013.

Grant Round Process & Procedures

Since the Program was implemented the Commission has approved funding of 56 projects totaling \$13,218,328. The dollars invested by the State in these projects is also matched so that every dollar

Ron Anderson Chairman Robert Harms

Ryan Kopseng, Vice Chairman John Berger Lynn Helms

Jeff Kummer

Terry Kovacevich Ed Murphy

Anthony Duletski Ron Ness



provided by the Program is leveraged. A grant may not exceed fifty percent of the total project cost. A higher priority will be given to those applications having private industry investment. As with the other Industrial Commission administered research programs the Commission believes having a partner in the project leads to projects being conducted that have a value to the industry and State and is not just research for research sake. The Oil and Gas Research Program during the current biennium has been set up to direct 73.25% of its funds for research and 15% for education with the remaining funds used for the Pipeline Authority (7.5%) and for administration (4.25%).

Current Projects of Interest

<u>CO₂ - Enhanced Bakken Recovery Research Program - Submitted by Energy & Environmental Research Center (EERC)</u>

This project will evaluate the use of CO₂ to increase the ultimate recovery of Bakken oil. The objective is to use new and existing reservoir characterization and laboratory data integrated with reservoir modeling to determine the viability of CO₂ for enhanced oil recovery in the Bakken.

<u>Evaluation of Gas-Powered Drilling Operations for Economically Challenged Wellhead Gas and Evaluation of Complementary Platforms</u> - Submitted by Energy & Environmental Research Center This project will explore, identify and demonstrate technologies for utilizing wellhead gas. The project will demonstrate collection, transportation and fueling of a diesel engine power system for a drilling operation using pipeline or "lean" gas and demonstrate the powering of a drilling operation utilizing delivery of compressed Bakken Formation associated gas.

Investigation of Methodologies for Dust Control - Submitted by Dunn & McKenzie Counties

This project proposes to evaluate and compare several different products and construction techniques. Magnesium chloride, flake calcium chloride, enzymatic soil stabilizers and geotextiles will be used in road test strips of one-half to one mile in length.

<u>Investigation of Improved Conductivity & Proppant Application in the Bakken - Submitted by Energy & Environmental Research Center</u>

The goal of this project is to improve the lateral and vertical drainage of hydrocarbons from the Three Forks and Bakken Formations by identifying the factors that lead to the collapse of propped fractures. Laboratory testing is proposed to determine whether more durable fracture conductivity can be achieved in the Bakken by altering the fracturing fluids, proppant types, and proppant concentrations.

ND Petroleum Council Oil Can! - Submitted by North Dakota Petroleum Council

Through this project the North Dakota Petroleum Council will continue their efforts through education and outreach to industry members, landowners, royalty owners, policymakers, and the general public. The campaigns include "Drive Safely", "Progress Zone", Townhall Meetings & Cookfests, Safety education to name a few.

Information on all the projects funded by the Program is available on the Industrial Commission website.

Oil and Gas Research Council Members

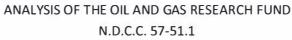
The Oil and Gas Research Council is a volunteer, citizen, industry, and government group which provides advice to the Industrial Commission on policies and recommends research for funding under the program. The Governor appoints the members of the Oil and Gas Research Council.

Ron Anderson (county commissioner from an oil-producing county) Anthony Duletski (representing oil and gas producing counties) John Berger (North Dakota Petroleum Council)
Ryan Kopseng (North Dakota Petroleum Council)
Terry Kovacevich (North Dakota Petroleum Council)
Jeff Kummer (North Dakota Petroleum Council)
Ron Ness (President, North Dakota Petroleum Council)
Robert Harms (President, Northern Alliance of Independent Producers)
Lynn Helms (ND Oil and Gas Division Director - non-voting member)
Ed Murphy (State Geologist - non-voting member)

Technical Advisors

Kent Ellis (Education expertise)
Monte Besler (Petroleum Engineering expertise)

The Industrial Commission Administrative Office provides the administrative support for the Council and maintains the financial records of the Program. Brent Brannan has been retained on a part-time basis to serve as the Oil and Gas Research Program Director.



Continuing Appropriation

	2011-2013 Bienniu m		2013-2015 Bienniu m	
Beginning Balance		\$2,433,098 ¹		\$2,473,498
Add transfers and estimated revenues ²				
Transfer from State Treasurer from oil and gas taxes	\$4,000,000		\$4,000,000 ⁵	
Estimated applicant contributions	\$ 2,000		\$ 2,000	
Estimated Interest Income	\$ 10,900		\$ 10,000	
Total Available		\$6,445,998		\$6,485,498
Less estimated expenditures and commitments ³				
Estimated Project Expenditures & Commitments	\$3,500,000		\$ 5,950,000	
Administrative and Technical Services Costs	\$ 171,000		\$ 180,000	
Transfer to the North Dakota Pipeline Authority	\$ 301,500		\$ 305,000 ⁶	
Total estimated expenditures		\$3,972,500		\$6,435,000
Estimated ending balance		\$2,473,4984		\$ 50,498

⁽¹⁾ The Oil and Gas Research Program/Fund was authorized by the 2003 Legislature. During the 2003-2005 biennium \$50,000 was made available for the Program. That amount was increased in the 2005 Legislature to \$1,300,000 and then it was again increased in 2007 to \$3,000,000 and in 2009 it was increased to \$4,000,000. The source of funding for the Oil and Gas Research Fund is two percent of the state's share of the oil and gas gross production tax and oil extraction tax revenues.

Revenues under the 2011-2013 biennium reflect the transfer of \$4,000,000 from the State Treasurer. Estimated interest income includes actual interest income of \$8,375 through December, 2012 and an estimate of the interest income through June 30, 2013. Estimated applicant contributions reflect actual applicant contributions of \$1,600 through December, 2012 with an estimate for the remainder of the biennium.

⁽³⁾ Since 2003 through 2012 the Commission has committed funding for 56 projects totaling \$13,218,328 of OGRP funding. Total project costs are \$222,006,246. This includes seven projects approved so far during the 2011-2013 biennium with funding to be provided during the 2011-2013 and subsequent biennia. A special grant round has been set for February 15, 2013 and we are anticipating several applications at that time. Actual project payment through December, 2012 total \$720,116 with an estimate for the remainder of the biennium. Actual administrative and technical services costs through December, 2010 total \$117,118 (excluding the Pipeline Authority) with an estimate for the remainder of the biennium.

⁽⁴⁾ This funding is needed for payments of approved projects that will be completed in subsequent biennia.

⁽⁵⁾ This amount is in the current law. Senate Bill 2029 would increase the amount to \$10,000,000.

⁽⁶⁾ This amount is determined by the Industrial Commission based on a recommendation from the Oil and Gas Research Council. It is estimated that approximately \$305,000 will be needed during the next biennium for the Pipeline Authority.

Pipeline Authority



NORTH DAKOTA PIPELINE AUTHORITY

Governor
Jack Dalrymple
Attorney General
Wayne Stenehjem
Agriculture Commissioner
Doug Goehring

North Dakota Pipeline Authority North Dakota Century Code 54-17.7

The North Dakota Pipeline Authority was created by the North Dakota Legislative Assembly in 2007. The statutory mission of the Pipeline Authority is "to diversify and expand the North Dakota economy by facilitating development of pipeline facilities to support the production, transportation, and utilization of North Dakota energy-related commodities, thereby increasing employment, stimulating economic activity, augmenting sources of tax revenue, fostering economic stability and improving the State's economy." As established by the Legislature the Pipeline Authority is a builder of last resort, meaning private business would have the first opportunity to invest in and/or build additional needed pipeline infrastructure. The Industrial Commission acting as the North Dakota Pipeline Authority has issued no bonds under this statutory authority.

By law the Pipeline Authority membership is comprised of the members of the North Dakota Industrial Commission. The Industrial Commission transferred \$301,500 during the 2011-2013 biennium from the Oil and Gas Research Fund to the Pipeline Authority Fund. The Industrial Commission has named Justin Kringstad, a consultant, as Director of the Authority. He works closely with Lynn Helms, Director of the Department of Mineral Resources, Ron Ness, President of the North Dakota Petroleum Council and Karlene Fine, Executive Director of the Industrial Commission. The Pipeline Authority has no other staff and receives no direct General Fund appropriation. The Director of the Pipeline Authority reports to the Industrial Commission and the Oil and Gas Research Council on a regular basis.

The Pipeline Authority issues a quarterly newsletter in addition to making numerous presentations to the Legislative interim committees and the public. These newsletters and presentations are available on the Pipeline Authority website at www.northdakotapipelines.com In addition Mr. Kringstad hosts webinars on topics of interest to producers, developers as well as the general public. His most recent webinar was on the topic of Natural Gas Flaring Alternatives. Recordings of the webinars are available on the Pipeline Authority website.

This past year the Authority hired Bentek Energy to conduct an analysis of the Williston Basin with the objective of forecasting natural gas production growth through 2025 to determine if adequate natural gas pipeline infrastructure exists in North Dakota. That study titled "The Williston Basin: Greasing the Gears for Growth in North Dakota" is posted on the website. There has been significant interest in that study with over 1200 hits.

The website is updated on a regular basis so you should add this website to your "favorites". We are hopeful that this website will be a good tool for keeping policy makers, citizens and industry informed of what is happening with the development of pipelines in North Dakota.



ANALYSIS OF THE PIPELINE AUTHORITY FUND N.D.C.C. 54-17.7-11

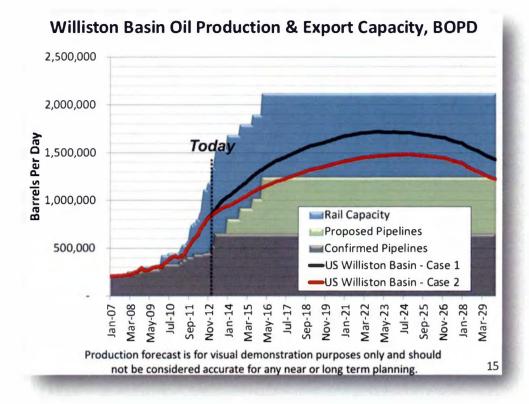
Continuing Appropriation

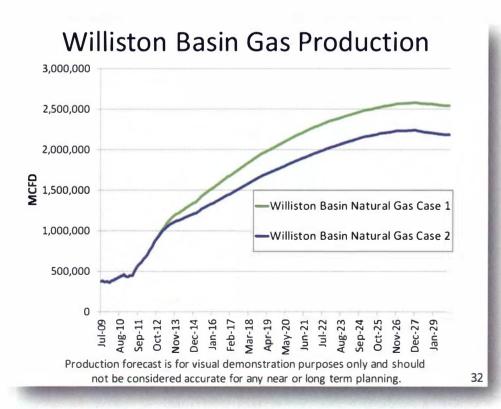
	2011-2013 Biennium		2013-2015 Bie	<u>nnium</u>	
Beginning Balance		\$158,113		\$ 34,913	
Add transfers and estimated revenues ¹					
Transfer from Oil and Gas Research Fund	\$ 301,500		\$ 305,000 ³		
Estimated Interest Income	\$ 300		\$ 300		
Total Available		\$459,913		\$340,213	
Less estimated expenditures and commitments ²					
Study Expenditures	\$ 220,000		\$ 120,000		
Administrative Costs	\$ 20,000		\$ 25,000		
Consultant Costs	\$ 185,000		\$ 195,000		
Total estimated expenditures		\$425,000		\$340,000	
Estimated ending balance		\$ 34,913		\$ 213	

⁽¹⁾ Revenues reflect a transfer of \$301,500 from the Oil and Gas Research Fund for the 2011-13 biennium. Estimated interest income includes actual interest income of \$215 through December, 2012 and an estimate of the interest income through June 30, 2013.

Actual administrative costs including one major study through December, 2012 total \$110,622 with an estimate for the remainder of the biennium. Actual consultant costs through November, 2012 total \$137,000 with an estimate for the remainder of the biennium.

⁽³⁾ The amount to be transferred from the Oil and Gas Research Fund for the Pipeline Authority is at the discretion of the Industrial Commission utilizing the funding available In the Oil and Gas Research Fund.





Oil and Gas Research Program

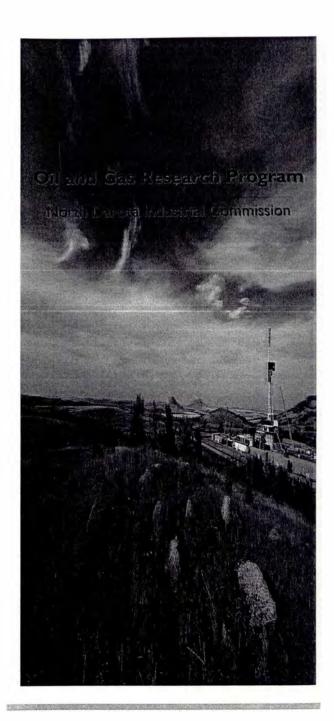
North Dakota Industrial Commission

For More Information Contact:

Brent Brannan (701) 425-1237 brentbrannan@gmail.com

Karlene Fine (701) 328-3722 ndicinfo@nd.gov

Oil and Gas Research Program
State Capitol, 14th Floor
600 E. Boulevard Ave. Dept. 405
Bismarck, ND 58505-0840
www.oilresearch.nd.gov



www.oilresearch.nd.gov

Natural Gas Capture Projects

Demonstration of Gas Powered-Drilling Operations for Economically Challenged Wellhead Gas

Energy & Environmental Research Center (EERC), Grand Forks, ND

FUNDING: \$750,000 DURATION: 12 Months

The project will explore, identify, and demonstrate technologies for utilizing wellhead gas. Results will provide producers with a technical evaluation of gas-fired bi-fuel diesel power for drilling operations, a demonstration of compressed natural gas transport and delivery and expanded markets for Bakken Formation associated gas.

UPDATE:

One facet of the project was a study of alternative uses for associated gas. That portion of the study is completed and was presented in a Topical Report which stated the following:

END-USE TECHNOLOGY STUDY-AN ASSESSMENT OF ALTERNATIVE USES FOR ASSOCIATED GAS

The intent of this study is to examine technologies that can utilize the associated gas at locations upstream of traditional natural gas-processing plants, thereby extracting value from a currently un-captured resource. Economic analysis of these technologies consisted of comparing capital expense to potential revenue generation in an effort to frame the potential for more detailed economic study specific to individual technology. Technologies evaluated included 1)

natural gas liquid (NGL) recovery, 2) compressed natural gas (CNG) for vehicle fuel, 3) electrical power generations, and 4) chemical production.

Research has been completed examining the performance of Bakken gas in a full-scale diesel engine typically used to power a drilling operation.

Flare Gas - Power Generation Commercial Viability Pilot

Blaise Energy, Inc.

FUNDING: \$375,000

B laise conserves a valuable resource by transforming otherwise wasted wellhead flare gas into high quality, reliable, environmentally friendly electricity. The Blaise Solution consists of diverting the wellhead gas before it is flared and burning it more efficiently in an on-site generator, sending the electricity back into the local grid. Classified as "Recycled Energy" in North Dakota, Blaise Energy's electricity demonstrates the efficient use of resources and reduces green house gas emissions through reduced flaring.

UPDATE:

Based upon the price of electricity in North Dakota, the variable price, and interconnection costs, generation of electricity is viable, however going into the grid is not commercially viable.

Blaise Energy plans to continue operations in other avenues which include; site power, micro-grids, and natural gas to liquids utilization. Final funding for the project was \$250,000 rather than the \$375,000.

Oil and Gas Research Program

"Wellhead Gas Capture Via CNG Technologies"

Bakken Express, LLC

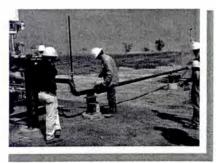
FUNDING: \$873,300

The purpose of this project is to evaluate compressed natural gas technologies as an economic method to capture and transport produced natural gas and gas liquids to market. Over the course of 12 months, Bakken Express will demonstrate the economic viability of capturing and transporting wellhead gas for both the producers (and mineral owners) and the companies providing this service.

FINAL RESULTS:

The project demonstrates that using CNG technologies to capture stranded associated natural gas from Bakken wells is viable both technically and economically.

Overall, this NDIC supported pilot project is a solid success, which will become an even more attractive solution to the stranded gas problem during the next iteration of loading and unloading skid designs and overall operational improvements.



Distributed Ammonia Production from Associated Gas

N-Flex

FUNDING: \$1,000,000 Duration: 18 months

This project will use the N-Flex production process to capture and convert previously flared stranded gas into a truly valuable asset - anhydrous ammonia - providing fertilizer for farmers in North Dakota and beyond.

Other Project Highlights:

Investigation of Improved Conductivity & Proppant Applications in the Bakken

Energy & Environmental Research Center (EERC), Grand Forks, ND

FUNDING: \$150,000 Duration: 12-18 months

The goal of the project is to improve the lateral and vertical drainage of hydrocarbons from the Three Forks and Bakken Formations by identifying the factors that lead to the collapse of propped fractures. Laboratory testing is proposed to determine whether more durable fracture conductivity can be achieved in the Bakken by altering the fracturing fluids, proppant types, and proppant concentrations.

FINAL RESULTS:

Results indicate that fluid exposure may affect both rock and proppant strength and needs to be considered in the field. Given the importance of proppant performance on conductivity loss and, ultimately oil recovery, a better understanding of the effects of these various factors on proppant and rock strength in the field is vital for more efficient production within unconventional oil and gas reservoirs.

CO₂ Enhanced Bakken Recovery Research Program

Energy & Environmental Research Center (EERC), Grand Forks, ND

FUNDING: \$450,000 Duration: 15 months

T he EERC proposes a research program to evaluate the use of CO_2 to increase the ultimate recovery of Bakken oil. The objective is to use new and existing reservoir characterization and laboratory data integrated with reservoir modeling to determine the viability of CO_2 for enhanced oil recovery (EOR) in the Bakken Formation.

The results of this work will provide insight regarding relationships between Bakken oil, key reservoir attributes, and CO₂ under reservoir conditions in order to better understand the efficient storage and use of CO₂ for EOR.

Oil Can Program!

North Dakota Petroleum Council

FUNDING: \$630,910 Duration: 24 Months

The objective of the Oil Can! Program is to open the lines of communication and improve understanding between the petroleum industry of North Dakota and key stakeholder groups such as property owners, policy makers, community leaders, media and the general public.

This grant consists of three objectives: education, outreach, marketing and promotion. Specific components of these three objectives include: ProgressZone, Town Hall Meetings, CookFest, Pick Up the Patch!, Industry and Sporting Groups

Forum, Teachers Seminar, Energy Career Awareness Partnership (ECAP), Oil Can! Power Kids' Futures program, Advertising, Branding and Promotion, Media & Policymaker Education & Outreach, and Website & Social Media. Discretionary funding is also set aside for potential hot topics or issues that may arise in the next two years.

Public-Private Partnership to Support Geology and Geological Engineering Education and Research at UND's College of Engineering and Mines

University of North Dakota

FUNDING: \$4,000,000 Duration: 36 Months

The total project of \$14,000,000 includes \$10,000,000 provided as a gift from Continental Resources, Inc. and Mr. Harold Hamm, which will establish the Harold Hamm School of Geology and Geological Engineering as a component of the College of Engineering and Mines at the University of North Dakota and the establishment of a high resolution image library enhancing the NDGS Wilson M. Laird Core and Sample Library located on the UND campus. The \$4,000,000 of funding provided by the NDIC/OGRP will match the \$10,000,000 provided by the private partners.

Oil & Gas Research Program State Capitol, 14th Floor 600 E. Boulevard Ave. Dept. 405 Bismarck, ND 58505-0840 www.oilresearch.nd.gov

Public Finance Authority

Industrial Commission of North Dakota

North Dakota
Public Finance Authority

Jack Dalrymple GOVERNOR

Wayne Stenehjem ATTORNEY GENERAL

Doug Goehring AGRICULTURE COMMISSIONER

Senate Bill 2014 Senate Appropriations Committee Testimony of DeAnn Ament North Dakota Public Finance Authority

For the record, my name is DeAnn Ament and I am the Executive Director of the Public Finance Authority (PFA). I am providing this testimony in support of the Industrial Commission's requested appropriation for the Public Finance Authority for the 2013-2015 biennium in the amount of \$663,192. The requested biennial appropriation is \$9,165 or 1% more than the current biennial appropriation of \$654,027. The 2013-2015 budget includes the recommended salary adjustments outlined in the Executive Budget. The overall budget increase is due to salary adjustments.

Expenditures for the first 18 months of the biennium total approximately \$305,802 or 47% of the 2011-2013 appropriation. It is anticipated that total 2011-2013 biennium expenditures will be approximately \$430,000 or 66% of the appropriation. Due to the Public Finance Authority's colocation at the Bank of North Dakota, the agency continues to benefit from efficiencies created.

The PFA is a state agency that operates under the supervision and authority of the Industrial Commission. It is a self-supporting state agency and receives no money from the General Fund. The staff of the Public Finance Authority currently consists of 1.75 full-time state employees (FTE's). Currently, the Executive Director is .75 FTE Public Finance Authority employee. The Public Finance Authority also employs a full time Business Manager.

The Public Finance Authority continues to develop programs as needs arise for financing municipal, economic development, agriculture, and energy projects in North Dakota. At this point, we are uncertain how the development of these programs will affect the Public Finance Authority's staffing needs. The budget for the 2011-2013 biennium includes salaries for 2.75 FTE's. The vacant FTE within the current budget is for a loan officer position that would help analyze the loan applications and financial statements of potential borrowers under all of the Public Finance Authority's programs. Therefore, I ask that you appropriate funding for this vacant position for the 2013-2015 biennium while we assess the demand for our services under existing programs as well as the potential new programs mentioned above.

Mission

To develop rural and urban North Dakota by providing political subdivisions and other qualifying organizations access to flexible and competitive financing options for their local qualifying projects.

The Public Finance Authority administers the Capital Financing Program, the financial portion of the State Revolving Fund and the Industrial Development Bond Program. Detailed activity of all programs is contained in our annual report which is attached. The State Revolving Fund was the recipient of American Recovery and Reinvestment Act (ARRA) funding. This funding required many changes for documenting, funding and reporting purposes and has resulted in an increased workload for both employees which is still ongoing. Many of these changes such as Davis Bacon, additional subsidization (loan forgiveness) and green project reserve have carried forward to the annual capitalization grants and the increased workload will continue into the foreseeable future.

On June 16, 2011, the Industrial Commission authorized the PFA to utilize the Capital Financing Program to provide loans for political subdivisions impacted by weather related events that spring. In short order, the PFA was able to establish loan parameters, construct a loan application and offer disaster assistance to political subdivisions until federal and state money was available and/or to assist in cash flowing local match requirements. The PFA was able to assist 35 political subdivisions with loan approvals totaling \$64,304,037. Approximately 30 of the loan applications were processed in a six month time period.

The written testimony below describes the Public Finance Authority and its financing programs. Also, a copy of the 2012 Annual Report for the Public Finance Authority has been included in the binder for your review. This Report describes in more detail the Public Finance Authority's programs and provides a complete history of all the Public Finance Authority's loans and bond issues.

The Public Finance Authority was established to make low-cost loans to North Dakota political subdivisions at favorable interest rates. Loans are made to political subdivisions by the Public Finance Authority 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 Public Finance Authority under the programs described below. In certain instances, a direct loan may be made to a political subdivision from the Public Finance Authority's operating fund or from the federal grants or loan repayments held under the State Revolving Fund Program.

The municipal securities issued by a political subdivision to the Public Finance Authority 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 Public Finance Authority may purchase municipal securities only if the Attorney General issues an opinion that states the municipal securities are properly eligible for purchase under the North Dakota Century Code (N.D.C.C.) chapter 6-09.4, the Public Finance Authority Act.

Required Debt Service Reserve

Subsection 1 of §6-09.4-10 of the N.D.C.C. requires the Public Finance Authority 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 its outstanding bonds.

Subsection 4 of §6-09.4-10 of the N.D.C.C. of the N.D.C.C. 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 Public Finance Authority 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 Public Finance Authority's bond counsel, there is no applicable provision of state law that would prohibit a future Legislative Assembly from appropriating any sum that 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 Public Finance Authority's reserve fund is not backed by the full faith and credit of the State. All bonds issued by the Public Finance Authority under any of its programs prior to 2011 are moral obligation bonds unless the Industrial Commission approves a resolution to allow the Public Finance Authority to issue bonds under section 40-57 as a conduit issuer. The State Revolving Fund Program bonds issued in 2011 and 2012 do not contain the moral obligation provision. Under any of the Public Finance Authority programs, there has never been the need to request an appropriation to cover a shortfall in a reserve fund.

Advisory Committee

The Industrial Commission, by policy, has established a Public Finance Authority Advisory Committee. The Committee is 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 \$500,000 or less for the Capital Financing Program and \$1,000,000 or less for the State Revolving Fund Program, the Committee may authorize the approval of the loan, and then submit a report describing the loan and the action taken to the Commission at its next meeting.

At the present time, the Public Finance Authority has four loan programs: the Capital Financing Program, the State Revolving Fund Program, the School Construction Financing Loan Program, and the Industrial Development Bond Program.

Capital Financing Program

The Capital Financing Program, established in 1990, makes loans to political subdivisions for any purpose for which political subdivisions are authorized to issue municipal securities, subject to certain statutory requirements.

Through December 31, 2012, the Public Finance Authority has made \$100,028,016 of loans to political subdivisions under the Capital Financing Program. The outstanding amount of Capital Financing Program bonds is \$18,135,000. Recognizing the strength of the State's moral obligation pledge, Standard and Poor's (S&P) has assigned a rating of "A+" to the Capital Financing Program Bonds.

The Industrial Commission authorized the PFA to utilize the Capital Financing Program to provide loans for political subdivisions impacted by the weather related events of 2011. Under its Capital Financing Disaster Loan Program, the PFA made loans for the purpose of providing disaster assistance to political subdivisions affected by weather related events until federal and state money was available or to assist in cash flowing local match requirements.

During this time of crisis, the PFA was able to assist 35 political subdivisions. Loans approved under this program total \$64,304,037 and \$13,508,772 were outstanding as of December 31, 2012.

State Revolving Fund Program

Under the State Revolving Fund (SRF) Program, federal capitalization grants are received by the State through the Health Department from the Environmental Protection Agency (EPA), 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 the approval by the State Health Department under appropriate state law and the Federal Clean Water Act and the Federal Safe Drinking Water Act. The federal capitalization grants are available to states on the basis of an 80-20 federal-state match. A portion of the SRF Program bonds issued by the Public Finance Authority provides the 20% 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 SRF Program consists of a Clean Water SRF Program and a Drinking Water SRF Program. Federal capitalization grants for the Clean Water SRF Program were first appropriated to the State in 1989. Since that time, \$170,742,300 of federal capitalization grants under the Clean Water SRF Program have been appropriated and awarded to the State through federal fiscal year 201. Through December 31, 2012, 231 loans totaling \$320,510,096 have been approved under the Clean Water SRF Program. The Health Department's Clean Water Intended Use Plan for 2013 includes over \$347,000,000 of potential projects.

Federal capitalization grants for the Drinking Water SRF Program were first appropriated to the State in 1997. Since that time, \$162,151,100 of federal capitalization grants under the Drinking Water SRF Program have been appropriated and awarded to the State through federal fiscal year 2012. Through December 31, 2012, 161 loans totaling \$314,101,358 have been approved under the Drinking Water SRF Program. The Health Department's Drinking Water Intended Use Plan for 2013 includes approximately \$690,194,000 of potential projects.

A project must be on the appropriate Intended Use Plan to be able to apply for a loan under the SRF Program. The current interest rate for most loans under the SRF Program is 2% with a 0.5% annual administrative fee on the outstanding balance. Bonds issued by the Public Finance Authority under the SRF program are rated "Aaa" by Moody's Investors Service, Inc. (Moody's), which is Moody's highest possible rating.

State School Construction Financing Program

The Public Finance Authority's State School Construction Financing Program provides loans to North Dakota school districts. This program has been assigned an "A+" rating by S&P, which allows the school districts, which generally do not have a credit rating, to borrow at lower interest rates. Bonds issued under this Program 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 found in §6-09.4-23 of the N.D.C.C. A school district will be required to authorize the withholding of state school aid payments which are due and payable to the district under N.D.C.C. chapter 15-40.1 in order to participate in the Program. If a school district defaults on its loans under this Program, the Department of Public Instruction is notified by the Public Finance Authority to withhold aid payments to the defaulting school district until such time that principal and interest have been paid or satisfactory arrangements have been made to make the payment.

Industrial Development Bond Program

The Public Finance Authority's Industrial Development Bond Program provides loans to North Dakota manufacturers that meet the IRS definition for small issue manufacturers. This program has been assigned an "A+" rating by S&P, which allows those manufacturers that qualify to finance fixed assets at attractive tax-exempt rates. Bonds issued under this Program will be moral obligation bonds of the State unless the borrower has the financial strength to request that the Public Finance Authority issue the bonds on a conduit basis. The 2005 Legislature passed the legislation allowing the Public Finance Authority to issue industrial revenue bonds. Current Program limits are \$2,000,000 per project and \$20,000,000 cumulative for the program. For conduit issuance when the state's moral obligation is not used as a credit enhancement there are no project or program limits. The Public Finance Authority has made three loans under this program in the amount of \$4,860,000.

Annual Report

The Public Finance Authority submits its Annual Report to the Legislative Council each year. The Annual Report provides a complete list of all loans made and bonds issued by the Public Finance Authority since its inception in 1975.

If you have any questions, feel free to contact me at 701.426.5723 or dament@nd.gov.

North Dakota Public Finance Authority

2012 Annual Report

NORTH DAKOTA PUBLIC FINANCE AUTHORITY

Industrial Commission of North Dakota

Jack Dalrymple Governor Chairman

Wayne Stenehjem Attorney General

Doug Goehring Agriculture Commissioner

Advisory Committee

Robert Frantsvog Minot

Wade Williams Jamestown

Keith Lund Grand Forks

Staff

DeAnn Ament Executive Director

Kylee Merkel Business Manager

NORTH DAKOTA PUBLIC FINANCE AUTHORITY

2012 Annual Report

CONTENTS

North Dakota	Public Finance Authority1
Capital Financ	cing Program
Capital Financ	cing Disaster Loan Program4
State Revolvir	ng Fund Program5
Industrial Dev	velopment Bond Program7
Other Bonds	8
Biennial Debt	Service Requirements8
Part A: 19' Part B: Log Part C: Go Part D: Ins Part E: Cag Part F: Cag Part G: Cle Part H: Dri Part I: Ind	: Loans Made 1977 through 2012 77 General Bond Resolution
Part A: 197 Part B: Loo Part C: Ins Part D: Go Part E: Ta: Part F: Ca; Part G: Ca; Part H: Sta	Bonds Issued 1977 through 2012 77 General Bond Resolution 2-1 boal Governmental Assistance Program 2-1 bournment Assistance Program 2-1 bovernment Assistance Program 2-1 bovernment Water System Refunding Bonds 2-1 boundary English Financing Program 2-1 boundary English Financing Disaster Loan Program 2-1 boundary English Financing Disaster Loan Program 2-3 boundary English Financing Disaster Loan Program 2-4 bo

NORTH DAKOTA PUBLIC FINANCE AUTHORITY

The North Dakota Public Finance Authority (PFA) was established for the purpose of making loans to political subdivisions of the State through the purchase of municipal securities which, in the opinion of the Attorney General of North Dakota, are properly eligible for purchase by the PFA. Subject to credit and program requirements, a loan can be made by the PFA to a political subdivision for any purpose for which the political subdivision has the legal authority to borrow money through the issuance of municipal securities. Certain types of municipal securities issued under N.D.C.C. ch. 40-57 (MIDA bonds) may also be purchased by the PFA.

The PFA, which is under the operation, control and management of the Industrial Commission of North Dakota, is a self-supporting state agency. The costs and expenses of operation of the PFA are financed with earnings on program assets and fees paid by participating political subdivisions.

Obligations of the PFA which are issued to provide funds to purchase municipal securities do not constitute a debt or liability of the State or a pledge of the faith or credit of the State. All obligations of the PFA are payable solely from revenues or program assets pledged or available for their payment as authorized by law. The PFA has no authority to incur any indebtedness or liability on behalf of or payable by the State.

The PFA is authorized by statute (N.D.C.C. § 6-09.4-10(1)) to establish and maintain a reserve fund for its bonds. The Legislative Assembly has made a non-binding pledge to the PFA to replenish the reserve fund if it is depleted by the default of a political subdivision. Section 6-09.4-10(4) provides that "there shall be appropriated by the legislative assembly and paid to the PFA for deposit in the reserve fund, such sum, if any, as shall be certified by the industrial commission as necessary to restore the fund to an amount equal to the required debt service reserve." Because future Legislative Assemblies are not legally obligated or required to appropriate moneys certified as necessary by the Industrial Commission, this statutory provision is referred to as a "moral obligation." There has never been the need to request an appropriation for the reserve fund.

Mission

To develop rural and urban North Dakota by providing political subdivisions and other qualifying organizations access to flexible and competitive financing options for their local qualifying projects.

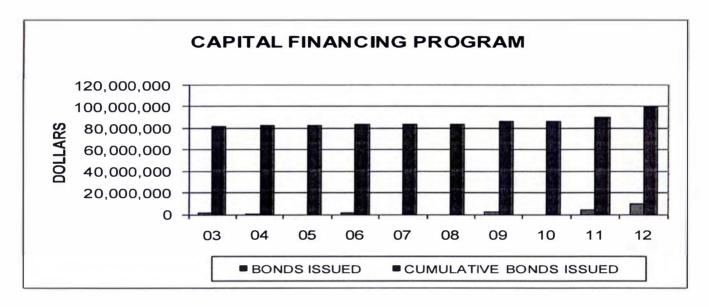
Vision Statement

A municipal bond market that realizes the competitive advantage of utilizing the North Dakota Public Finance Authority's (PFA) superior bond rating to issue municipal securities, resulting in lower interest rates to fund local projects. A PFA that enables customers to utilize on-line services, such as accessing account information or applying for additional financing. A PFA that leads a cooperative effort with other state agencies to combine available resources into programs that finance infrastructure and improvements for political subdivisions and other qualifying organizations. A State that recognizes the PFA as the leader in providing municipal financing for local projects.

CAPITAL FINANCING PROGRAM

Under its Capital Financing Program (CFP), the PFA makes loans for the purpose of financing projects or improvements for which political subdivisions are legally authorized to borrow money through the issuance of municipal securities. Subject to credit requirements and certain program requirements, financing is available in any dollar amount.

The interest rates payable by a political subdivision are market rates, which are set through a competitive bid process when the PFA issues and sells its bonds to fund a loan. The interest rates paid by the PFA on its bonds are the same rates a political subdivision will pay on its municipal securities sold to the PFA.



The Capital Financing Program has been assigned a rating of "A+" by Standard & Poor's Ratings Group.

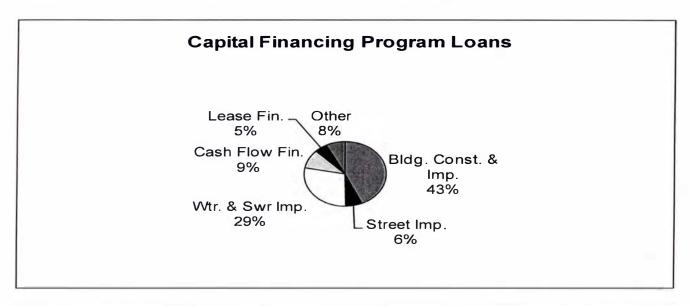
The PFA issued \$9,635,000 of CFP Bonds in 2012. The proceeds of the 2012 CFP Bonds were used to refund bonds for the City of McVille, the City of Kulm, All Seasons Water Users District, Forman Housing Authority, the City of Hankinson, the City of Mayville, Tri-County Water District, the City of Gackle, and two loans to the City of Forman.

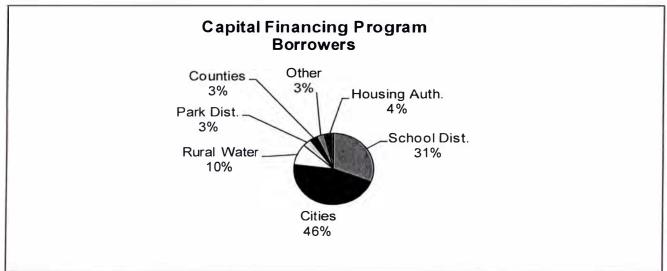
The total outstanding amount of CFP Reserve Notes at December 31, 2012, was \$1,025,524, and the total outstanding amount of CFP Reserve Fund Letters of Credit at December 31, 2012, was \$3,479,260. The CFP Reserve Notes and CFP Reserve Fund Letters of Credit are issued to meet the requirement of the CFP General Bond Resolution that the PFA maintain reserves for each series, equal to the largest aggregate amount of principal and interest due in any twenty-four consecutive month period. The CFP Reserve Notes are purchased by the Bank of North Dakota (BND) and the CFP Reserve Fund Letters of Credit are issued by BND.

As of December 31, 2012, the total cumulative amount of bonds issued under the CFP General Bond Resolution was \$99,060,000 and the total outstanding amount of bonds under the CFP General Bond Resolution was \$18,135,000.

Part E of Attachment 1 beginning on page 1-4 of this Report contains a complete list, as of December 31, 2012, of all loans made by the PFA with proceeds of CFP Bonds issued under the CFP General Bond Resolution, including the name of each political subdivision, the original amount of each loan, and the outstanding principal of each loan.

Part F of Attachment 2 on page 2-1 of this Report contains a complete list, as of December 31, 2012, of all series of Capital Financing Bonds issued under the CFP General Bond Resolution, including the original dollar amount and the outstanding principal amount of each series of CFP Bonds.





CAPITAL FINANCING DISASTER LOAN PROGRAM

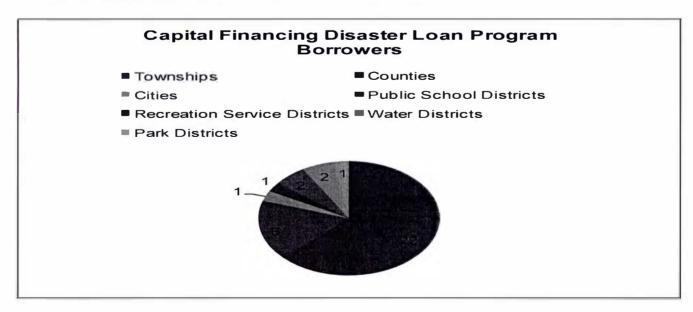
On June 16, 2011, the Industrial Commission authorized the PFA to utilize the Capital Financing Program to provide loans for political subdivisions impacted by the weather related events of 2011. Under its Capital Financing Disaster Loan Program, the PFA makes loans for the purpose of providing disaster assistance to political subdivisions affected by weather related events until federal and state money is available or to assist in cash flowing local match requirements.

Any North Dakota political subdivision that is within a county that has received a Presidential Public Disaster Declaration or a gubernatorial executive order or proclamation of a state disaster or emergency is eligible to apply. The political subdivision must show ability to repay the financing either from Federal or State government disaster payments or from tax receipts. The interest rate payable by a political subdivision is the 3 month LIBOR plus 1.25% adjusted monthly with a floor of 2.25%. The Capital Financing Disaster Loan Program expired as of September 30, 2012.

The PFA approved \$8,743,130 of Disaster Financing loans to 4 political subdivisions in 2012. Loans approved under this program total \$64,304,037 and \$13,508,772 were outstanding as of December 31, 2012. Part F of Attachment 1 beginning on page 1-10 of this Report contains a complete list, as of December 31, 2012, of all loans made by the PFA under the Disaster Loan Program, including the name of each political subdivision, the original amount of each loan, and the outstanding principal of each loan.

The PFA issued \$2,892,780 of CFP Disaster Bonds to Bank of North Dakota in 2012. The proceeds of the 2012 CFP Disaster Bonds were used to make loans to political subdivisions approved for financing under the Disaster Loan Program. As of December 31, 2012, the total cumulative amount of bonds issued under the Disaster Loan Program was \$12,034,612 and the total outstanding amount of bonds under the Disaster Loan Program was \$9,947,464.

Part G of Attachment 2 on page 2-3 of this Report contains a complete list, as of December 31, 2012, of all series of Capital Financing Disaster Loan Bonds issued, including the original dollar amount and the outstanding principal amount of each series of Disaster Loan Bonds.



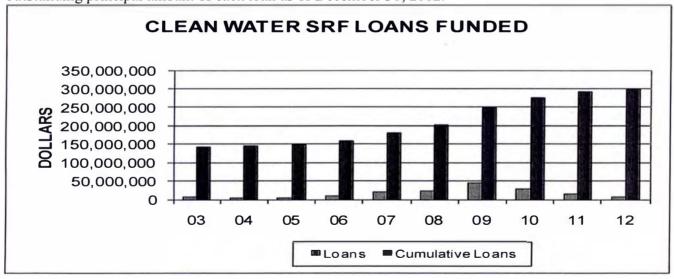
STATE REVOLVING FUND PROGRAM

The State Revolving Fund Program (SRF Program) was established in 1990 to enable North Dakota to receive federal capitalization grants as authorized under the Clean Water Act. In 1998, the SRF Program was amended to enable the State to receive capitalization grants as authorized under the Safe Drinking Water Act. The SRF Program grants, received from the United States Environmental Protection Agency, are to be used to make below-market interest rate loans to political subdivisions for the purpose of financing authorized projects, to establish reserve funds, and for other purposes under the Clean Water Act and the Safe Drinking Water Act. Authorized projects under the Clean Water Act include wastewater treatment facilities and nonpoint source pollution control projects. Authorized projects under the Safe Drinking Water Act include public water systems. The SRF Program is administered jointly by the North Dakota Department of Health and the PFA.

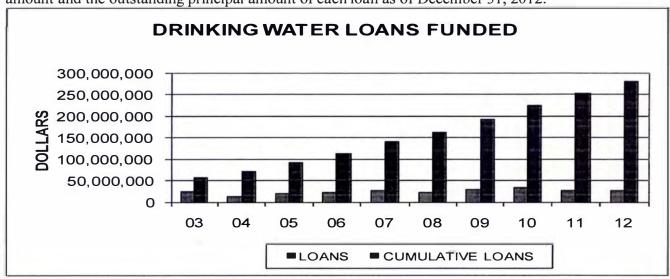
In 2001, Moody's Investors Service, Inc. upgraded the North Dakota SRF Program from "Aa2" to "Aaa", Moody's highest rating,

The interest rates on SRF Program loans are set by the Health Department in consultation with the PFA. The interest rates are fixed for the term of a loan. The interest rate for tax-exempt SRF Program loans is 2.0%. The interest rate for taxable SRF loans is 3.0%. Loans made with American Recovery and Reinvestment Act (ARRA) funds are at .5% and/or have a loan forgiveness component.

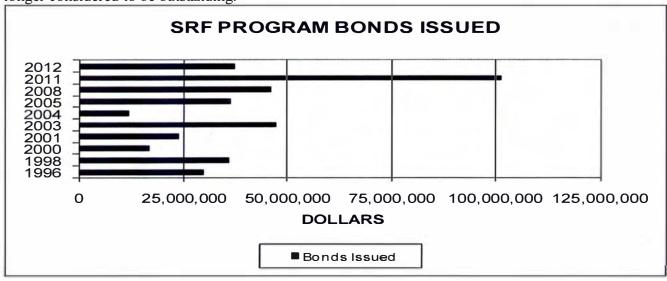
The PFA approved \$4,234,649 of Clean Water SRF Program loans to 8 political subdivisions in 2012. Subpart 21 of Part G of Attachment 1 on page 1-17 of this Report contains a list of all approved Clean Water SRF Program loans for 2012, including the approved amount, the funded amount, and the outstanding principal amount of each loan as of December 31, 2012.



The PFA approved \$16,887,054 of Drinking Water SRF Program loans to 7 political subdivisions in 2012. Subpart 14 of Part H of Attachment 1 on page 1-22 of this Report contains a list of loans made under the Drinking Water SRF Program during 2012, including the approved amount, the funded amount and the outstanding principal amount of each loan as of December 31, 2012.



The total amount of SRF Program Bonds issued under the PFA's SRF Program Master Trust Indenture is \$419,140,000. This total includes \$129,390,000 of the 1990, 1993, 1995, 1996, 1998, 2000, 2001, 2003A, 2003B, 2004 and 2005 SRF Program Bonds which have been advance refunded and are no longer considered to be outstanding.



As of December 31, 2012, the total amount of SRF Program Bonds outstanding was \$193,060,000, and the total outstanding amount of SRF Program loans was \$349,659,197. The total amount on deposit in the SRF Program Reserve Fund as of December 31, 2012, was \$11,814,823, which represents the Total Reserve Requirement under the Master Trust Indenture.

Part H of attachment 2 on page 2-4 of this Report contains a complete list of the SRF Program Bonds issued by the PFA under the Master Trust Indenture, including the original dollar amount and the outstanding principal amount of each series of SRF Program Bond.

INDUSTRIAL DEVELOPMENT BOND PROGRAM

The Public Finance Authority's Industrial Development Bond Program (IDBP) provides loans to North Dakota manufacturers that meet the IRS definition for small issue manufacturers. Bonds issued under this Program are moral obligation bonds of the State unless the borrower has the financial strength to request that the Public Finance Authority issue the bonds on a conduit basis. Public Finance Authority limits the program to \$2,000,000 per project and \$20,000,000 for the entire program. For conduit issuance when the state's moral obligation is not used as a credit enhancement there are no project or program limits.

The interest rates payable by a borrower are market rates, which are set through a competitive bid process when the PFA issues and sells its bonds to fund a loan. The interest rates paid by the PFA on its bonds are the same rates a borrower will pay on its bonds sold to the PFA.

This program has been assigned an "A+" rating by S&P, which allows those manufacturers that qualify to finance fixed assets at attractive tax-exempt rates.

The PFA did not issue IDBP Bonds in 2012.

Part I of Attachment 1 beginning on page 1-23 of this Report contains a complete list, as of December 31, 2012, of all loans made by the PFA with proceeds of IDBP Bonds issued under the IDBP General Bond Resolution, including the name of each borrower, the original amount of each loan, and the outstanding principal of each loan.

Part I of Attachment 2 on page 2-4 of this Report contains a complete list, as of December 31, 2012, of all series of Industrial Development Program Bonds issued under the IDBP General Bond Resolution, including the original dollar amount and the outstanding principal amount of each series of IDBP Bonds.

The outstanding amount of Reserve Fund Letters of Credit at December 31, 2012 was \$772,575. The IDBP Reserve Fund Letters of Credit are issued to meet the requirement of the IDBP General Bond Resolution that the PFA maintain reserves for each series, equal to the largest aggregate amount of principal and interest due in any twenty-four consecutive month periods. The IDBP Reserve Fund Letters of Credit are issued by BND.

OTHER BONDS

1977 General Bond Resolution. The PFA, pursuant to a 1977 General Bond Resolution, issued \$15,000,000 in 1977, \$16,590,000 of bonds in 1979, and \$11,600,000 of bonds in 1983, for a total principal amount of \$43,190,000. The 1977, 1979 and 1983 bonds have been retired.

1985 Local Governmental Assistance Program. In 1985, the PFA issued \$35,290,000 of bonds under a Local Governmental Assistance Program. These bonds were retired in 1986.

1990 Government Assistance Program. In 1990, pursuant to its Government Assistance Program, the PFA issued two series of bonds in the total amount of \$2,006,704. These bonds were retired in 1991.

1989 Insured Water System Revenue Bonds and 1999 Taxable Insured Water System Refunding Revenue Bonds. Pursuant to a Trust Indenture adopted in 1989, the PFA issued two series of Water System Revenue Bonds. The 1989 Series A Bonds were issued in the amount of \$11,650,000, and the 1989 Series B Bonds were issued in the amount of \$1,410,000 (the 1989 Series A Bonds and the 1989 Series B Bonds are referred to as the "1989 Bonds"). The Series B Bonds were issued to fund a reserve fund for the Series A Bonds. Proceeds of these taxable bonds were used by the PFA to make loans to certain political subdivisions to enable them to repurchase, at a discount, outstanding loans with the Farmers Home Administration. On December 21, 1995, the PFA entered into a Purchase Contract with Dain Bosworth Incorporated (now RBC Wealth Management) for the forward refunding of the 1989 Insured Water System Revenue Bonds. Under the terms of the Purchase Contract, the PFA issued and delivered \$8,875,000 of its Taxable Insured Water System Refunding Revenue Bonds, 1999 Series B to Dain Rauscher on April 1, 1999, for the purpose of refunding the 1989 Bonds. The benefits realized by the PFA through the refunding of the 1989 Bonds are being passed through to the participating political subdivisions in the form of lower interest rates and interest rate buydowns over the remaining terms of their loans. The debt service requirement for these bonds for the 2013-2015 biennium is \$236,500.

BIENNIAL DEBT SERVICE REQUIREMENTS

The debt service requirement for the outstanding CFP Bonds for the 2013-2015 biennium is \$2,924,768, and the debt service requirement for the outstanding SRF Program Bonds for the 2013-2015 biennium is \$42,618,390. The outstanding IDBP debt service requirement for 2013-2015 is \$757,325.

The aggregate debt service requirement for all outstanding PFA Bonds for the 2013-2015 biennium is \$46,536,983.

NORTH DAKOTA PUBLIC FINANCE AUTHORITY LOANS MADE 1977 THROUGH 2012

Part A

Subpart 1

\$15,000,000 1977 Series A Bonds

Borrower

Kensal PSD Alexander PSD Rock Lake PSD Alexander Kinloss PSD Rolla Almont Kinyon PSD Rutland Sawyer PSD Ashley Kulm Barney LaMoure PSD Scotia PSD Bell PSD LaMoure Scranton Beulah Sharon Lawton Sharon PSD Bismarck Leeds Bismarck Park District Lehr Sherwood Leonard PSD Shevenne PSD **Butte PSD** Solen PSD Buxton Leonard Lidgerwood South Heart PSD Carrington PSD Cass County Lignite South Bend PSD Lincoln PSD Casselton Southern PSD

Center Linton Southwest Fargo Courtenay Special PSD Linton PSD Stanley Drake Maddock Stanton Edinburg PSD Mandan Steele Edmore PSD Mayville Streeter PSD Elgin McVille Sutton PSD Ellendale PSD Michigan Thompson Emerado Minnewauken PSD Tioga PSD Enderlin Tolna Napoleon

Esmond Nedrose PSD Traill County District

Esmond PSD Nesson PSD Turtle Lake Fingal PSD New Salem Valley City Finley New Leipzig Fire District Velva Fordville New Rockford Verona New Leipzig PSD Gackle PSD Walcott Galt PSD New Leipzig Walhalla New Rockford Garrison Washburn Glen Ullin PSD North Sargent PSD Watford City Park River Westhope Gwinner Halliday Parshall Wildrose PSD Hampden PSD Pembina Wilton Hazelton Moffitt PSD Portland Wishek PSD Reeder PSD Hazen Wishek

Jamestown Regent PSD Woodworth PSD

Juzeler PSD Reynolds Yellowstone Irrigation District

Kathryn PSD Robinson PSD Zeeland PSD

Subpart 2 \$16,590,

\$16,590,000 1979 Series A Bonds

Borrower

Anita Fire Protection District Hazen Richardson PSD
Ashley PSD Hazen PSD Rock Lake
Beulah Hebron Rolla
Beulah PSD Hettinger Scranton

Center PSD Hope Sherwood Fire Protection District

Edgeley Hunter Stanley Linton Edinburg Stanton Lisbon Strasburg Edmore Enderlin Mandan Streeter Finley Mayville Thompson Gackle Medina West Fargo PSD

Garrison Mott Wilton
Glen Ullin Napoleon Wishek
Grand Forks Park District New Rockford Zap

Halliday New Rockford Park District

Harwood Park River Hazelton Portland

Subpart 3 \$11,600,000 1983 Series A Bonds

Borrower

Grafton PSD New Leipzig Anamoose Gwinner Osnabrock Antler Hankinson Rural Fire District Pembina Binford Pingree PSD Bismarck Rural Fire District Horace Rhame Bowbells PSD Killdeer Carrington Lakota PSD Richardton Cass Richland Drainage District Larimore Rolette Leonard Stanley Casselton Strasburg Linton Crosby Dodge Mandan Towner **Edgeley PSD** Manning PSD Velva Mapleton Westhope Elgin PSD Enderlin Medina Wildrose Zap PSD

Finley Michigan PSD Flasher PSD Milnor Gladstone New England

Part B

Local Government Assistance Program \$35,290,000 1985 Series A Bonds

Borrower

Barnes County
Bismarck PSD
Border Central PSD
Burleigh County
Cass Valley North PSD
Cass County
Crary PSD
Dakota PSD
Dickey County
Dickinson PSD
Drayton PSD
Edgeley PSD

Fargo PSD
Fessenden
Fordville
Grace City PSD
Grand Forks County
Grand Forks PSD
Killdeer PSD
LaMoure PSD
Mandan PSD
Mandan
McIntosh County
Michigan PSD

Minot PSD

Morton County
Powers Lake PSD
Ramsey County
Richland County
Solen PSD
Stanton PSD
Stark County
Steele County
Stutsman County
Tolley PSD
Walsh County
West Fargo PSD

Part C

Epping PSD

Government Assistance Program \$765,000 1990 Series A Bonds

Borrower

Cavalier Edgely PSD Eight Mile PSD Marion PSD Pembina PSD Sherwood PSD

Part D

Insured Water System Revenue Bonds \$8,875,000 1999 Series A Bonds \$1,410,000 1999 Series B Bonds

Borrower

All Season Water Users
Cass Rural Water
Dakota Water Users
Lidgerwood
North Valley Water Users Association
Richland Rural Water
Traill County Rural Water Users, Inc.
Tri-County Water Users Association

Capital Financing Program

Part E

Borrower			Original Loan <u>Amount</u>	Outstandir Loan <u>Amount</u>	ng
Subpart 1	1990				
Morton County		\$	400,000	\$	0
Linton			185,000		0
Mandan			95,000		0
Hankinson			155,000		0
Fargo Park District			680,000		0
Traill County Water Resource District			100,000		0
Dickinson Recreation Building Authority			250,000		0
Rolla			220,000		0
Morton County Water Resource Board			23`0,000		0
North Valley Rural Water Association			140,000		0
Milnor			85,000		0
Bismarck Parks & Recreation District			770,000		0
Twin Buttes School District			70,000		0
Hettinger Park District			35,000		0
Mandan Parks & Recreation District		- 2	335,000		$\frac{0}{0}$
			3,750,000		U
Subpart 2	1991				
Burleigh County Housing Authority			225,000		0
Bismarck Parks & Recreation District			1,300,000		0
Bismarck Parks & Recreation District			410,000		0
Mandan Parks & Recreation District			560,000		0
Richardton			165,000		0
Kindred			25,000		0
Montefiore PSD			75,000		0
Pembina PSD			195,000		0
Eight Mile PSD			150,000		0
Lake Agassiz Regional Council			180,000		0
North Valley Water Association			200,000		0
Finley			875,000		0
Wyndmere			65,000		0
Ward County			85,000		0
Oakes Municipal Airport Authority			45,000		0
Devils Lake PSD			1,810,000		0
Greater Richland Education Communication	ons Consortium		250,000		0
Cass County			400,000		0
			7,015,000		0

Borrower Subpart 3	1992	Original Loan <u>Amount</u>	Outstanding Loan <u>Amount</u>
			_
Mandan PSD		\$ 2,500,000	\$ 0
New England		75,000	0
Cavalier		75,000	0
Lidgerwood		75,000	0
Kindred PSD		1,545,000	0
Edinburg		120,000	0
Milnor		205,000	0
West Fargo PSD		2,500,000	0
Lisbon PSD		800,000	0
Emerado PSD		100,000	0
Milnor		190,000	0
Pembina PSD		195,000	0
Eight Mile PSD		200,000	0
Briarwood		40,000	0
Buxton		40,000	0
Missouri Hills Interactive Consortium		455,000	0
Grand Forks PSD		2,500,000	 0
Mercer County Housing Authority	* 1	435,000	0
Nelson County		 100,000	 0
		 12,150,000	 0
Subpart 4	993		
Lake Metigoshe Recreation Service District		150,000	0
Glenburn PSD		880,000	60,000
Fargo PSD		1,975,000	0
Fargo PSD		525,000	0
Thompson PSD		900,000	55,000
Souris		40,000	0
Marion PSD		115,000	0
Pembina PSD		180,000	0
Eight Mile PSD		150,000	0
Sims PSD		60,000	0
Oakes		120,000	0
McVille		230,000	0
Milnor		195,000	0
Emerado PSD		60,000	0
Grand Forks PSD		2,000,000	125,000
Burleigh County Housing Authority		325,000	0
6, ,		7,905,000	 240,000

Borrower Subpart 5	1994		Original Loan <u>Amount</u>	Outstanding Loan <u>Amount</u>	,
Mandan Airport Authority		\$	180,000	\$ 0	
Fairmount PSD		Ψ	305,500	0	
Grafton PSD			2,000,000	0	
Sawyer PSD			450,000	0	
Glenburn PSD			592,500	0	
Lincoln PSD			274,000	0	
Finley-Sharon PSD			499,500	0	
Oakes PSD			1,650,000	0	
North Sargent-Gwinner PSD			538,300	0	
Rolette PSD			461,900	0	
Zap PSD			250,000	0	
Stanley PSD			1,185,000	0	
Clifford-Galesburg PSD			532,669	0	
Rhame PSD			180,000	0	
West Fargo PSD			3,000,000	0	
Manvel PSD			228,000	0.	
United-Des Lacs PSD			. 942,647	0	
Surrey PSD			413,000	0	
Cando PSD			50,000	0	
Surrey PSD			325,000	0	
Sawyer			150,000	0	
Marion PSD			105,000	0	
Pembina PSD			90,000	0	
Eight Mile PSD			200,000	0	
Sims PSD		_	50,000	0	
			14,653,016	0	
Subpart 6	1995				
Burleigh County Housing Authority			1,600,000	0	
Traill County Water Resource District			100,000	0	
Mooreton			170,000	0	
Milnor			160,000	0	
Ward County			95,000	0	
Marion PSD			105,000	0	
Eight Mile PSD			200,000	0	
Sims PSD			75,000	0	
		_	2,505,000	0	

Borrower Subpart 7	1996	Original Loan <u>Amount</u>	Outstanding Loan <u>Amount</u>
Minot		\$ 500,000	\$ 0
Rolette County Housing		500,000	0
Dunseith		100,000	0
Garrison		120,000	0
Hazelton		140,000	0
Walcott-Colfax District		70,000	0
Burleigh Water Users		1,585,000	0
Marion PSD		120,000	0
Garrison PSD		230,000	0
		3,365,000	0
Subpart 8	1997		
Cavalier		540,000	0
Burleigh Rural Water Users		3,350,000	0
New Town PSD		300,000	0
North Valley Water Association		1,400,000	0
South Central Water Users District		350,000	0
Grafton PSD		4,500,000	0
Richardton		205,000	0
Aggasiz Water Users		375,000	0
Sims PSD		50,000	0
West Fargo PSD		1,000,000	0
Wahpeton		1,600,000	0
Garrison		125,000	0
McVille		1,550,000	0
,		15,345,000	0
Subpart 9	1998		
Gackle		295,000	0
Lidgerwood		120,000	50,000
Prairie Rose		175,000	0
Surrey		100,000	0
Hettinger Park District		200,000	0
Maple River Water Resource District		55,000	0
Milnor		400,000	35,000
Grandin		165,000	65,000
West Fargo PSD		1,000,000	0
Sims PSD		50,000	0
Park River		450,000	210,000
		3,010,000	360,000

Borrower Subpart 10	1999		Original Loan <u>Amount</u>	Outstanding Loan <u>Amount</u>
Lidgarwood		\$	1,075,000	\$ 0
Lidgerwood Drayton		Φ	140,000	0
Drayton			70,000	0
Max			50,000	0
Surrey			100,000	0
West Fargo PSD			1,000,000	0
Sims PSD			100,000	0
Tri-County Water District			1,710,000	0
Tri-County Water District			285,000	185,000
			4,530,000	185,000
Subpart 11	2000			
Lisbon			765,000	0
Enderlin			195,000	0
Amenia			155,000	0
West Fargo PSD			3,000,000	0
Sims PSD		_	100,000	0
			4,215,000	0
Subpart 12	2001			
Frontier		_	735,000	0
Subpart 13	2002			
McVille			215,000	0
Southeast Water Users District			700,000	0
Bismarck Rural Fire District			185,000	0
Kulm			150,000	0
Fessenden-Bowdon PSD		_	350,000	0
			1,600,000	0
Subpart 14	2003			
Langdon Rural Water District		_	1,495,000	1,135,000
Subpart 15	2004			
Traill Rural Water			300,000	210,000
Surrey			500,000	115,000
Mercer County Housing		<u> </u>	80,000	0
			880,000	325,000
Subpart 16	2006			
Rolette County Housing Authority			235,000	205,000
Belcourt Public School District			1,045,000	470,000
Enderlin			105,000	45,000
			1,385,000	720,000

Borrower Subpart 17	2009	Original Loan <u>Amount</u>	Outstanding Loan <u>Amount</u>
West Fargo		530,000	500,000
Tri-County Water District		1,415,000	1,265,000
Emerado		180,000	165,000
		2,125,000	1,930,000
Subpart 18	2011		
Drayton		405,000	390,000
Drayton		350,000	337,000
McVille		2,357,000	2,308,000
McVille		618,000_	570,000
		3,730,000	3,605,000
Subpart 19	2012		
McVille		150,000	150,000
Kulm		85,000	85,000
All Seasons		820,000	820,000
Forman Housing Authority		935,000	935,000
Forman		505,000	505,000
Forman		1,090,000	1,090,000
Hankinson		1,930,000	1,930,000
Mayville		1,430,000	1,430,000
Tri-County Water District		1,405,000	1,405,000
Gackle		1,285,000	1,285,000
		9,635,000	9,635,000
Total Capital Financing Program Loan	s	\$ 100,028,016 \$	18,135,000

Capital Financing Disaster Loan Program

Part F

Borrower			Original Loan <u>Amount</u>	Outstanding Loan <u>Amount</u>
Subpart 1	2011			
Orlien Township, Ward County		\$	400,000	\$ 240,398
Lund Township, Ward County			70,000	67,750
Ramsey County			2,000,000	0
Anna Township, Ward County			800,000	491,714
Logan County			6,000,000	2,857,200
Dickey County			5,000,000	2,205,470
Rolling Green Township, Ward County			460,742	393,300
Cameron Township, Ward County			495,000	47,875
Otis Township, McLean County			35,000	22,000
Normanna Township, Cass County			40,000	0
Casselton Township, Cass County			83,000	83,000
Ward County			10,000,000	6,440,135
Sargent County			10,000,000	0
Stutsman County			2,739,859	0
Weld Township, Stutsman County			1,321,733	0
Stirton Township, Stutsman County			1,295,017	0
Valley Springs Township, Stutsman County			904,483	0
Lowery Township, Stutsman County			600,000	0
Wadsworth Township, Stutsman County			26,000	0
St Paul Township, Stutsman County			278,500	112,886
Ashland Township, Stutsman County			5,741	0
Woodbury Township, Stutsman County			150,000	9,200
Sinclair Township, Stutsman County			193,000	0
Meadow Lake Township, Barnes County			101,000	82,180
Sharlow Township, Stutsman County			50,000	0
Streeter Township, Stutsman County			400,000	10,000
Griffin Township, Stutsman County			61,832	0
Mandan Rice Lake Recreation Service District			8,000,000	0
North Prairie Rural Water District			400,000 700,000	24,000
North Prairie Rural Water District			450,000	101,913
Minnewaukan Public School District				55,300
Williewaukali Fuolic School District		-	2,500,000 55,560,907	13,244,321
Subpart 2	2012			
Newman Township, Ward County			40,000	39,451
Griffin Township, Stutsman County			1,030,530	0
Minot Park District			7,000,000	0
Rice Lake Recreation Service District			672,600	225,000
			8,743,130	264,451
Total Capital Financing Disaster Program	n Loans	\$ _	64,304,037	\$ 13,508,772

Clean Water State Revolving Fund Program

Part G

<u>Borrower</u>		Approved Loan <u>Amount</u>	Funded Loan <u>Amount</u>	Outstanding Loan <u>Amount</u>
Subpart 1	1990			
Enderlin Fargo Minot		\$ 490,000 3,561,559 879,386 4,930,945	3,561,559 879,386	\$ 0 0 0 0
Subpart 2	1993			
Fargo Jamestown Minot Northwood Wahpeton West Fargo Lake Metigoshe New Town Jamestown Williston	88	7,770,000 1,581,406 665,000 1,150,000 1,062,366 175,000 296,263 132,050 1,289,702 252,835 14,374,622	1,581,406	0 190,000 40,000 105,000 122,366 0 0 230,000 0 687,366
Subpart 3	1994			
Minot Burlington Devils Lake Grafton Casselton		443,522 165,037 1,076,423 410,000 112,000 2,206,982	443,522 165,037 1,076,423 410,000 112,000 2,206,982	0 20,000 195,000 0 0 215,000
Subpart 4	1995			
Fargo Max Cooperstown Northwood Colfax Edmore Ellendale Minot Williston		2,850,429 74,912 55,000 225,837 36,297 62,256 196,826 400,000 291,881	2,850,429 74,912 55,000 225,837 36,297 62,256 196,826 400,000 291,881	0 11,250 0 30,000 0 9,357 0 0

<u>Borrower</u>		pproved Loan mount	Funded Loan <u>Amount</u>	Outstanding Loan <u>Amount</u>
Subpart 4 Cont.	1995			
Lisbon Napoleon Park River Carrington Mott Harvey Beach Williston Buffalo Hettinger Davenport Ellendale Cando Cooperstown		\$ 100,000 \$ 133,851 498,279 835,000 211,157 478,556 226,241 328,581 38,248 156,001 176,339 220,990 113,006 300,000	100,000 \$ 133,851 498,279 835,000 211,157 478,556 226,241 328,581 38,248 156,001 176,339 220,990 113,006 300,000	0 40,000 95,000 175,000 40,000 120,000 0 0 40,000 30,000 0
Subpart 5	1996	8,009,687	8,009,687	590,607
Jamestown Cooperstown Park River Portland Medina Mayville Manvel Oriska Bottineau Arthur Cando Kindred Page Argusville Bottineau Grand Forks Bank of North Dakota		 16,300,000 1,174,952 72,312 82,368 67,255 105,433 478,416 21,531 100,000 132,963 254,052 124,498 47,738 213,061 104,500 13,700,000 1,101,444 34,080,523	16,300,000 1,174,952 72,312 82,368 67,255 105,433 478,416 21,531 100,000 132,963 254,052 124,498 47,738 213,061 104,500 13,700,000 1,101,444 34,080,523	3,935,000 285,000 0 16,476 0 0 120,000 0 40,000 60,000 39,498 9,548 0 0 4,840,000 17,000 9,362,522
Subpart 6	1997			
Grand Forks Casselton Christine Mapleton		3,940,000 1,589,652 385,273 152,864	3,940,000 1,589,652 385,273 152,864	1,395,000 470,000 130,000 0

<u>Borrower</u>		Approved Loan <u>Amount</u>	Funded Loan <u>Amount</u>	Outstanding Loan <u>Amount</u>
Subpart 6 Cont.	1997			
Horace Carrington Mandan Berthold Cooperstown Jamestown Lakota Minnewauken		\$ 225,330 \$ 805,000 5,191,929 82,875 123,067 2,277,487 1,933,969 218,000 16,925,446	225,330 \$ 805,000 5,191,929 82,875 123,067 2,277,487 1,933,969 218,000 16,925,446	75,000 240,000 2,110,000 21,375 50,000 675,000 595,000 28,000 5,789,375
Subpart 7	1998			
Granville Enderlin Wishek Fargo Gwinner Southeast Cass Casselton Sanborn Frontier Abercrombie Grandin Taylor Fargo Grand Forks		42,000 342,373 140,704 1,482,337 258,711 214,000 108,261 76,195 98,603 300,875 97,042 59,872 10,723,277 2,650,804 16,595,054	42,000 342,373 140,704 1,482,337 258,711 214,000 108,261 76,195 98,603 300,875 97,042 59,872 10,723,277 2,650,804 16,595,054	0 100,000 0 0 105,000 74,000 40,000 5,000 30,000 105,875 30,000 4,000 4,540,000 850,000 5,883,875
Subpart 8	1999			
Fargo Gackle Hillsboro Kindred Wimbledon Jamestown Lisbon Stanley Buffalo Buxton Hankinson Jamestown		210,000 118,020 360,000 1,113,522 74,738 747,990 87,025 102,413 213,667 77,000 88,000 454,641 3,647,016	210,000 118,020 360,000 1,113,522 74,738 747,990 87,025 102,413 213,667 77,000 88,000 454,641 3,647,016	80,000 41,000 0 455,000 33,000 120,000 0 86,000 0 38,000 70,000 960,000

Borrower		Approved Loan <u>Amount</u>		Funded Loan <u>Amount</u>		Outstanding Loan <u>Amount</u>	
Subpart 9	2000						
Abercrombie		\$	20,064	\$	20,064	\$	0
Hankinson			84,999		84,999		39,000
Fargo			1,816,295		1,816,295		835,000
Lidgerwood			89,405		89,405		42,000
Enderlin			1,189,549		1,189,549		540,000
Hunter			158,395		158,395		65,000
Cogswell			81,960		81,960		34,000
Mayville			1,075,000		1,075,000		545,000
Ward County Water R	esource District		797,375		797,375		370,000
Emerado		_	406,207	_	406,207		135,000
			5,719,249		5,719,249		2,605,000
Subpart 10	2001						
Jamestown			370,120		370,120		115,000
Mayville			1,169,393		1,169,393		600,000
Forman			135,172		135,172		64,000
Lisbon			716,436		716,436		330,000
Amenia			141,489		141,489		65,000
Grand Forks			13,781,500		13,781,500		7,050,000
Kulm			678,640		678,640		360,000
Tower City			503,123		503,123		250,000
Lake Metigoshe			485,400		485,400		185,000
Williston			1,124,000		1,124,000		575,000
Rolette			102,000		102,000		52,000
Hebron			122,890		122,890		64,000
Hankinson			1,457,760		1,457,760		740,000
Harvey			69,281		69,281		35,900
Oakes		_	106,076		106,076		40,000
			20,963,280		20,963,280		10,525,900
Subpart 11	2002						
Sanborn			30,694		30,694		16,600
Williston			1,190,559		1,190,559		675,000
Grand Forks			1,580,755		1,580,755		844,000
Grand Forks			2,274,164		2,274,164		1,110,000
Grand Forks			6,546,560		6,546,560		3,526,560
Linton			95,770		95,770		55,000
Mayville			3,073,811		3,073,811		1,728,000
Morton County Water	Resource District		258,000		258,000		145,000

<u>Borrower</u>			Approved Loan Amount	Funded Loan <u>Amount</u>	Outstanding Loan <u>Amount</u>
Subpart 11 Cont.	2002				
Wildrose Mapleton Wahpeton		\$	86,405 80,790 374,065 15,731,169	\$ 86,405 80,790 374,065 15,567,320	\$ 0 45,000 230,000 8,350,907
Subpart 12	2003				
Hunter Oakes Harvey Hankinson Mantador Litchville Courtenay Jamestown		_	41,930 746,350 244,615 133,790 50,000 236,381 49,444 1,309,568 2,812,078	41,930 746,350 244,615 133,790 50,000 236,381 49,444 1,309,568 2,812,078	25,600 435,000 153,000 82,200 30,600 147,000 29,000 895,000
Subpart 13	2004				
Oakes Portland Lidgerwood Lincoln Hillsboro Warwick West River Water an	nd Sewer	n <u> </u>	601,500 291,164 84,416 397,944 186,336 32,775 338,007 1,932,142	601,500 291,164 84,416 397,944 186,336 32,775 338,007 1,932,142	400,000 180,000 54,000 112,000 0 24,000 220,000 990,000
Subpart 14	2005				
Mapleton Hazen Enderlin Rutland Grand Forks		:-	335,000 276,120 184,307 180,841 4,500,000 5,476,268	335,000 276,120 184,307 180,841 4,500,000 5,476,268	228,000 189,000 122,000 127,000 3,170,000 3,836,000
Subpart 15	2006				
Jamestown Rice Lake Recreation Fargo Gackle Tower City BND Portland Wyndmere Oakes	n Service District		1,475,346 2,813,537 2,631,739 77,824 121,502 2,398,556 30,236 188,146 950,000	1,475,346 2,813,537 2,631,739 77,824 121,502 1,722,501 30,236 188,146 950,000 10,010,831	1,101,000 2,081,000 1,875,000 58,600 91,000 896,782 23,500 143,000 725,000 6,994,882

Borrower Subpart 16 Amount Amount Amount Bismarck 20,000,000 20,000,000 15,970,0 Southeast Cass Water Resource District 850,000 738,299 523,2 Lakota 414,948 414,948 222,0 Leonard 255,000 255,000 202,0 Argusville 634,606 634,606 510,0	00 99 00 00 00 00 00 00 00 00 00 00 52
Subpart 16 2007 Bismarck 20,000,000 20,000,000 15,970,0 Southeast Cass Water Resource District 850,000 738,299 523,2 Lakota 414,948 414,948 222,0 Leonard 255,000 255,000 202,0	00 99 00 00 00 00 00 00 00 00 00 00 52
Southeast Cass Water Resource District 850,000 738,299 523,2 Lakota 414,948 414,948 222,0 Leonard 255,000 255,000 202,0	99 00 00 00 00 00 00 00 00 00 00 52
Southeast Cass Water Resource District 850,000 738,299 523,2 Lakota 414,948 414,948 222,0 Leonard 255,000 255,000 202,0	99 00 00 00 00 00 00 00 00 00 00 52
Lakota 414,948 414,948 222,0 Leonard 255,000 255,000 202,0	00 00 00 00 00 00 00 00 00 00 52
Leonard 255,000 255,000 202,0	00 00 00 00 00 00 00 00 52
	00 00 00 00 00 00 00 52
Argunyilla 624.606 624.606 510.0	00 00 00 00 00 00 52
	00 00 00 00 00 52
Mayville 345,725 345,725 260,0	00 00 00 52
McVille 81,677 81,677 64,0	00 00 52
Jamestown 1,467,998 1,467,998 1,085,0	00 52
Hope 757,963 757,963 579,0	52
Portland 46,937 46,937 37,0	
Cass Rural Water District 15,326,652 15,326,652 13,980,6	00
Willow City 148,174 148,174 117,0	-
Oakes 258,747 258,747 196,0	00
Nome 16,011 16,011	0
40,604,438 40,492,737 33,745,9	51
Subpart 17 2008	
Lisbon 1,260,000 1,174,092 971,0	92
Harvey 355,000 210,952 135,9	
Hunter 138,580 138,580 117,0	
Fargo 63,725,000 48,988,530 46,128,5	
Flasher 121,414 121,414 89,0	
Hankinson 100,000 100,000 84,0	
Ellendale 734,842 734,842 614,0	
Fargo 1,640,000 1,640,000 1,490,00	
Watford City 808,588 808,588 670,00	
68,883,424 53,916,998 50,299,5	
Subpart 18 2009	
Tappen 179,761 179,761 151,00	00
Casselton 1,931,688 1,931,688 1,760,00	
Mandan 1,679,763 1,679,763 1,410,00	
Mandan 1,000,000 1,000,000 840,00	
Stutsman Rural Water District 5,500,000 4,513,542 3,723,54	
Lisbon 1,435,000 1,242,211 441,9°	
Cavalier 487,315 487,315 410,00	
Lake Metigoshe Recreation Service District 517,400 517,400 230,00	
Velva 501,032 321,032	0
Hazen 246,919 246,919 165,00	
Enderlin 800,000 798,172 429,94	
Glenburn 824,900 776,194 349,20	
Davenport 400,000 388,832 137,4	
Munich 1,200,120 1,200,120 55,00	
Edgeley 1,644,845 1,644,845 325,00	
Valley City 480,000 313,046 244,04	
Strasburg 1,404,743 1,404,743 305,00	
20,233,486 18,645,583 10,977,20	

Borrower		Approved Loan <u>Amount</u>	Funded Loan <u>Amount</u>	Outstanding Loan <u>Amount</u>
Subpart 19	2010			
Hillsboro		134,519	123,141	108,141
Drayton		1,677,066	1,677,066	122,000
Michigan		1,697,336	1,548,081	400,081
Northwood		2,363,000	2,305,303	879,701
Fargo		822,348	822,348	699,374
Wishek		185,547	185,547	164,000
Mapleton		825,800	537,799	467,999
Hankinson		569,833	569,833	515,000
Fargo		4,071,140	3,483,226	3,228,226
Hunter		143,032	143,032	130,000
Dickinson		853,958	569,354	489,354
Langdon		157,454	157,454	145,000
Kulm		54,409	54,409	50,000
		13,555,442	12,176,593	7,398,876
Subpart 20	2011			
Jamestown		1,140,023	1,140,023	1,045,000
Pembina		217,329	215,156	215,156
Wyndmere		1,664,897	1,664,897	1,600,000
Devils Lake		2,500,000	2,500,000	2,400,000
Minto		1,229,000	1,042,093	1,003,093
Fingal		715,000	510,392	362,083
Southeast Cass WRD		670,000	516,707	333,685
Forman		750,935	750,935	434,337
Hazen		178,494	178,494	171,000
		9,065,678	8,518,697	7,564,354
Subpart 21	2012			
Velva		282,000	183,027	173,027
Kathryn		70,000	66,785	66,785
Maddock		1,800,000	1,284,300	862,851
Casselton		1,440,000	764,600	764,600
Dunn Center		200,000	186,040	186,040
Des Lacs		107,649	35,659	35,659
Clifford		46,228	46,228	46,228
Medina		270,000	21,770	21,770
		4,215,877	2,588,409	2,156,960
Total		\$ 320,510,096 \$	299,614,713 \$	170,613,010

Drinking Water State Revolving Fund Program

Part H

<u>Borrower</u>		Approved Loan <u>Amount</u>	Funded Loan <u>Amount</u>	Outstanding Loan <u>Amount</u>
Subpart 1	1999			
Wahpeton Park River New Rockford Sawyer Walsh Rural Water District Tioga Williston St. John	\$	345,715 \$ 261,000 281,102 136,000 3,000,000 44,004 3,901,331 399,388 8,368,540	345,715 \$ 261,000 281,102 136,000 3,000,000 44,004 3,901,331 399,388 8,368,540	120,000 0 95,000 0 0 2,000,000 181,000 2,396,000
Subpart 2	2000			
Grand Forks Lisbon Stutsman Rural Water Users State Water Commission Cooperstown Harwood Mayville	_	11,542,236 912,115 666,168 1,500,000 300,000 866,514 1,025,000 16,812,033	11,542,236 912,115 666,168 1,500,000 300,000 866,514 1,025,000 16,812,033	5,240,000 410,000 305,000 675,000 140,000 445,000 520,000 7,735,000
Subpart 3	2001			
Hankinson Finley Enderlin Valley City Grand Forks Oxbow Lisbon Nome Southeast Water Users	-	405,000 2,479,994 195,000 1,444,139 10,050,000 475,657 460,381 22,465 60,000 15,592,636	405,000 2,479,994 195,000 1,444,139 10,050,000 475,657 460,381 22,465 60,000 15,592,636	190,000 1,264,800 80,000 740,000 0 240,000 240,000 0 30,000 2,784,800

Borrower	Approved Loan Amount	Funded Loan <u>Amount</u>	Outstanding Loan <u>Amount</u>
Subpart 4 2002			
Lisbon	\$ 413,522	\$ 413,522	225,000
Harvey	427,076	427,076	240,000
Grafton	285,616	285,616	160,000
Mandan	4,197,565	4,197,565	2,253,000
Ramsey County WRD	3,482,000	3,482,000	2,030,000
Enderlin	87,500	87,500	50,000
Linton	563,063	563,063	320,000
Cleveland	206,406	206,406	105,000
Langdon	522,796	522,796	291,000
Drayton	132,362	132,362	14,000
Larimore	1,991,805	1,991,805	1,100,000
Wahpeton	1,890,000	1,890,000	1,231,000
Grafton	1,130,229	1,130,229	719,000
	15,329,940	15,329,940	8,738,000
Subpart 5 2003			
Southeast Water District	1,446,906	1,446,906	815,000
Grand Forks - Traill Water District	t 3,991,780	3,991,780	2,245,000
North Valley Water District	4,138,000	4,138,000	0
Williston	3,693,344	3,693,344	2,255,000
Barnes Rural Water District	816,000	816,000	500,000
Argusville	360,718	360,718	230,000
Casselton	1,272,000	1,272,000	800,000
Aneta	171,340	171,340	108,500
Stutsman Rural Water District	201,651	201,651	133,000
	16,091,739	16,091,739	7,086,500
Subpart 6 2004			
Oakes	147,652	147,652	94,000
Cass Rural Water District	1,890,923	1,890,923	1,275,000
Leeds	179,000	179,000	110,000
Hazen	1,000,000	1,000,000	660,000
Tioga	418,727	418,727	254,000
Lincoln	307,681	307,681	204,000
Lincoln	447,000	447,000	145,500
Abercrombie	244,002	244,002	161,000
Lisbon	410,000	410,000	277,000
Williston	5,000,000	5,000,000	0
Harvey	676,556	676,556	450,000
Noonan	39,602	39,602	28,000
Williams County Rural Water	1,500,000	1,500,000	1,045,000
Williston	17,593,143	17,593,143	13,240,000
Jamestown	2,534,604	2,534,604	1,765,000
	32,388,890	32,388,890	19,708,500

Borrower Subpart 7 2005	Approved Loan <u>Amount</u>	Funded Loan <u>Amount</u>	Outstanding Loan <u>Amount</u>
Argusville	217,304	217,304	148,000
Park River	746,100	746,100	545,000
Mapleton	83,754	83,754	56,000
Bottineau	750,000	750,000	520,000
Southeast Water Users District	808,411	808,411	575,000
Southeast water Osers District	2,605,569	2,605,569	1,844,000
Subpart 8 2006			
Walcott	150 112	150 112	117.000
Stutsman Rural Water District	159,112 1,164,020	159,112	117,000
Wildrose	52,291	1,164,020 52,291	829,000 36,500
Velva	1,616,123	1,616,123	755,000
Cooperstown	309,634	309,634	210,000
Riverdale	762,138	762,138	481,000
Pick City	223,328	223,328	152,926
Braddock	16,610	16,610	132,920
Center	358,800	358,800	265,000
Page	95,975	95,975	72,000
Harvey	91,581	91,581	67,000
Hillsboro	1,151,563	1,151,563	783,000
Washburn	1,977,000	1,858,802	1,352,802
Southeast Water Users District	4,655,000	4,655,000	3,492,000
Portal	50,000	50,000	0
Park River	517,600	517,600	410,000
Central Plains Water District	1,661,967	1,661,967	1,244,000
Columbus	57,000	57,000	25,000
Southeast Water Users District	186,902	186,902	138,000
	15,106,644	14,988,446	10,430,228
Subpart 9 2007			
McLean-Sheridan Rural Water	519,104	519,104	412,000
Walsh Rural Water District	1,796,902	1,796,902	0
North Prairie Water District	5,700,000	5,700,000	4,645,000
Mayville	324,341	324,341	240,000
Southeast Water Users District	5,418,000	5,418,000	2,370,000
South Central Regional Water	8,000,000	8,000,000	6,348,000
Jamestown	2,076,816	2,076,816	1,605,000
Devils Lake	3,800,000	3,800,000	3,010,000
North Valley Water District	2,617,000	2,617,000	0
Christine	219,015	219,015	180,000
Grand Forks Traill Water District	1,200,000	1,200,000	940,000
All Seasons Water Users District	211,950	211,950	167,000
	31,883,128	31,883,128	19,917,000

<u>Borrower</u>	Approved Loan <u>Amount</u>	Funded Loan <u>Amount</u>	Outstanding Loan <u>Amount</u>
Subpart 10 20	008		
Southeast Water Users District	595,000	595,000	472,000
Hazelton	245, 120	245,120	151,000
Lisbon	1,165,000	727,979	540,979
Mapleton	1,149,088	1,149,088	967,000
Mandan	4,511,900	4,511,900	3,782,000
Fargo	2,500,000	2,500,000	2,060,000
Cass Rural Water District	1,376,605	1,376,605	1,120,000
Fargo	29,240,000	13,443,052	12,158,052
Tri-County Water District	363,289	363,289	313,289
Lakota	199,802	199,802	0
Crosby	2,361,275	551,488	169,213
Hankinson	95,000	95,000	79,000
Hannaford	53,748	53,748	45,000
South Central Regional Water	4,000,000	4,000,000	3,365,000
Ray	1,452,760	1,452,760	455,000
Parshall	2,887,500	2,767,864	2,440,364
Mandan	7,972,283	7,972,283	6,667,283
Leeds	37,076	37,076	32,000
	60,205,446	42,042,054	34,817,180
Subpart 11 20	09		
Traill Rural Water District	3,396,880	3,396,880	3,381,000
Carrington	240,117	240,117	201,000
Lisbon	305,787	305,787	255,000
Watford City	347,464	347,464	292,000
Bismarck	16,320,000	11,735,806	9,750,806
Lisbon	1,860,000	1,606,912	1,381,912
Ray	864,000	820,800	0
Southeast Water Users District	1,800,000	1,126,051	998,051
Southeast Water Users District	841,774	841,774	775,000
Barnes Rural Water District	2,050,000	2,050,000	1,755,000
Velva	454,074	347,919	291,919
All Seasons Water Users Distric		154,433	128,433
Wimbledon	258,353	258,353	221,000
Hope	175,000	175,000	155,000
Enderlin	3,000,000	2,182,408	1,822,408
Garrison	158,222	158,222	0
Wildrose	1,780,000	1,503,094	0
Karlsruhe	791,415	791,415	127,000
Strasburg	2,060,678	2,060,678	315,000
	36,910,439	30,103,113	21,850,529

<u>Borrower</u>		Approved Loan <u>Amount</u>	Funded Loan <u>Amount</u>		Outstanding Loan <u>Amount</u>
Subpart 12 20	10				
Hillsboro		299,413	265,337		228,337
Washburn		4,668,000	3,850,934		1,625,467
South Central Regional WD		4,600,000	4,600,000		4,235,000
BDW Water Systems		2,500,000	1,993,113		0
State Line Water Coop		147,781	147,781		122,000
Valley City		4,646,000	4,646,000		1,750,000
Hillsboro		1,310,679	1,310,679		965,000
Mandan		6,923,867	6,923,867		6,383,867
Kenmare		403,579	403,579		355,000
Buffalo		98,922	98,922		90,000
Jamestown		5,650,000	5,045,466		4,673,643
Kulm		25,300	25,300	_	23,000
		31,273,541	29,310,978		20,451,314
Subpart 13 20	11				
Pembina		1,563,654	1,549,443		1,549,443
Linton		224,800	224,800		216,000
Page		90,597	90,597		87,000
Cooperstown		913,000	659,496		625,496
Sawyer		308,708	308,708		296,708
Bowbells		2,145,000	127,343		0
McKenzie County WRD		8,200,000	7,612,375		7,612,375
Kenmare		1,200,000	727,656		703,656
		14,645,759	11,300,418		11,090,678
Subpart 14 20	12				
Ray		2,500,000	1,517,711		17,711
Minnewaukan		1,850,000	453,036		0
R & T Water Supply Commerce		10,000,000	9,349,789		9,349,789
Garrison Rural Water District		720,000	545,733		545,733
Southeast Water Users District		1,500,000	117,020		0
Sherwood		82,475	82,475		82,475
Granville		234,579	189,348		189,348
		16,887,054	12,255,112	•	10,185,056
Total	\$	314,101,358 \$	279,072,596	\$	179,046,187

Industrial Development Bond Program Loans

Part I

Borrower		Funded Loan <u>Amount</u>	Outstanding Loan <u>Amount</u>
Subpart 1	2006		
Subpart 1	2000		
Prairie Gold Real	Estate, LLC	\$ 1,360,000	\$ 1,146,667
Subpart 2	2008		
ND Natural Beef,	LLC	2,000,000	1,919,025
Subpart 3	2009		
Giant Snacks Inc.		1,500,000	1,381,667
ND Natural Beef,	IIC	65,269	65,269
TVD TVatarar Boot,	LLC	1,565,269	1,446,935
Total		\$ 4,925,269	\$ 4,512,627

Direct Loans

Part J

<u>Borrower</u>			Funded Loan <u>Amount</u>	Outstanding Loan <u>Amount</u>
Subpart 1	1992			
Ft. Clark Irrigation		\$_	20,750	. \$0
Subpart 2	1993			
Solen		Eugeni	9,000	0
Subpart 3	1995			
Plaza PSD Mooreton Garrsion PSD Beulah Airport Authority		_	16,000 30,000 110,000 35,000 191,000	0 0 0 0
Subpart 4	1996			
Christine McHenry Sims PSD		_	27,000 24,000 17,000 68,000	0 0 0 0
Subpart 5	1997			
Ward County Traill County Rural Water Use Christine Manvel	rs	_	80,000 40,000 17,500 28,000 165,500	0 0 5,250 0 5,250
Subpart 6	1998			
Berthold Page Ransom Sargent Water Users I Upper Souris Water Users Ass Hannaford		_	45,000 60,000 87,000 75,000 20,000 287,000	0 0 0 0 0
Subpart 7	1999			
Forest River		_	50,000	0

Borrower Subpart 8	2000		Original Loan <u>Amount</u>		Outstanding Loan <u>Amount</u>
New Town PSD Sanborn Havana		\$ _	500,000 13,500 120,000 633,500	\$ · _	0 0 0
Subpart 9	2001				
Fort Pembina Airport Authority Sims PSD		_	117,000 100,000 217,000	_	27,000 0 27,000
Subpart 10	2002				
Kulm Southeast Water Users Solen PSD			21,360 640,000 200,000 861,360	_	0 0 0
Subpart 11	2003				
Solen PSD Traill County Rural Water Users St. John	S		200,000 50,000 85,000 335,000	_	0 0 10,000 10,000
Subpart 12	2004				
Solen PSD New Town PSD		_	200,000 60,000 260,000	_	0 0
Subpart 13	2005				
Enderlin Columbus Solen PSD Gackle Portal Surrey Township			92,000 57,000 200,000 75,000 185,000 42,500 651,500	_	0 0 0 0 0 0
Subpart 14	2006				
Solen PSD			200,000	_	0
Subpart 15	2007				
Emerado			186,288	_	0

Borrower Subpart 16	2008	Original Loan <u>Amount</u>	Outstanding Loan <u>Amount</u>
Sterling PSD Cass Rural Water District Watford City Casselton		100,000 330,000 405,000 685,000 1,520,000	0 0 0 0 0
Subpart 17	2009		
Northood PSD Hazen Solen PSD		1,500,000 215,000 390,000 2,105,000	0 0 165,000 165,000
Subpart 18	2010		
Drayton Drayton		405,000 278,000 683,000	0 0 0
Subpart 19 Fessenden Rolla Sheldon	2012	44,000 265,000 63,413 372,413	0 192,431 63,413 255,844
Total Direct Loans		\$ 8,816,311	\$ 463,094

NORTH DAKOTA PUBLIC FINANCE AUTHORITY

Industrial Commission of North Dakota

Jack Dalrymple Governor Chairman

Wayne Stenehjem Attorney General

Doug Goehring Agriculture Commissioner

Advisory Committee

Robert Frantsvog Minot

Wade Williams Jamestown

> Keith Lund Grand Forks

Staff

DeAnn Ament Executive Director (701) 426-5723 dament@nd.gov

Kylee Merkel Business Manager (701) 328-7120 kyleemerkel@nd.gov

Office

1200 Memorial Highway, PO Box 5509 Bismarck, ND 58506-5509 Phone: (701) 328-7100 (800) 526-3509 Fax: (701) 328-7130

E-mail: ndpfa@nd.gov Website: www.nd.gov/pfa

NORTH DAKOTA PUBLIC FINANCE AUTHORITY BONDS ISSUED 1977 THROUGH 2012

Part A 1977 General Bond Resolution

		Initial Bond <u>Amount</u>	Outstanding Bond <u>Amount</u>
Subtotal	\$	15,000,000 16,590,000 11,680,000 43,270,000	\$ 0 0 0 0
Local Go	overn	mental Assi	istance Program
		35,290,000	0
Insured '	Wate	er System R	evenue Bonds
Subtotal	-	11,650,000 1,410,000 13,060,000	0 0
Governm	ent .	Assistance P	Program
Subtotal	_	765,000 1,241,704 2,006,704	0 0
e Insured	Wate	er System R	efunding Bonds
Subtotal	_	8,875,000 1,410,000 10,285,000	410,000 1,410,000 1,820,000
Capital F	'inan	cing Progra	m
		400,000 185,000 95,000 155,000 680,000 100,000	0 0 0 0 0 0
	Local Go Insured Subtotal Governm Subtotal e Insured Subtotal	Subtotal Local Govern Insured Wate Subtotal Government Subtotal e Insured Wate Subtotal	Subtotal Sistance Figure Subtotal Subtotal Sistance Subtotal Subtotal

	Initial Bond	Outstanding Bond
Part F Cont.	Amount	Amount
1990 Series H	\$ 220,000	\$ 0
1990 Series I	230,000	0
1990 Series J	140,000	0
1990 Series K	85,000	0
1990 Series L	770,000	0
1990 Series M	70,000	0
1990 Series N	35,000	0
1990 Serues O	335,000	0
1991 Series A	225,000	0
1991 Series B	1,300,000	0
1991 Series C	410,000	0
1991 Series D	560,000	0
1991 Series E	265,000	0
1991 Series F	345,000	0
1991 Series G	380,000	0
1991 Series H	280,000	0
1991 Series I	2,460,000	0
1992 Series A	565,000	0
1992 Series B	820,000	0
1992 Series C	2,650,000	0
1992 Series D	115,000	0
1992 Series E	1,870,000	0
1992 Series F	3,260,000	0
1992 Series G	290,000	0
1992 Series H	395,000	0
1992 Series I	535,000	0
1992 Series J	2,500,000	0
1992 Series K	535,000	0
1993 Series A	150,000	0
1993 Series B	880,000	60,000
1993 Series C	1,975,000	0
1993 Series D	1,465,000	55,000
1993 Series E	505,000	0
1993 Series F	2,930,000	125,000
1994 Series A	5,335,000	0
1994 Series B	525,000	0
1994 Series C	445,000	0
1995 Series A	1,700,000	0
1995 Series B	425,000	0
1995 Series C	380,000	0
1996 Series A	500,000	0
1996 Series B	930,000	0
1996 Series C	1,585,000	0
1996 Series D	350,000	0
1997 Series A	540,000	0

			Initial Bond		Outstanding Bond
			Amount		Amount
1997 Series B		\$	3,350,000	\$	0
1997 Series C			300,000		0
1997 Series D			1,750,000		0
1997 Series E			4,705,000		0
1997 Series F			375,000		0
1997 Series G			1,050,000		0
1997 Series H			3,275,000		0
1998 Series A			945,000		50,000
1998 Series B			6,685,000		0
1998 Series C			565,000		100,000
1998 Series D			1,050,000		0
1998 Series E			450,000		210,000
1999 Series A			1,075,000		0
1999 Series B			260,000		0
1999 Series C			100,000		0
1999 Series D			1,100,000		, 0
1999 Series E			1,710,000		0
1999 Series F			285,000		185,000
2000 Series A			1,115,000		0
2000 Series B			3,100,000		0
2001 Series A			735,000		0
2002 Series A			1,700,000		0
2003 Series A			1,495,000		1,135,000
2004 Series A			880,000		325,000
2006 Series A			1,385,000		720,000
2009 Series A			2,125,000		1,930,000
2011 Series A			3,730,000		3,605,000
2012 Series A			9,635,000		9,635,000
	Subtotal		99,060,000		18,135,000
Part G	Capital F	inanc	ing Disaste	er Lo	oan Program
2011 Series A			9,141,832		7,278,000
2012 Series A			2,892,780		2,669,464
	Subtotal		12,034,612		9,947,464

		Initial	Outstanding
		Bond	Bond
		Amount	Amount
Part H	State Revo	lving Fund Pro	gram
1990 Series A	,	5,520,000	0
1993 Series A	2,		0
1995 Series A	3	0,973,000	0
1996 Series A	13	29,843,000	200,000
1998 Series A	5,	⁶ 35,965,000	5,425,000
2000 Series A	4	16,725,000	0
2001 Series A	7	23,725,000	0
2003 Series A	7,	26,793,000	1,210,000
2003 Series B	9	20,455,000	1,910,000
2004 Series A	9	11,790,000	1,830,000
2005 Series A	8	36,210,000	9,875,000
2008 Series A		46,100,000	36,675,000
2011 Series A		101,210,000	98,685,000
2012 Series A		19,705,000	19,705,000
2012 Series B		17,900,000	17,545,000
	Subtotal	419,140,000	193,060,000

A portion of the proceeds of the 1993 Series A SRF Bonds was used to defease and refund the 1990 Series A SRF Bonds.

Part I **Industrial Development Bond Program** 2006 Series A 1,360,000 1,170,000 2008 Series A 2,000,000 1,850,000 2009 Series A 1,500,000 1,405,000 Subtotal 4,860,000 4,425,000 Total All Bonds 637,523,316 \$ 225,904,464

² A portion of the proceeds of the 2001 Series A SRF Bonds was used to defease and refund the 1993 and 1995 Series A SRF Bonds.

The proceeds of the 2003 Series B SRF Bonds was used to defease and refund the 1996 Series A SRF Bonds.

⁴ The proceeds of the 2004 Series A SRF Bonds was used to defease and refund the 2000 Series A SRF Bonds.

⁵ A portion of the proceeds of the 2005 Series A SRF Bonds was used to defease and refund the 1993 and 1998 Series A SRF Bonds.

⁶ A portion of the proceeds of the 2008 Series A SRF Bonds was used to defease and refund 1998 Series A SRF Bonds.

⁷ A portion of the proceeds of the 2011 Series A SRF Bonds was used to defease and refund the 2001Series A and 2003 Series A SRF Bonds.

⁸ A portion of the proceeds of the 2012 Series A SRF Bonds was used to defease and refund the 2003 Series A and 2005 Series A SRF Bonds.

⁹ A portion of the proceeds of the 2012 Series B SRF Bonds was used to defease and refund the 2003 Series B and 2004 Series A SRF Bonds.

Housing Finance Agency (HFA)





INDUSTRIAL COMMISSION

Jack Dairymple Governor

Wayne Stenehjem Attorney General
Doug Goehring Agriculture Commissioner

SB 2014
North Dakota Housing Finance Agency
Division of the State Industrial Commission
Budget No. 473.0
Testimony of Michael Anderson, Executive Director
House Appropriations Committee

January 21, 2013

Chairman Holmberg and members of the Senate Appropriations Committee:

My name is Mike Anderson. I am executive director of the North Dakota Housing Finance Agency (Agency). Section 1, subdivision 5 of SB2014 is the 2013-15 budget proposal for the Agency and will be provided solely through special funds. The \$40,862,039 Executive Recommendation after adjusting for one-time funded items from the previous biennium budget represents a 6% increase from the 2011-2013 biennium budget.

Before discussing details of our proposed budget, just a brief update on estimated spending relative to the current biennium budget. The Agency's operating expenses excluding salaries for the current biennium is anticipated at \$3.8 million and compares to \$5.1 million budgeted or 25% below budget. While there are variances among all line items, the majority of this variance is in the Operating Fees and Services line item – in particular Servicing Release Premium and Loan Loss Reserves will be significantly less due to fewer loans being purchased than anticipated.

Anticipated grant expenditures will essentially be the amount budgeted within a few dollars. Of the total \$33.8 million, all but \$3.6 million is from federal grant programs, mostly under HUD Section 8 rental assistance programs. The \$3.6 million includes Agency sponsored grants and the Law Enforcement Pilot Program (LEPP). Of the \$33.8 million, \$8 million is one-time funding items under federal stimulus, NSP, and Mortgage Servicing Settlement proceeds (LEPP).

Funding of the Agency's programs is derived primarily from revenue bonds, federal funds, or Agency and bond indenture assets. The aggregate amount of bonds issued to date is \$3.2 billion. The assets, liabilities and revenues resulting from bond issues of the Agency are not appropriated as they are not public funds. They are held in trust by our bond trustees. As of December 31, 2012, the assets of these various bond funds totaled \$1.043 billion and liabilities totaled \$912 million – unaudited numbers. The Agency's costs of administering these bond financed programs are accrued on a monthly basis and drawn from the trust indentures.

The Agency's FirstHome loan program, which is mostly funded from the proceeds of these bond issues, has now funded 37,366 loans totaling \$2.6 billion since its inception. These loans are originated and sold to the Agency by participating private lenders who process and underwrite the loans to Agency standards. Approximately 83% of the loans we purchase are serviced in-house. The other 17% are serviced by Gate City Bank.

During 2012, the Agency purchased 1,049 loans totaling \$133 million of principal purchased which is approximately 70% of the 10 year annual average. Seventy percent of these loans also received down payment assistance of which 90% was funded by the Agency using bond proceeds. Under the ND Roots program we have also purchased, history to date, 291 loans totaling just \$39 million. Currently, the Agency's single family loan portfolio stands at 10,247 loans with an outstanding principal balance of \$840 million. The Agency services in-house 83% of these loans.

The Agency's Planning and Housing Development division administers our multifamily (MF) development programs and Agency-funded initiatives targeted to housing rehab and technical assistance for rural communities. I will mention two of these programs in my testimony today. The first is the federal Low Income Tax Credit (LIHTC) Program. These tax credits are an incentive for investment in affordable housing for lower-income tenants. The tax credits generate equity for the project developer. Through a competitive application process, the Agency allocates the annual credit authority to project applicants and monitors the construction project through the project being place into service. History to date, these tax credits have provided equity for the new construction or rehabilitation of 258 projects

containing 6,256 units and resulting in a total private investment of more than \$500 million in affordable rental housing in North Dakota. The amount of tax credits available for allocation in 2013 is \$2,590,000.

The Housing Incentive Fund (HIF) is also administered in this division. HIF was approved during the last legislative session and amended during the special session to provide \$15 million for the development of mixed-income rental housing with a primary target of oil and disaster impacted counties. The \$15 million was approved in the form of state tax credits in exchange for taxpayer contributions into the HIF fund. Thus, the administration of the program involved not only the development of an allocation plan, soliciting for and approving funding to eligible projects, but also carrying out a fundraising campaign to encourage taxpayer contributions. Although it came down to the wire, we were able to raise the entire \$15 million which was in turn allocated to 26 projects producing 739 units and is resulting in a total capital investment of \$105 million in affordable rental housing.

HB1029 is proposing the reauthorization of HIF and is requesting another \$20 million in tax credits. In addition, the Governor is requesting in Section 11 of this SB2014 a \$30 million transfer from the general fund to HIF. This aggregate amount of \$50 million for the program is based on the household growth projections contained in the Statewide Housing Needs Assessment, as well as the growing needs for affordable housing outside oil impacted areas.

SB2014 also contains an emergency clause, Section 16, that applies to Section 11 among others. This is important so that the program can begin approving eligible projects as soon as possible to take advantage of this year's construction season. Without the emergency clause, we likely would not be able to approve new projects until early fall.

The Property Management Division performs the compliance monitoring responsibilities of the Agency. This includes the HUD Section 8 contracts we administer on behalf of HUD, LIHTC projects, and will include HIF projects as they are placed into service. The HUD contract administration is the largest appropriated funds activity of the Agency. Total grants disbursement for rental assistance is projected at \$26,515,800, assisting 3,417 units in 136

projects. Compliance monitoring is also performed on 159 LIHTC properties containing 4,799 units across the state.

One last item before I discuss the proposed biennium budget, attached to my testimony are several graphs speaking to the current financial status of the Agency.

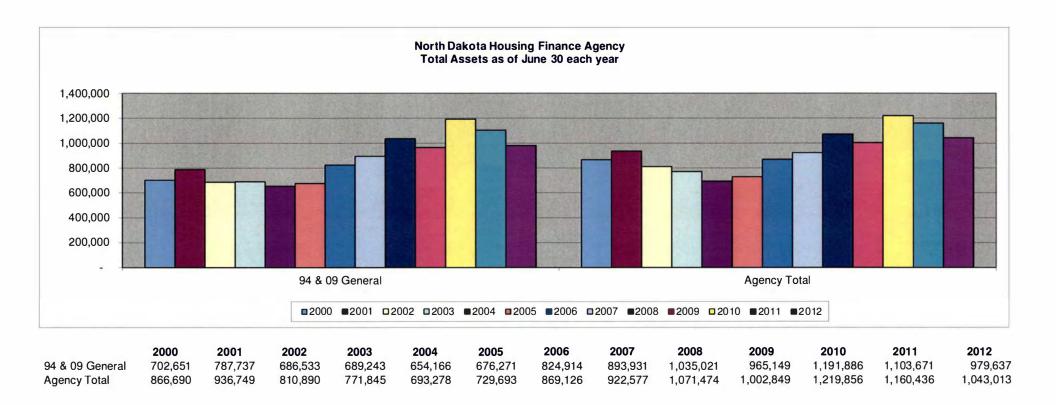
The 2013-2015 budget, as previously noted, is proposed at \$40.8 million. There are two notable variances from our current budget. We are proposing operating expenses of \$3.7 million or a 26% reduction from the current budget. As with our experience with the current budget, we are anticipating fewer loans being purchased than is traditional and the commensurate reduced Operating Fees and Service line item is a reflection of this. The other variance is a 10% increase in our HUD Section 8 Grant budgets.

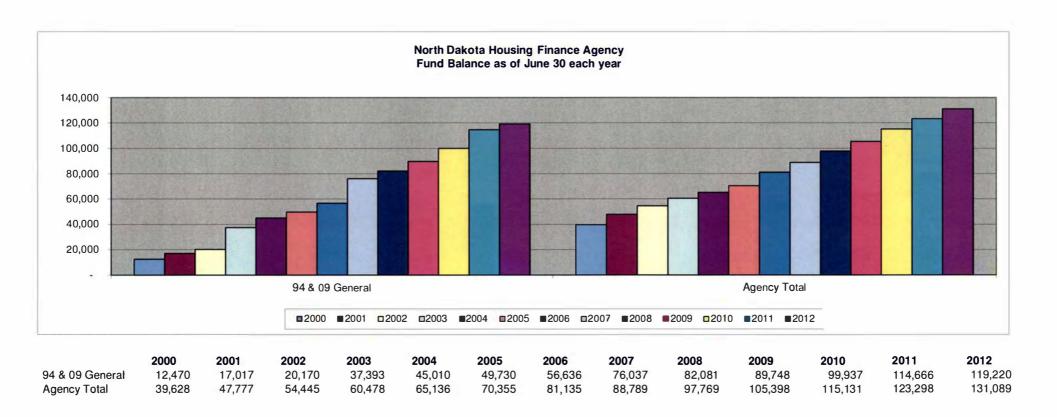
There are no one-time spending items in the proposed budget and there is no request for additional FTE authority which currently stands at 46.

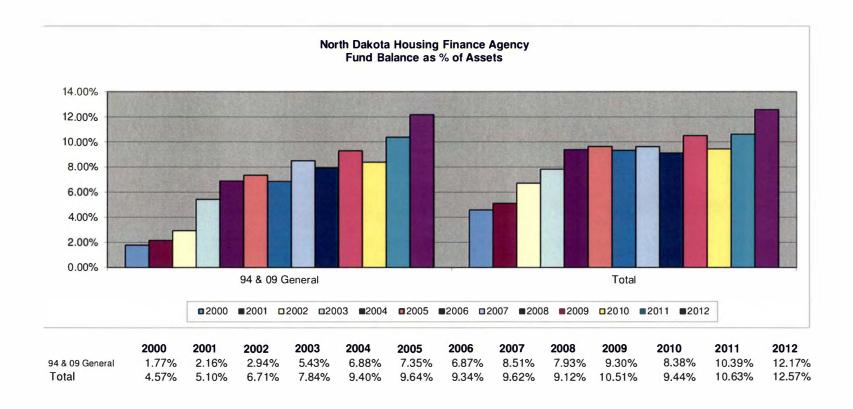
The 2011-2013 biennium budget, as with past budgets, includes a provision which appropriates any additional or unanticipated funds that may become available to the Agency during the biennium (see Section 4). Previously, we have relied on this provision to apply for federal funds for new programs that became available following the Legislative Session. Continuing this provision during the upcoming biennium will provide the Agency with the flexibility to react to new housing challenges and the resources necessary to meet those challenges as both arise.

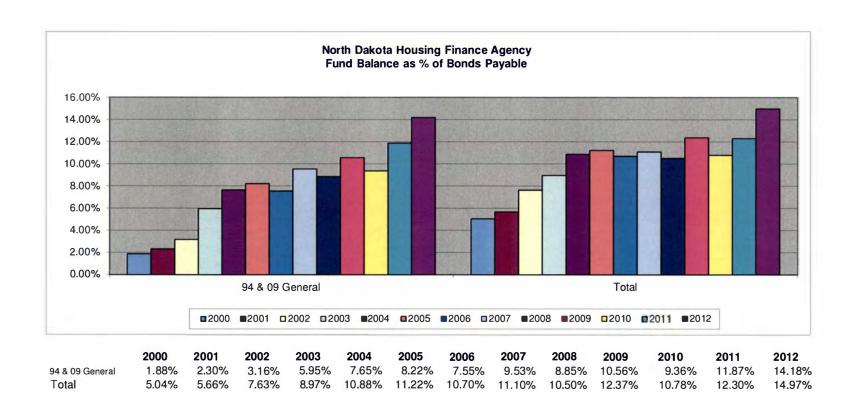
The Agency's programs and operations are administered under close scrutiny of a six-member Advisory Board, comprised of housing industry representatives appointed by the Industrial Commission. They meet monthly and make program recommendations to the Industrial Commission. To date, we've operated solely on the revenues generated from the administration of our various programs in a manner similar to a for-profit business in order to produce net revenues and to fund the credit collateral requirements of our financing programs.

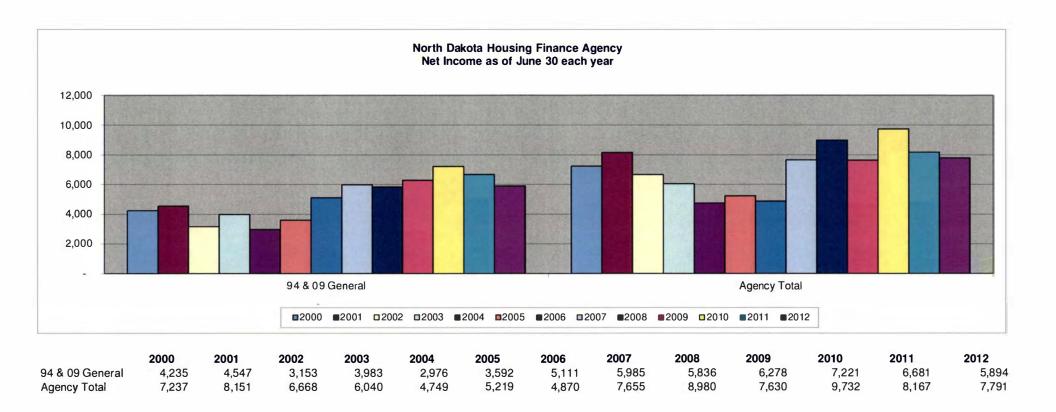
North Dakota Housing's financial reserves have always been utilized to provide these credit enhancements for our bond issuance activities. We intend to continue to put our financial assets to work in developing and expanding housing programs to meet North Dakota's housing challenges through direct funding and leveraging. However, this must be accomplished in a prudent manner that will ensure preservation of our current bond indenture and issuer ratings from Moody's and our positive status with the capital markets.

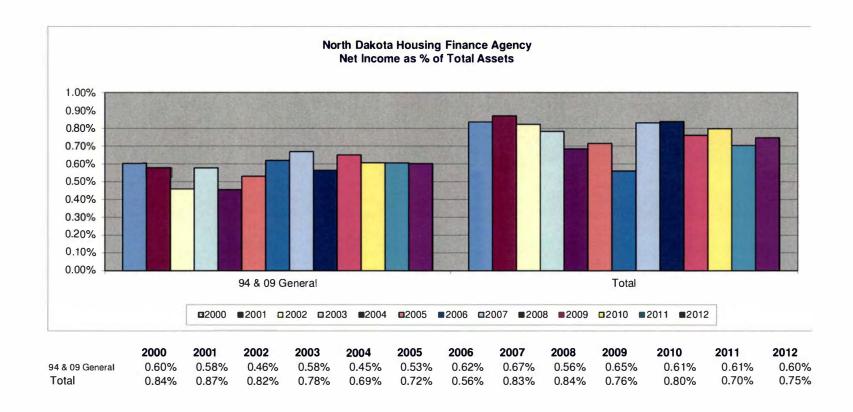


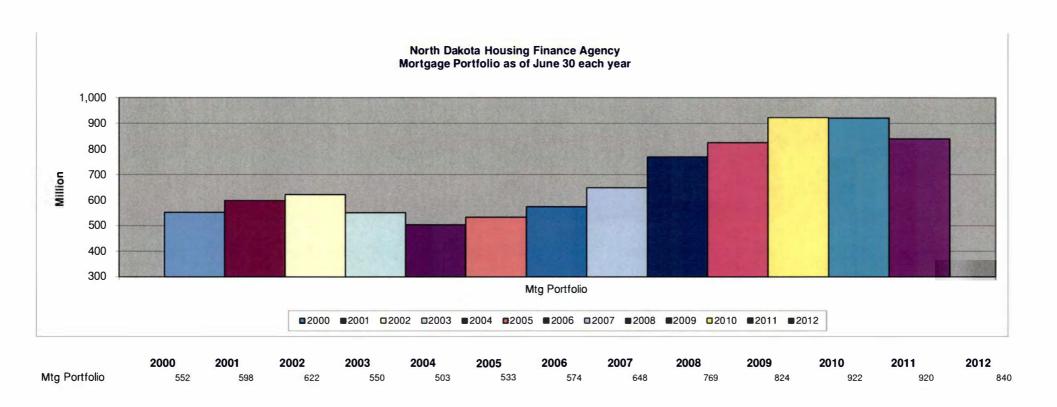


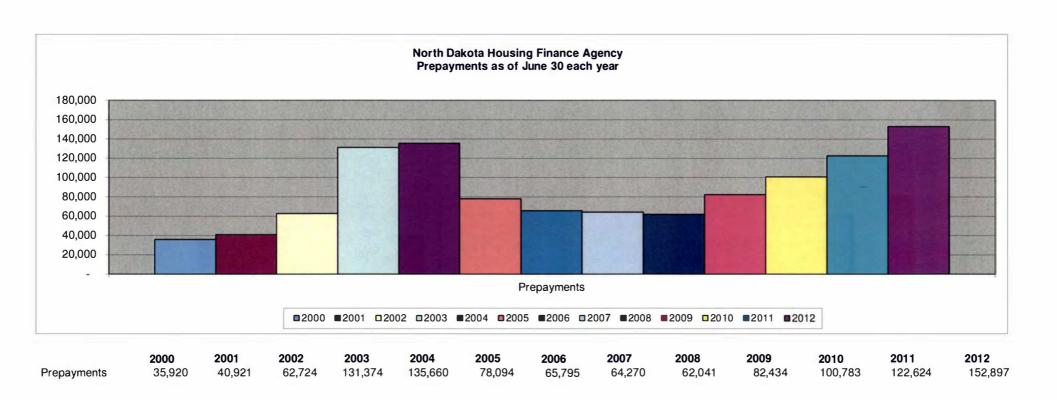


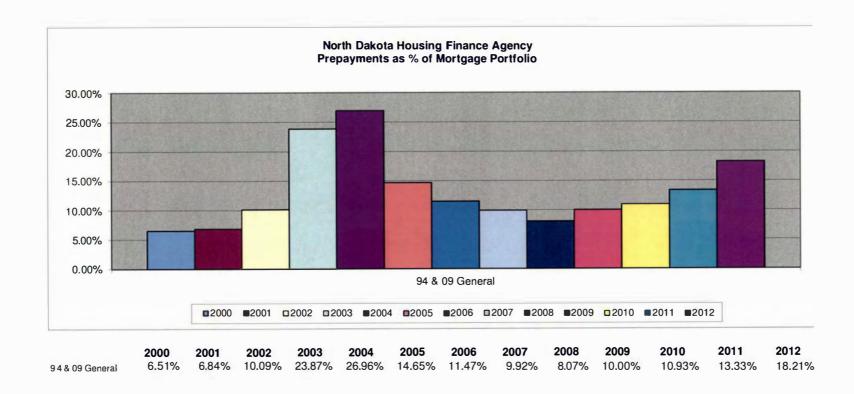




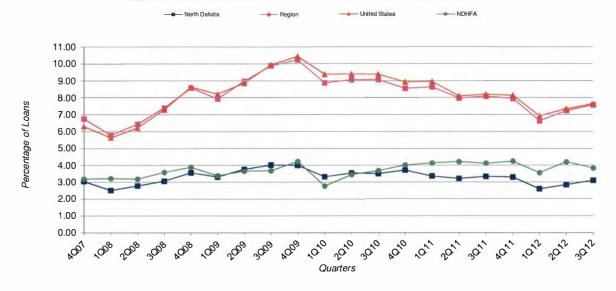




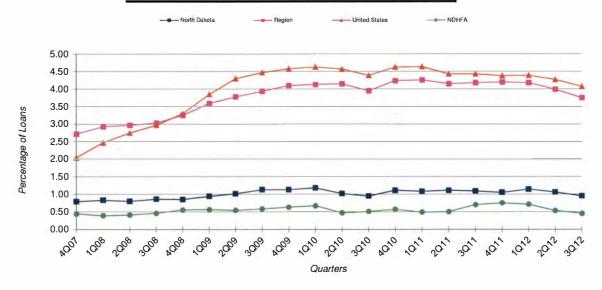




Delinquency - All Loans - NDHFA Serviced



Foreclosure - All Loans - NDHFA Serviced



Testimony of

Economic Development Association of North Dakota

SB 2014

January 21, 2013

Chairman Holmberg and members of the committee, my name is Cal Klewin. I am representing the Economic Development Association of North Dakota (EDND).

EDND is the voice of the state's economic development community and provides networking for its 80 members, which include development organizations, communities, businesses and state agencies. Our mission is to increase economic opportunities for residents of the state by supporting primary sector growth, professionalism among economic development practitioners and cooperation among development organizations.

It is apparent many North Dakota communities face a severe housing shortage, and an aging housing inventory in most regions.

As referenced in EDND's Legislative Agenda, EDND recognizes that availability of housing, particularly affordable housing, is a fundamental element that provides North Dakota communities the ability to foster economic development and grow their communities. Our members support an increased appropriation to the Housing Incentive Fund.

An appropriation to the fund would ensure that projects could begin more quickly and take advantage of the upcoming construction season.

Thank you. I would be happy to answer your questions.

Bank of North Dakota (BND)

TESTIMONY TO THE SENATE APPROPRIATIONS COMMITTEE

JANUARY 21, 2013

SENATE BILL 2014

ERIC HARDMEYER - PRESIDENT & CEO BANK OF NORTH DAKOTA

The Bank of North Dakota (BND) is the only state-owned bank in the nation. Its mission, established by legislative action in 1919, is to encourage and promote agriculture, commerce and industry in North Dakota. In this role, BND acts as a funding resource in partnership with other financial institutions, economic development groups and guaranty agencies. BND also acts as a secondary market for residential loans for ND banks that choose not to hold their residential loans. BND provides cash management services to other state agencies and North Dakota financial institutions. We provide check clearing services and liquidity programs for over 100 ND financial institutions.

12-31 Year-End BND Financial Highlights (millions)

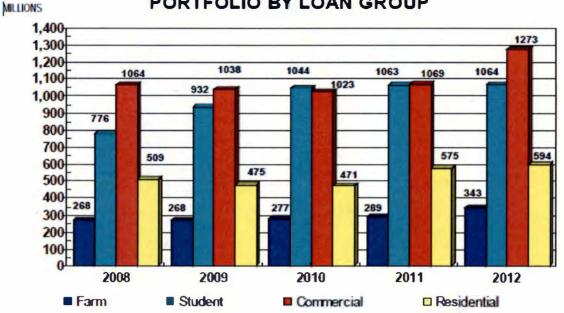
Assets Loans Deposits	2009 \$3,960 \$2,714 \$2,939	2010 \$4,030 \$2,815 \$3,058	2011 \$5,375 \$2,995 \$4,179	Unaudited 2012 \$6,155 \$3,280 \$5,003	Projected 2013 \$7,135 \$3,535 \$5,743
Capital	\$ 272	\$ 327	\$ 400	\$ 463	\$ 547
C/A Ratio	7.19%	7.96%	7.70%	7.60%	7.61%
Income	\$58.1	\$61.9	\$70.3	\$81.8	\$86.5
Transfer	\$30.0	\$ 5.0	\$ 2.8	\$29.0	\$15.0*
% transfer	25.8%	8.1%	4.0%	35.5%	17.3%
ROE	22.8%	20.8%	19.3%	19.2%	17.3%

Assets have grown 55% since year-end 2009. This growth generally can be attributed to the overall strength of North Dakota's economy. As tax and fee incomes grow, they are deposited at BND. Those deposits are then deployed into various asset types: loans, investments, or short term securities.

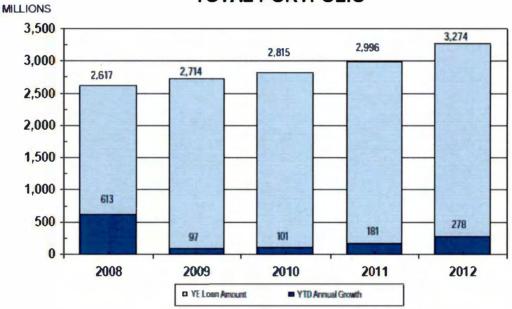
Total loan volume has increased each year with over a 20% increase in net loans since 2009. The \$3.2 billion loan portfolio is diversified and breaks into four main categories as shown below.

^{*}projected portion of buy-down transferred to programs

PORTFOLIO BY LOAN GROUP



TOTAL PORTFOLIO



The Bank of North Dakota is adequately capitalized with equity of \$463 million or 7.61% of average assets. According to Federal Reserve regulations, to qualify as "Well-capitalized", a financial institution must have at least 5% capital. A nation-wide average for banks of similar size is 9.89%, while the North Dakota average for all banks is 9.13%. Our internal goal has been to have equity of 8%.

For the past five years much of the country has been entrenched in a financial crisis that has brought increased attention to the financial industry. This, of course has resulted in significant scrutiny and regulatory change. While BND has performed well throughout this crisis, a result of the crisis has been to increase regulatory required capital levels. While BND is not federally regulated, we are, however, examined by state regulators and hold an independent rating from Standards & Poor's of AA-.

Earnings have been strong with BND achieving record profits the last nine years. For 2012, we had budgeted earnings to be \$75 million; however, as a result of a growing deposit base and stable loan demand, earnings were approximately \$82 million. For the 2013-15 biennium, total BND earnings will be approximately \$170 million.

The return on equity ratio, which averages 20.53% for the last four years, represents the state's return on its investment in the Bank

Student Loans

As many of you know, effective July 1, 2010 the Federal Family Education Loan (FFEL) program was eliminated and now is delivered by the US Department of Education through the Direct Loan program. The FFEL program has been the hallmark of the Bank of North Dakota's student loan program for over 40 years with a total student loan portfolio just recently surpassing \$1 billion.

Additionally, we continue to provide the Dakota Education Alternative Loan (DEAL) Program. This is a Bank of North Dakota program that is designed to fill in gaps around the federal student loan program. As detailed in the graphs provided, this program has experienced significant growth for BND and we believe that trend will continue.

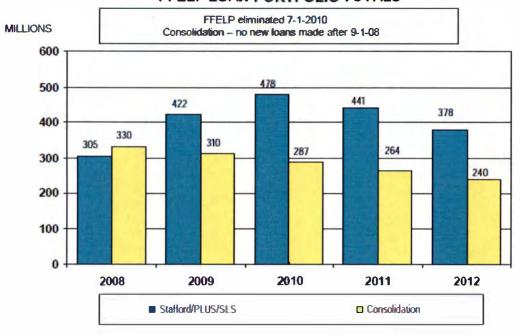
In 2010, we were designated by Governor Hoeven (continued under Governor Dalrymple) as the agency to receive the College Access Grant. This grant provides funding for education and outreach for low to moderate income areas.

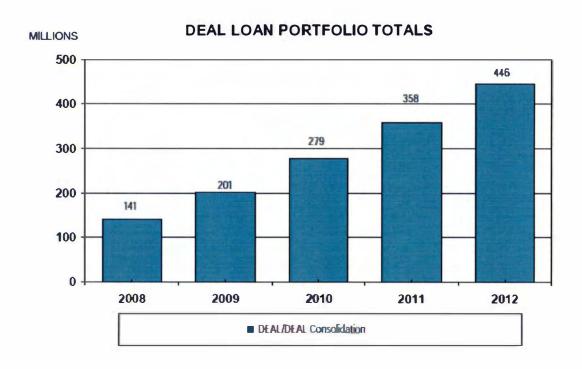
Additionally, in 2011, BND became eligible to service Direct Student loans on behalf of the Federal Government. The Department of Education (DOE) has opened up contracts to non-profit state agencies to service up to 100,000 accounts. BND elected not to directly service loans for the DOE, but rather contracted our allocation to another non-profit, Missouri Higher Education Loan Authority (MOHELA). For this, BND has received a \$1.65 million fee and an annual on-going fee of \$270,000. Through SB 2096 we are seeking authority to spend the fee on activities that further the work of the College Planning Center.

Housed within BND is the College Planning Center. Activities include the coordination of the College Access Grant, administration of the College Save Program (529 Plan), and acts as the state coordinator for the Dollars for Scholars program. We also do extensive work with educational and financial outreach to all areas of the state.

We will continue to seek new ways to engage the College Planning Center to further our educational mission.

FFELP LOAN PORTFOLIO TOTALS





BANK OF NORTH DAKOTA SENATE BILL 2014, SECTION 1 OPERATIONS

As you know, BND is a special fund agency, consequently; all appropriated expenses are funded by revenues generated through operations. Profits are available to increase capital or make transfers to the General Fund or other state programs. Our goal as we put this budget together was to provide a hold-even budget in line with the Governor's recommendation. Outside of the increase in expenditures associated with the MOHELA contract, we have achieved that goal.

The Bank of North Dakota's 2013-15 proposed operations budget is comprised of two major line items: operations and capital assets. Included in the operations line item are salaries & benefits, operating expense, and contingency.

MAJOR LINE ITEM EXPENSE CATEGORIES:

OPERATIONS

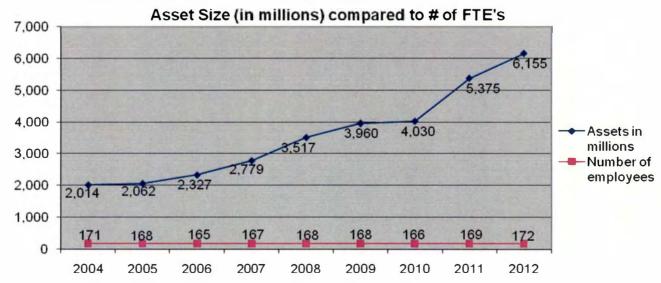
Budget 2013-2015	\$51,707,928	Appropriation
Budget 2011-2013	\$ <u>45,587,155</u>	Base level
	\$ 6,120,773	Enhancement

SALARIES AND BENEFITS

Budget 2013-2015	\$27,592,807	Appropriation
Budget 2011-2013	\$25,716,399	Base level
-	\$ 1,876,408	Enhancement

The salaries and wages line item increase represents the salary increases as proposed in the Governor's budget. This also reflects the increase in medical insurance and other benefits as proposed in the Governor's executive budget.

Bank of North Dakota's total assets have grown from just over \$2.0 billion in 2004 to nearly \$6.2 billion for 2012, more than tripling our asset size over the past 8 years. This outstanding growth has been managed with essentially the same number of employees in 2012 as in 2004 as represented in the graph below:



Our efficient use of staff resources has enabled us to grow the bank substantially while maintaining the number of employees, and our business practice includes a diligent requisition process to evaluate every vacancy that occurs. We have gained efficiencies in some areas of the Bank by the implementation of computer processes or streamlining efforts, and have been able to deploy affected employees to other areas of need. This practice has served us well and has allowed us to become an efficient business partner. We have a proven track record of efficiently and effectively managing our staffing level and our request for 3 additional FTE's is included in the Governor's budget proposal so that we are able to continue to do so.

BND currently holds 4 vacant FTE's with plans to fill them in the following capacities:

- Compliance Officer Risk Management
- Collection Officer (2 positions) Student Loans
- Loan Officer or Loan Assistant Lending

The 3 additional FTE's that were included in the Governor's budget continue to be reevaluated so that needs are justified and filled in the order that is most impactful and necessary for BND. Although the timing in which we need to utilize the specific FTE's has changed, we are still in great need of these additional positions and our plans to fill them are noted below:

- Lending (+1 FTE) Since 2004, our lending portfolio has more than doubled primarily driven by the commercial and student loan areas. In addition to this growth, we are currently piloting a mortgage loan origination program which also adds to our overall loan portfolio. For these reasons, we believe that we will need to add at least 1 FTE to effectively manage not only these but our agriculture loan portfolio as well.
- Accounting (+1 FTE) Many changes have occurred in the regulatory
 environment related to financial institutions, some of which have not been fully
 integrated yet. The effects of Dodd Frank and BASEL III and also a review of our
 internal control environment related to SOX 404 indicate the need for additional
 staff in this area. The complexity of a financial institution of our size continues to
 expand requiring a senior level accountant so that our financial information is
 being accounted for and reported appropriately.
- Technology and Operations (+1 FTE) At the end of 2011, BND established a
 project management office (PMO) to provide guidance and expertise to a large
 number of projects at our institution. This has helped us manage our work
 projects much more effectively and has also brought forward the opportunity for
 continued process improvement and enhancement. In order to continue the
 progress that has been made, we plan to add 1 FTE to this area.

All of these areas point to our need for flexibility in managing staffing levels and we appreciate the Governor's recognition of BND's efforts and support of the State of North Dakota.

OPERATING EXPENSES

Budget 2013-2015 Budget 2011-2013 \$19,870,765 Appropriation \$16,670,756 Base level \$ 3,200,009 Enhancement

Operating expenses include items like data processing, training and development, supplies, postage, etc. The major increase, nearly \$1,900,000, is the authorization to spend the MOHELA monies, which was described on page three.

A key industry benchmark for gauging the efficiency of a financial institution is the efficiency ratio. This measures non-interest expense as percentage of income. Anything below 50% is considered to be excellent. BND is operating with a 20.66% efficiency ratio, which is nearly three times better the industry average of 56.14%.

CONTINGENCY

Budget 2013-2015 \$ 3,244,356 Appropriation Budget 2011-2013 \$ 3,200,000 Base level \$ 44,356 Enhancement

Of the funds requested for contingency, \$1,000,000 is earmarked for compliance testing, hedge consulting and marketing costs. The financial industry is going through dramatic changes with information security requirements, compliance and regulatory needs, etc. Since we are dealing with a two year budgetary window it is important that BND has a significant amount in contingency to deal with unforeseen events.

CAPITAL ASSETS

Budget 2013-2015 \$ 745,000 Appropriation Budget 2011-2013 \$ 1,266,000 Base level \$ (521,000) Enhancement

Moneys appropriated for capital assets consist of funds for replacement servers for core banking system, software upgrades, and hardware replacement.

BANK OF NORTH DAKOTA SENATE BILL 2014, SECTION 1 ECONOMIC DEVELOPMENT

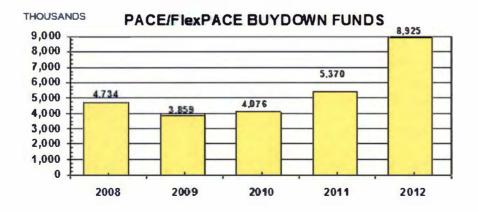
PACE FUND

Budget 2013-2015 Budget 2011-2013 \$ 0 Appropriation 9,400,000 Base level \$ (9,400,000) Enhancement

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. In 2005, the PACE program was expanded to include a special limited provision called Flex PACE. This special program allows local communities to set their own standards for use of the program including business retention or essential services. In the 2009-11 biennium, \$6 million of PACE funding was earmarked for Flex PACE.

The PACE Fund began in 1991. Money provided to the PACE Fund by biennium is 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	6,000,000
2003-2005	5,700,000
2005-2007	5,700,000
2007-2009	8,000,000
2009-2011	8,000,000
2011-2013	6,000,000
2013-2015	28,000,000
Total	\$92,900,000



A total of 15 PACE loans and 69 Flex PACE loans were funded in 2012 in comparison to 10 and 67 respectively for 2011.

2011-2013 Biennium Buy-down Fund

Total Available Appropriated Funds	\$12,876,667
PACE Buy-down Funds - Funded/Committed Loans	\$ 3,339,711
Flex PACE Buy-down Funds - Funded/Committed Loans	\$ 8,031,963
Remaining Buy-down Funds	\$ 1,504,993

BEGINNING FARMER REVOLVING LOAN FUND

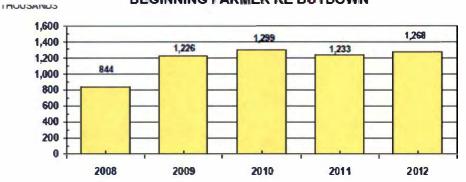
Budget 2013-2015	\$	0 Appropriation
Budget 2011-2013	1,4	00,000 Base level
	\$(1,4	00,000) Enhancement

Durig the 2005-07 biennium, buydown funds for the Beginning Farmer Program were taken directly from the Beginning Farmer Revolving Loan Fund; consequently, no general fund appropriation has been needed or requested. BND has determined that the Beginning Farmer Revolving Loan (BFRL) Fund will now need to be funded through a general fund appropriation as it was from 1991 to 2005.

General Fund/Bank of North Dakota 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	1,000,000
2003-2005	950,000
2005-2007	0
2007-2009	0
2009-2011	0
2011-2013	1,400,000
2013-2015	6,000,000 Proposed
Total	\$14,221,500

BEGINNING FARMER RE BUYDOWN

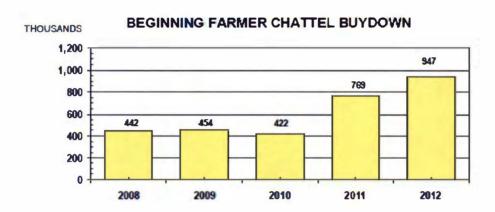


A total of 64 Beginning Farmer Real Estate Loans were funded in 2012 in comparison to 70 in 2011. The large increase in loan amounts in the past three years is a result of the increase in loan limits and due to higher land values.

2011-2011 Biennium Beginning Farmer Buy-down Fund

Total Available Cash Balance	\$5,956,229*
Buy-down - Funded/RE Committed Loans	2,490,459
Buy-down - Funded/Chattel Committed Loans	1,239,175
	\$2,226,595

^{*}As stated in statute the entire cash balance in the Beginning Farmer Revolving Fund is available for buy-down purposes.



The program's inception date was July 1, 2001. A total of 99 Beginning Farmer Chattel Loans were funded in 2012 compared to 91 in 2011.

AG PACE FUND

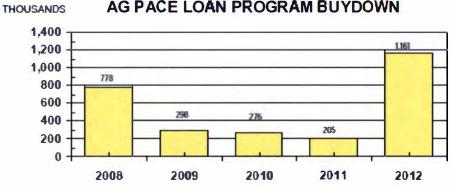
Budget 2013-2015 \$ 0 Appropriation
Budget 2009-2011 \$ 1,000,000 Base level
\$ (1,000,000) Enhancement

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 is 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	1,500,000
2003-2005	1,425,000
2005-2007	0
2007-2009	1,400,000
2009-2011	1,400,000
2011-2013	1,000,000
2013-2015	1,000,000 Proposed
Total	\$11,398,100

AG PACE LOAN PROGRAM BUYDOWN



A total of 69 Ag PACE loans were funded in 2012 compared to 12 in 2011. The majority of the loans funded in 2012 were for field tiling projects.

2011-2013 Biennium Buy-down Fund

Total Available Appropriated Funds	\$1,878,481
Buy-down Funds - Funded/Committed Loans	\$1,335,968
Remaining Buy-down Funds	\$ 542,513

BIO-FUELS PACE FUND

Budget 2013-2015	\$ 0	Appropriation
Budget 2011-2013	1,000,000	Base level
_	\$(1,000,000)	Enhancement

2011-2013 Biennium Buy-down Fund

Total Available Appropriated Funds \$1,238,496
Buy-down Funds - Funded/Committed Loans \$923,683
Remaining Buy-down Funds \$314,813

There were 7 loans funded during 2012 for the expansion of livestock operations and no loans are currently pending.

On February 14, 2012, \$5 million was transferred into the Flex PACE program from the funds as follows: \$3 million from Beginning Farmer Revolving Loan Fund, \$1 million from the Ag PACE fund and \$1 million from the Biofuels PACE Fund. On September 30, 2012 \$1 million was transferred from the Beginning Farmer Revolving Loan Fund to the Ag PACE Fund.

SENATE BILL 2014, SECTION 6 Transfer to the Industrial Commission

BND provides funding to the Industrial Commission each biennium for its operations including administrative and clerical costs.

SENATE BILL 2014, SECTIONS 7-10 Appropriation Transfer

These sections allow the Bank of North Dakota to transfer from its undivided profits up to or so much of the sum for: \$28 million for PACE/Flex PACE, \$2 million for Ag PACE, \$2 million for Biofuels PACE, and \$6 million for Beginning Farmer Revolving Loan Funds. Of the total \$38 million appropriated we have accounted for \$15 million in 2013 in our transfers listed on the front page of this testimony.

£

Bank of North Dakota Biennium Appropriation Report - July 1, 2011 - June 30, 2013 Eighteen months ended December 31, 2012

Line Item	Total Appropriation	Monthly Approp.	Current Months Expenditures	(Over) Under Budget	Previous Expenditures	Biennium To-Date Expenditures	Previous Available Budget to-date	Total Available To-Date	(Over) Under Budget
Salaries and benefits		1 092 126	1 110 207	(26 191)	17,018,466	18,136,773	18,141,526	19,223,652	
Salaries and benefits	25,716,399	1,082,126	1,118,307	(36,181)	17,010,400	10,130,773	16,141,520	19,223,032	1,086,87
Operating Expenses	16,670,756	711,557	761,623	(50,066)	11,187,902	11,949,525	11,689,861	12,401,418	451,89
Capital Assets	1,266,000	52,750	0	52,750	123,690	123,690	896,750	949,500	825,81
Contingency	3,200,000	0	0	0	608,110	608,110	608,110	608,110	
	46,853,155	1,846,433	1,879,930	(33,497)	28,938,168	30,818,098	31,336,247	33,182,680	2,364,58

Salaries - 1st Year		1,060,908	12,730,891
- 2nd Year	2% Increase	1,082,126	12,985,508
Operating - 1st Year		677,673	8,132,076
- 2nd Year	5% Increase	711,557	8,538,680



1 - June 30, 2013

Biennium	Previous	Total	(Over)	
To-Date	Available	Available	Under	Balance
Expenditures	Budget to-date	To-Date	Budget	Unexpended
18,136,773	18,141,526	19,223,652	1,086,879	7,579,626
11,949,525	11,689,861	12,401,418	451,893	4,721,231
123,690	896,750	949,500	825,810	1,142,310
608,110	608,110	608,110	0	2,591,890
30,818,098	31,336,247	33,182,680	2,364,582	16,035,057

State Mill



Senate Appropriations Committee

Senate Bill No. 2014 Budget No. 475 North Dakota Mill & Elevator Association January 21, 2013

Mr. Chairman and Senators:

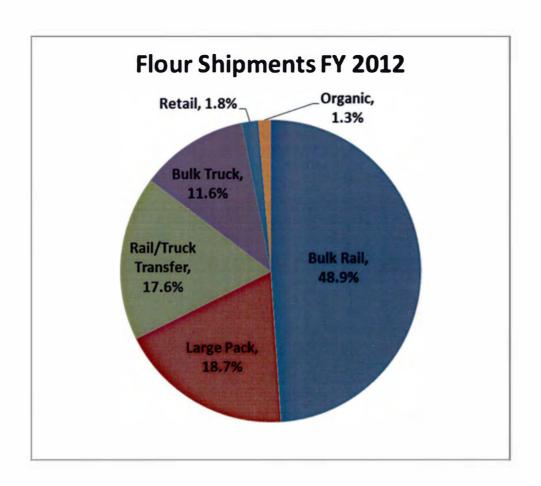
I am Vance Taylor, President and General Manager of the North Dakota Mill and Elevator. With me today is Ed Barchenger, our Controller and Finance Manager.

The North Dakota Mill and Elevator Association, located in Grand Forks, is presently the largest single site wheat flour mill and the 10^{th} largest wheat milling company in the United States with sales of over \$300 million per year.

Our milling complex includes 7 milling units with the capacity to produce 3,700,000 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 over 80,000 bu. of top quality North Dakota spring wheat and durum per day, adding value to approximately 24,000,000 bu. per year. All facilities are located in Grand Forks.

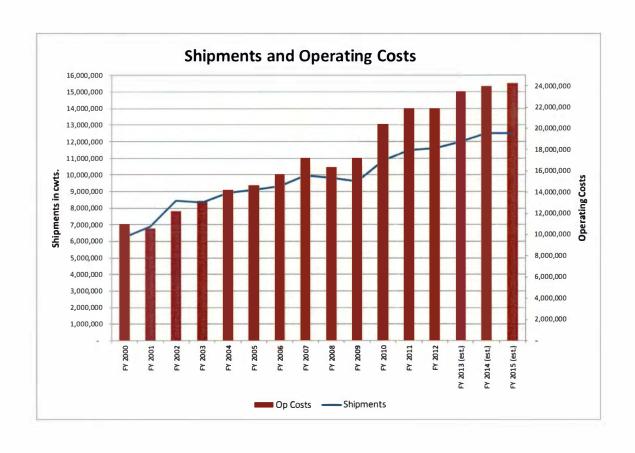
The Mill normally operates 24 hours per day, 5 to 7 days per week. Our total current staffing is 131 full time employees.

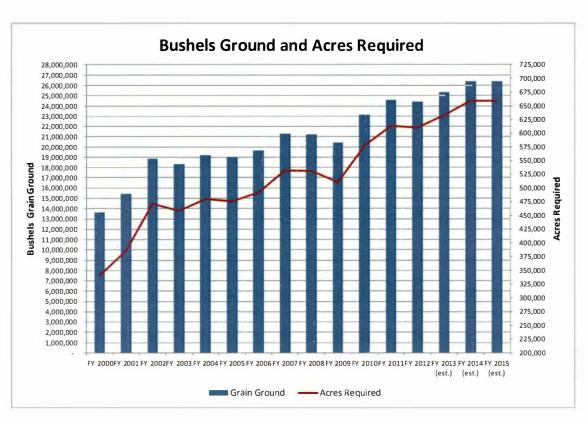
Our milling units process about 90% spring wheat and 10% durum. Approximately 80% of our products are shipped in bulk trucks or railcars and 20% is shipped in bags or totes. The Mill produces conventional and organic products. At present organic products make up about 1% of our total shipments.



Business Growth

Our Renovation and Expansion Project was completed during fiscal year 2002, at a cost of \$19.5 million. This project provided for various upgrades resulting in a production capacity increase of 4,000 cwts. per day and an increase in average milling yields. In fiscal year 2005 we replaced our whole-wheat mill with a larger, more automated milling unit. During fiscal year 2007 the K Mill was expanded and a new C Mill was completed further increasing spring wheat milling capacity and yields. In fiscal year 2009 our new E Mill was completed adding 1000 cwts. per day of spring wheat capacity and in fiscal year 2010 the D Mill was expanded adding 1000 cwts. per day of durum capacity. In fiscal year 2012 a further expansion of the K Mill increased the daily capacity of the milling complex to 3.7 million pounds of flour a day. Our need to expand has been driven by increasing demand from our current customers as well as the addition of several new customers. The completion of these major projects has been vitally important for the North Dakota Mill to continue to compete effectively and provide a more significant economic impact to the State.





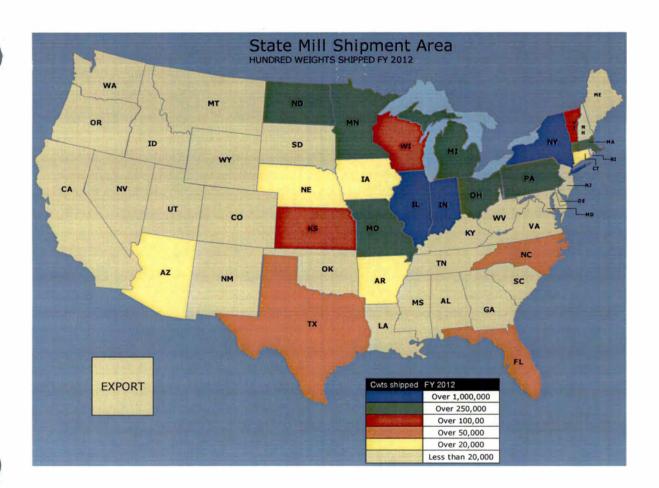
Markets and Competition

Our bulk and large package shipping area is diverse but more concentrated in the Ohio River Valley and on the East Coast. We also export product to the Caribbean Islands, and the Pacific Rim. 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 Horizon Milling, ADM, ConAgra, General Mills and others. The outstanding quality of our products is verified by our ISO 22000-PAS 220 certification.

Going forward, we intend to continue to maximize production volume; increase the percentage of bagged products sold; 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 product quality and customer service in the market place.



Economic Impact

A North Dakota State University study stated that for every dollar in direct economic activity from wheat processing, another \$2.32 was generated in secondary economic activity. During Fiscal Year 2012, the Mill generated \$252,878,000 in direct economic activity resulting in an additional \$586,677,000 in secondary economic activity. This results in a total economic impact to the region of more than \$839,555,000 during the last fiscal year.

Strategic Plan 2013

Working with the UND Office of Work Force Development, the State Mill management team has developed the following strategic objectives for fiscal year 2013:

- Promote and Support ND Agriculture, Commerce and Industry
- Identify and Respond to Emerging Issues in the Flour Milling Industry
- Increase Profitability
- Grow our Customer Base
- Invest in our Employees

Budget Request

All operating funds are generated internally at the Mill. 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 \$52,255,124. This is a \$5,183,247 increase over the last biennium budget. This increase represents increases in both wages and benefits and other operating expenses. Included in this increase are four (4) new FTE's for the mill.

The four (4) positions we are requesting for the next biennium include two additional employees for the plant – a car checker and a second shift supervisor; and two in the office – a sales staff position and an information systems analyst position.

- > One railcar checker position in order to ensure on adequate number of railcars are cleaned and available to keep up with the increased production and sales.
- One Second Shift Supervisor position. The increasing amount of work occurring in all production departments on the second and third shifts requires additional supervision to insure product quality and efficiency.
- ➤ One Sales Representative to promote continued sales growth. Currently we have three Sales Representatives and a Sales Manager producing more than \$300 million in total sales (FY 2012). The addition of one Sales Representative will allow our sales staff to efficiently increase sales to current customers and contact potential new customers.
- One information analyst position to meet the increasing workload in our Information Technology Department, due to increased production and sales.

The proposed budget includes a wages and benefits increase of \$3,831,116 or 14.7% over the current budget. That amount includes the funding of the four new FTE positions. In the first year of the current biennium, the Mill spent \$11,455,364 on wages and benefits. The Mill is in the fourth year of a five-year contract with the Local Union No. 167G, Unit 135 of the Bakery, Confectionery, Tobacco Workers and Grain Millers International. This contract expires June 30, 2014. The Union represents approximately 65% of the employees at the Mill.

The proposed budget includes an increase in the operating expenses of \$1,352,131 or 6.6%. Utilities expense increased \$645,400 over the current budget. In the first year of the current biennium, the Mill spent \$2,881,715 on utilities. The largest portion of our utility bill is the electrical expense. The Western Area Power Administration (WAPA) supplies a significant portion of our electrical power. We budgeted part of the electrical expense increase based on the historical increases received from WAPA. The remaining portion of our electrical power comes from Nodak Electric.

Repairs expense increased \$321,336 over the current budget. In the first year of the current biennium, the mill spent \$2,458,225 on repairs. Increases in the number of rail cars leased and as the milling equipment purchased in fiscal year 2001 begins to get older higher maintenance costs will drive this expense higher.

Insurance expense increased by \$154,000. In the first year of the current biennium, the mill spent \$806,075 on insurance. In addition to insurance rates increasing, the high wheat prices have driven up our grain and flour inventory values. In addition, as we have increased cwts. of production and sales, we have increased the volume of flour inventory carried. This has resulted in an increased cost for insurance for these higher inventory values.

Four items, wages and benefits, utility expense, repair expense, and insurance expense reflect the increase of \$4,951,852 in our requested appropriations. A large share of these expenses is driven by the volume of production and sales at the Mill. The Mill set a new record of sales in cwts. of flour sold in fiscal year 2012 reaching 11,591,000 cwts., a 1% increase over the previous fiscal year. In the first six months of fiscal year 2013 we have achieved sales of 5,929,000 cwts., which is approximately the same as in the first six months of the last fiscal year.

The Mill currently transfers 5% of profits to the Agricultural Fuel Tax Fund and 50% of the remaining profits to the General Fund. In fiscal year 2012, the Mill transferred \$402,420 to the Agricultural Fuel Tax Fund and \$3,822,989 to the General Fund.

In the Governor's Executive Budget for the 2013-2015 biennium, 5% of estimated Mill profits or \$897,000 is budgeted to be transferred to the Agricultural Fuel Tax Fund and 10% of estimated remaining Mill profits or \$1,704,300 is budgeted to be transferred to the General Fund. Section 14 of Senate Bill 2014 modifies Section 54-18-19 of the North Dakota Century Code to allow for less than 50% of remaining Mill profits to be transferred to the General Fund as determined by the Industrial Commission. Reducing transfers to the General Fund will allow for the completion of several capital projects needed to improve Mill infrastructure at a lower cost.

Thank you for your time and consideration of our budget request. I will be happy to answer any questions.



North Dakota Industrial Commission

Lynn D. Helms - Director

www.dmr.nd.gov

Senator Carlisle and members of the Senate Appropriations subcommittee following are responses to your initial questions:

1) An explanation (laymen's terms) of unitization – like the Little Missouri Park deal – why that is a good idea

Unitization is a legal process used to combine individual lease and operating agreements, which can vary from a few dozen to several thousand, into a single contract that allows one company to operate the entire area as one spacing unit with every owner getting a share of every barrel of oil produced anywhere inside the unit.

Unitization allows the owners to use processes like pumping water, carbon dioxide, or some other fluid into the reservoir to increase oil recovery. It also allows wells to be drilled at any location inside the unit, even crossing lease and spacing unit boundaries, so they can minimize surface disturbance and recover the oil along those boundaries. The reservoir needs to be unitized for these processes because oil is moved across lease and spacing unit boundaries.

2) Information on horizontal drilling – an understanding about laterals – how many you can do off of one well bore – how far out you can go, etc.



Current technology allows up to a dozen laterals out of one well bore, the maximum used so far in North Dakota is 6 laterals in several Mission Canyon wells in Burke County.

If the laterals have to be hydraulic fractured the limit is two. The down hole plumbing to isolate and hydraulic fracture two laterals from one well bore is very expensive and has a high failure rate so companies have stopped trying to drill more than one Bakken or Three forks lateral from each well bore.

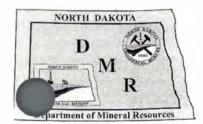
The vertical part of the well and the bend section that goes from vertical to horizontal is drilled with diesel based mud to reduce friction and problems drilling through up to 9 salt formations in North Dakota. The horizontal laterals are normally drilled with salt water that is diluted to keep the well flowing oil and gas at a very low rate while drilling to avoid plugging the formation with mud.

Current drilling mud, down-hole motor, and diamond drill bit technology allows operators to routinely drill up to 2 miles in 15-25 days with a high degree of accuracy. The newest technology, used on 4-5 wells so far, allows drilling up to 3 miles, but the drag from friction on the drill pipe makes it really difficult to control the bit direction. The drilling efficiency in the 3rd mile is less than half what it is in the first two and there are a lot of up or down corrections required to stay in zone. Also, the effectiveness of fracturing and production rate from the stages 3 miles away hasn't been tested yet. The 3 mile long wells are too new to be able to determine if they will produce anywhere near 1.5 times wells that are 2 miles long.

Operators tested more and more fracture stages in 2012, up to 45, and have found that the optimum number is 35-40 with each stage 275-300 feet long.



Operators continue to test different proppant concentrations and mixtures. It appears that each field has a unique original reservoir pressure, depth, and rock properties which results in a different optimum mix of ceramic and sand.



Department of Mineral Resources

Lynn D. Helms - Director

North Dakota Industrial Commission

www.dmr.nd.gov

3) Number of wells on a single drill pad.

The most common number is 4, but it has varied from 2 to 14. Future plans are for up to 24 wells per pad, but EPA limits on air emissions may mean that no more than 4-6 wells at a time can be brought on at initial production rate. That will mean either more well pads or moving the rig on an off the pad a half dozen times as production from each 4-6 well group declines and emissions decline enough to make room for more.

4) Failure rate of 10%.

The number I gave was the percent of new wells that have a poor cement job or excessive casing wear requiring mechanical repairs before they can be hydraulic fractured or produced. It is also the percent of injection and temporary abandoned wells that fail the mechanical integrity test and have to be repaired or plugged.

100% of the wells drilled in the last 12 months have produced at least 10 barrels of oil per day. In order to yield an acceptable rate of return on investment for oil companies the wells have to have initial production of over 385 barrels per day, and 85% of the wells drilled in the last 12 months have initial production above that amount.



What can we expect in North Dakota as far as site location when the well has been plugged and abandoned?

Our reclamation rule states "Within a reasonable time, but not more than one year, after a well is plugged, or if a permit expires, has been canceled or revoked, the well site, access road, and other associated facilities constructed for the well shall be reclaimed as closely as practicable to original condition." That means that someone who was unaware the well had been there should not be able to tell it was ever there. The following pictures from 1999 and 2007 illustrate that it can take 7-10 years, but we are able to achieve that goal:



Well was plugged in 07/1998 Reclamation work in 09/1998 Seeded in Spring of 1999

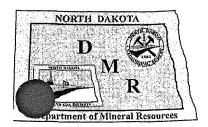


6) Why don't the gas companies put in gas lines when they are drilling the well?

Phase one of the drilling generally places just one well in each spacing unit. The well rates and gas to oil rates can vary a great deal and several months of production are needed to determine how many wells will be drilled in the spacing unit and how much they will produce so the gas line can be built the correct size. It really causes problems when they build the lines too big, or worse if the lines are too small and they have to come back to trench in another line.



When we get a couple of years into the phase two drilling operators should have gas gathering lines already installed to the well pads.



Department of Mineral Resources

Lynn D. Helms - Director

North Dakota Industrial Commission

www.dmr.nd.gov

7) How many DMR employees are classified and unclassified?

DMR currently has 74 authorized full time positions with 3 vacant. The 28 engineer and 11 geologist positions are unclassified. The other 35 positions are classified.

The 23 new positions in the executive budget include 6 unclassified and 17 classified positions.

Fine, Karlene K.

rom:

Hardmeyer, Eric A.

ent:

Tuesday, January 22, 2013 4:50 PM

To: Subject: Fine, Karlene K.

Attachments:

FW: Karlene's inquiry
PACE and Flex Program Description Jan 2013.docx; 1082 001.pdf; Minot STAR report

11-2012.xls

Karlene, here is part of our response to Senator Carlisle's questions. I will have the rest on the FTE's soon. Eric

Eric Hardmeyer President Bank of North Dakota PO Box 5509 Bismarck, ND 58506-5509 ehardmeyer@nd.gov

The information contained in this e-mail message (and any attachments) may be privileged and confidential. It is intended only for the use of the individual or entity to whom it is sent. If you are not the intended recipient of this e-mail message and have received it by mistake, please do not review, retain, disclose, or otherwise use the communication. Instead, we would appreciate it if you would notify the Bank of North Dakota immediately by responding to this email. Thank you for your cooperation.

From: Redmann, Tom W.

Sent: Tuesday, January 22, 2013 4:30 PM

To: Hardmeyer, Eric A.
Subject: Karlene's inquiry

Eric – I have attached a memo describing the PACE and FlexPACE Programs. The text is taken from our website. It gets a little long but it is a good, complete description I believe.

I have also attached a long term summary of data taken from BND's annual report that shows among other things our history of earnings and transfers to the General and other Funds as directed by the Legislature.

With regards to Karlene's questions on Minot hotels, I have attached the 11/2012 Minot Star Report which summarizes the most recent occupancy and room data we have available on hotel activity in Minot. To summarize, occupancy in November declined to 68.0% for the month. Year-to-date occupancy through November was 81.7%. Please take a look at the display which follows for more complete info.

Occupancy 2011								- Mary State (Control of the Control	edited is a post of the post of the second o
(%)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
This Year	88.8	92.7	96.5	88.6	92.6	89.4	80.7	77.4	84.1
Last Year	86.5	87.4	88.7	81.9	84.7	78.0	71.3	71.1	78.9
Percent									
Change	2.6	6.0	8.8	8.2	9.3	14.6	13.2	9.0	6.6



	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
This Year	98.70	106.12	109.09	110.19	108.24	108.70	111.35	113.22	115.37
Last Year Percent	79.57	92.38	86.78	90.34	88.63	90.25	91.64	92.37	93.50
Change	24.0	14.9	25.7	22.0	22.1	20.4	21.5	22.6	23.4

From: Hardmeyer, Eric A.

Sent: Tuesday, January 22, 2013 8:51 AM

To: Redmann, Tom W.

Subject: FW: one more point

Tom, please see what you can do on the request below. Thanks, Eric

Eric Hardmeyer
President
Bank of North Dakota
PO Box 5509
Bismarck, ND 58506-5509
ehardmeyer@nd.gov

The information contained in this e-mail message (and any attachments) may be privileged and confidential. It is intended only for the use of the individual or entity to whom it is sent. If you are not the intended recipient of this e-mail message and have received it by mistake, please do not review, retain, disclose, or otherwise use the communication. Instead, we vould appreciate it if you would notify the Bank of North Dakota immediately by responding to this email. Thank you for your cooperation.

From: Fine, Karlene K.

Sent: Monday, January 21, 2013 5:43 PM

To: Hardmeyer, Eric A. **Subject:** one more point

Eric – I hit the send button before I finished my message.

He had quite a few questions about PACE and FlexPACE. He has it mixed up with First Home Program at HFA. I explained that the First Home Program is for individuals buying their first single family home. It is not a funding source for multi-family homes. He then went on to talk some more about the overbuilding that has been done for motels....

What he needs is a couple of paragraphs about Pace and FLEX PACE, who uses the program, how it works, etc.

By the way, does the Bank have some statistics coming in about occupancy rates for hotels? Are they really in need of some tourism \$'s to shore them up?

We probably should put together a chart that shows BND profits each year, the amount that was transferred to the General Fund, and the amount that the General Fund put into each of the economic development programs that the Bank offers......Karlene



Fine, Karlene K.

rom:

Hardmeyer, Eric A.

ent:

Tuesday, January 22, 2013 5:01 PM

To: Cc: Fine, Karlene K. Benson, Stan D.

Subject:

FW: Carlisle questions

Here are the answers to Ron's other questions. They are noted in blue below. Eric

Eric Hardmeyer President Bank of North Dakota PO Box 5509 Bismarck, ND 58506-5509 ehardmeyer@nd.gov

The information contained in this e-mail message (and any attachments) may be privileged and confidential. It is intended only for the use of the individual or entity to whom it is sent. If you are not the intended recipient of this e-mail message and have received it by mistake, please do not review, retain, disclose, or otherwise use the communication. Instead, we would appreciate it if you would notify the Bank of North Dakota immediately by responding to this email. Thank you for your cooperation.

From: Fine, Karlene K.

Sent: Monday, January 21, 2013 5:37 PM

To: Hardmeyer, Eric A. **Subject:** Carlisle questions

Eric – A couple of questions from Senator Carlisle:

of unclassified employees at the Bank? 28

What has been the turn overrate at the Bank?

2012-9.3%

2011-7.1%

2010-9.6%

2009-4.2%

The turnover rate includes retirements, deaths, discharges, and resignations.

He asked Becky to put together information about the transfers to the General Fund and other programs over the past few biennia. I will follow up with Becky and see if we agree on the number.

When you have the information together, let me know. I may need to put together a packet of the information from the agencies for the subcommittee.

Questions, please call. Karlene



PACE Program - (Partnership in Assisting Community Expansion)

The PACE Fund assists North Dakota communities to expand their economic base by providing for new job development.

This program has two major elements: (1) participation by BND with a local lender in a community based loan, and (2) participation by the PACE Fund with the local community in reducing the borrower's overall interest rate

Qualifying Requirements

Borrower - The borrower can be any person or entity whose business is in manufacturing, processing, value-added processing and targeted service industries. Targeted service industries are businesses involved in data processing, telemarketing, telecommunications, major tourist attractions, holding companies involved in leasing assets to entities otherwise defined as a PACE qualified business, and all other service companies and wholesalers that generate 75% or more of their sales outside of the state of North Dakota.

A holding company may qualify provided the benefit of the PACE buydown flows through to the lessee. The lessee will be responsible for satisfying the job creation requirements of the program. If no less than 40% of the space is used by the PACE qualified business, the entire requested loan amount for the facility will be deemed as a PACE qualified project, subject to all other requirements of the program.

Loan Limit - There are no maximum loan parameters for borrowing under this program.

Use of Proceeds - The proceeds of a loan may be used to purchase real property, equipment and certain working capital requirements. The program cannot be used to refinance any existing debt or for relocation within North Dakota.

Job Creation - The borrower shall demonstrate that within one year there will be a minimum of one job created and retained for every \$100,000 of total loan proceeds. Otherwise, the interest buydown will be prorated to reflect any partial fulfillment.

Variable or Fixed Interest Rate - Either a fixed or variable interest rate may be used in the loan participation.

Participation Requirements - BND will evaluate all requests under this program in the same manner as any regular bank participation. Therefore, qualifications, such as equity, collateral, and information requirements are determined on a case-by-case basis. Should BND approve the participation request, BND's participation must be 50% to 80%.

Application Process

Application by a lead lender is required for BND's participation.

The lead lender is responsible for servicing the loan.

Interest Rate Buy Down Participation

The second element of the PACE Fund combines the resources of the local community and the PACE Fund in buying down the interest rate on the loan.

Community Percentage Factor - A <u>community percentage factor</u> has been assigned to most communities within the state. This factor determines the amount of the PACE Fund's participation (65% to 85%) in the funding of the interest rate buy down. This factor is based on four economic conditions (taxable sales and purchases, employment, taxable valuation and population).

Buy Down Funding - The PACE Fund may provide an interest rate buy down up to a maximum of \$300,000. In all cases, the buy down is matched by the community at the designated participation level described under Community Percentage Factor. In addition, the PACE Fund's participation is limited to the amount required to buy down the interest to the lower of 5% below the yield rate but in no event may the interest rate be more than 500 basis points below the national prime rate. The borrower's rate shall never fall below 1% at any time.

Community Buy Down Funding - The community's portion of the buy down cannot be funded in any way, directly or indirectly, by the borrower or any individual or organization that has a financial interest in the borrower. The funds may come from a local development corporation, contributions, community funds or other community sources in the form of a grant or a loan. If the community provides its share of the PACE interest rate buy down as a loan, repayment of the loan shall not commence and no interest shall start to accrue until the PACE interest buy down has been fully expended.

Transfer of Funds - A trustee shall be appointed to act as the transfer agent for the buy down. Both the community and the PACE Fund will make periodic payments to the trustee to cover the interest rate buy down.

Default by the Borrower - If the borrower is in default under the loan agreements, the interest rate on the loan changes from the buy down rate to the original higher interest rate. The borrower shall accrue interest at the higher interest rate and all interest rate buy down funding is suspended until the loan is brought current.

Flex PACE Program

Qualified Businesses

The PACE family of programs at BND is designed to encourage specific types of economic activity within the State of North Dakota. In general terms, PACE provides an interest buy down that can reduce the borrower's rate of interest by as much as 5%.

The Flex PACE feature of the PACE program provides interest buy down to borrowers that do not fit into the traditional definition of a PACE qualifying business. Under Flex PACE, the community determines eligibility and accountability standards. Flex PACE allows communities the ability to provide assistance to borrowers with a business focus or need outside of the current requirements of PACE, such as jobs retention, technology creation with no new jobs, retail, smaller tourist businesses and essential community services.

Jobs Qualification

Job creation is not a requirement of Flex PACE, but jobs will be tracked for informational purposes.

Flex PACE Funding

Each biennium, BND designates a portion of the existing PACE funds for Flex PACE. This designation is not an exclusive reservation of the funds and therefore will be available for other PACE eligible projects. Each borrower is capped at \$100,000 of PACE funds per community in any single biennium under Flex PACE.

Parameters

Existing PACE program parameters (ex. interest rate buy down maximum, community match, community percentage factors, BND participation amount, default) apply.

BANK OF NORTH DAKOTA TEN YEAR SUMMARY

TEN YEAR SUMMARY	2011	2010	2009	2008
OPERATING RESULTS (in thousands)				
Interest income	\$137,459	\$133,400	\$132,277	\$148,613
Interest expense	39,541	45,188	50,994	71,801
Net interest income	97,918	88,212	81,283	76,812
Provision for loan losses	11,000	12,100	10,300	8,900
Net interest income after provision for loan losses	86,918	76,112	70,983	67,912
Non-interest income	4,911	6,113	6,206	7,617
Non-interest expense	21,494	20,374	19,106	18,485
Net income	70,335	61,851	58,083	57,044
Payments to general fund	0	0	30,000	30,000
Payments to other funds	2,815	5,044	0	46
BALANCE SHEET - YEAR END (in thousands)				
TOTAL ASSETS	5,375,073	4,029,927	3,959,669	3,516,965
FEDERAL FUNDS SOLD AND RESELL AGREEME	ENTS 18,315	33,100	24,190	75,675
SECURITIES	1,008,051	537,157	397,370	331,416
YOANG	2.005.154	0.014.540	2.712.611	2 (10 402
LOANS	2,995,154	2,814,548	2,713,611	2,618,402
Student	1,062,534	1,044,442	932,323	776,473
Commercial	1,068,598	1,022,002	1,038,589	1,064,811
Residential	575,020	471,411	475,124	509,052 268,066
Agriculture	289,002	276,693	267,575	200,000
DEPOSITS	4,179,837	3,058,726	2,939,059	2,645,356
Non-interest bearing	649,922	387,040	442,867	313,900
Interest bearing	3,529,915	2,671,686	2,496,192	2,331,456
FEDERAL FUNDS PURCHASED AND				
REPURCHASE AGREEMENTS	318,325	240,725	. 337,627	304,020
SHORT AND LONG-TERM DEBT	471,422	397,365	405,005	315,604
EQUITY	399,903	327,297	271,649	223,922
Capital	2,000	2,000	2,000	2,000
Capital surplus	42,000	42,000	42,000	42,000
Undivided profits	350,249	282,729	225,966	182,883
Accumulated other comprehensive income (loss)	5,654	568	1,683	(2,961)

BANK OF NORTH DAKOTA TEN YEAR SUMMARY

2007	2006	2005	2004	2003	2002	2001
\$152,416	\$ 126,598	\$ 98,086	\$ 80,133	\$ 79,463	\$ 90,315	\$ 114,490
87,090	71,284	51,623	38,392	41,755	50,666	82,840
65,326	55,314	46,463	41,741	37,708	39,649	41,650
3,100	3,400	2,400	2,400	2,000	2,200	2,700
62,226	51,914	44,063	39,341	35,708	37,449	38,950
6,673	7,748	9,332	11,248	11,474	9,764	8,646
17,813	16,808	17,038	16,373	15,488	15,022	14,537
51,086	42,854	36,357	34,216	31,694	32,191	33,059
30,000	30,000	30,000	30,000	34,000	30,000	50,000
46	43	43	37	37	36	36
2,779,360	2,326,693	2,062,247	2,014,525	1,953,178	1,974,448	2,107,456
277,565	129,135	195,370	122,230	89,915	209,205	257,830
235,551	219,412	157,623	253,186	284,272	235,365	329,632
2,004,999	1,755,562	1,467,061	1,456,256	1,391,583	1,329,985	1,276,334
643,297	561,178	459,287	417,356	372,362	364,816	399,002
689,150	564,946	431,068	480,870	469,912	432,940	392,206
419,700	388,043	342,786	322,044	318,067	309,267	271,385
252,852	241,395	233,920	235,986	231,242	222,962	213,741
1,871,767	1,617,136	1,352,516	1,198,586	1,057,386	1,070,853	1,208,601
317,949	230,993	205,854	208,277	214,275	209,112	193,354
1,553,818	1,386,143	1,146,662	990,309	843,111	861,741	1,015,247
434,061	249,145	248,932	201,959	190,597	296,688	315,713
245,070	257,209	275,926	436,593	525,795	421,065	399,553
192,471	163,542	161,824	152,776	153,744	149,113	170,496
2,000	2,000	2,000	2,000	2,000	2,000	2,000
42,000	42,000	42,000	42,000	42,000	42,000	42,000
145,843	119,894	119,894	110,947	110,947	104,237	126,237
2,628	(352)	(2,070)	(2,171)	(1,203)	876	259

PE - Professional Engineer F1 - Field Inspector 8 ET - F1 Current Permanent Staff Ideal 17 PE - FI 45 hours per week 42 hours per week 5 hours office time 8 hours office time 10 hours Spills, Pluggings, other Engineering 0 hours Spills, Pluggings, other Engineering 0 visits per year 10333 producing wells 10333 producing wells 4 visits per year 1073 injection wells 0 visits per year 1073 injection wells 12 visits per year 35 hours for well inspections 0 hours for well inspections 30 hours for rig inspection 0 hours for rig inspection 522 hours per week for rig inspection 3 hours per week per rig average (1 visit/week vert and 2 visits/week horiz) 175-185 Calculate Permanent + Contingency Staff Ideal 20 PE - FI 11 ET - FI 45 hours per week 42 hours per week 5 hours office time 8 hours office time 10 hours Spills, Pluggings, other Engineering 0 hours Spills, Pluggings, other Engineering 15373 producing wells 4 visits per year 0 visits per year 15373 producing wells 1313 injection wells 0 visits per year 12 visits per year 1313 injection wells 0 hours for well inspections 34 hours for well inspections 31 hours for rig inspection 0 hours for rig inspection 624 hours per week for rig inspection

3 hours per week per rig average (1 visit/week vert and 2 visits/week horiz)

205-215

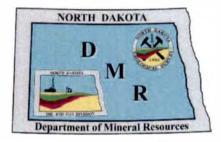
Lynn Helms 2-1-13 582014

Activity Growth Chart Lynn Helms 2-1-13 58 2014

	Current FTE	Activity Growth	FTE Needed	Increase
Bonding	1	115%	1	0.0
Core Library	7	108%	8	1.0
Geology inquiries, georeviews, and publications	2	136%	3	1.0
Hearing dockets and orders	5	110%	6	0.5
Paleontology	3	125%	3	0.0
Oil and Gas permitting	7	105%	8	1.0
Oil and Gas measurement	2	130%	3	1.0
Well logs, cores, samples, cement top, and directional surveys	3	165%	5	2.0
Production auditing	2	130%	4	1.5
Reclamation	1	140%	1	0.0
Underground injection	1	150%	2	1.0
Information Technology	4	125%	5	1.0
Accounting & payroll	2	171%	3	1.0
Reception and filing	6	115%	7	1.0
				12 0

North Dakota Department of Mineral Resources

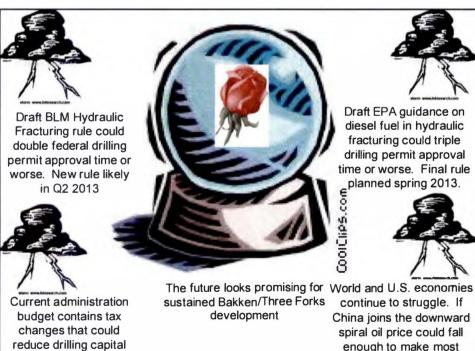
Lynn D. Helms, Director



http://www.oilgas.nd.gov

http://www.state.nd.us/ndgs

600 East Boulevard Ave. - Dept 405 Bismarck, ND 58505-0840 (701) 328-8020 (701) 328-8000

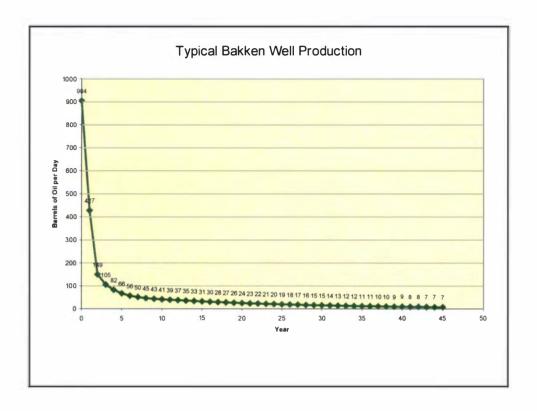


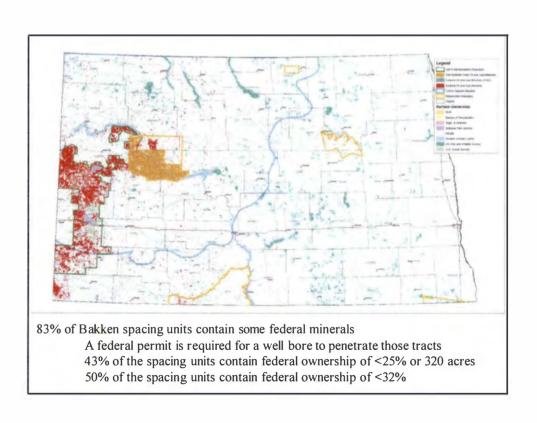
35-50%

Draft EPA guidance on time or worse. Final rule



continue to struggle. If China joins the downward spiral oil price could fall enough to make most areas uneconomic





Lynn

Thank you for reminding me that the NDIC has previously provided a website link to our office's information on oil and gas development. I would not have known to look under your Electronic Filing lab, but it is good to know that it is there. Thank you for providing that link.

With respect to inquiries to our office from oil companies that do not have a federal nexus, i.e. a federal license, permit, or funding, I will borrow your phrase and say that I find it increasingly difficult to understand why you continue to insist that there is some sort of effective system in place by which NDIC refers companies to the Fish and Wildlife Service, and further that we are actually being contacted by companies, because neither point is accurate.

I was unable to open the email string you attached, but we did receive it independently from the EneryWire reporter. Rather than a "clear example of the NDIC requiring contact with USFWL and confirmation of the contact for 2 wells that are not located on federal land and do not penetrate federal minerals", as you contend, this series of messages demonstrates a nearly complete lack of understanding on NDIC's part of the Fish & Wildlife Service's authorities, and gives a false impression that a simple screening of areas where piping plover critical habitat occurs is all that a company needs to worry about. In fact, oil companies and any other entity must ensure that their artivities do not result in a violation of the Endangered Species Act, Migratory Bird Treaty Act, Bald and Golden Eagle Protection Act, and the Refuge two revenuent Act. The only ways an entity can be assured that they will not incur a violation from their proposed development in North Dakota is to receive a latter almost drive that the federal laws we implement where there was not a received and in my previous message to you, in my 9 1/2 year tenure in this job, I have not received a single request from an oil company for a review of their proposed development and confirmation that their activities are in accordance with the federal laws we implement where there was not a federal nexus. (We have however, recently begun discussions with one oil company in looking at their future development plans, and jointly preparing a wildlife conservation plan. We hope this will serve as an example to other companies.)

I do appreciate Mr. Holweger's statement in an email dated February 7, 2012 to the effect that the NDIC is only reviewing the ArcExplorer layer of piping plover habitat as a courtesy to the USFWS, and that NDIC does not have jurisdiction. However, I think if the NDIC wanted to be effective in advising companies of our program, and their need to coordinate their plans with the Fish and Wildlife Service, that you would routinely refer companies to this office so that we can advise them vis-a-vis all relevant federal wildlife laws, regardless of the presence or absence of piping plover critical habitat

Regards,

Jeff Towner

Jeffrey K. Towner, Field Supervisor

Ecological Services

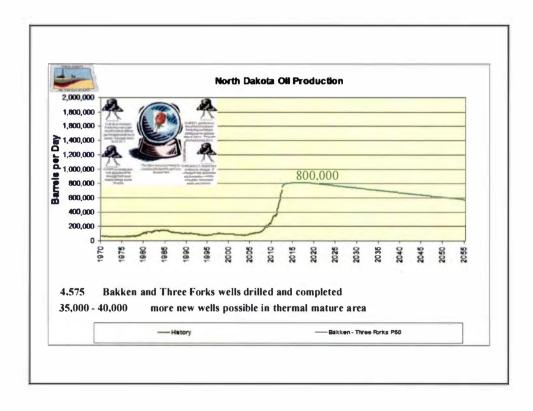
U.S. Fish & Wildlife Service

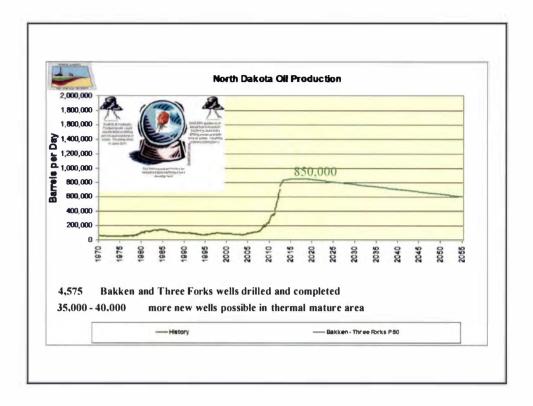
3425 Minam Avenue

Bismarck ND 58501

Telephone: 701-250-4481 ext. 508

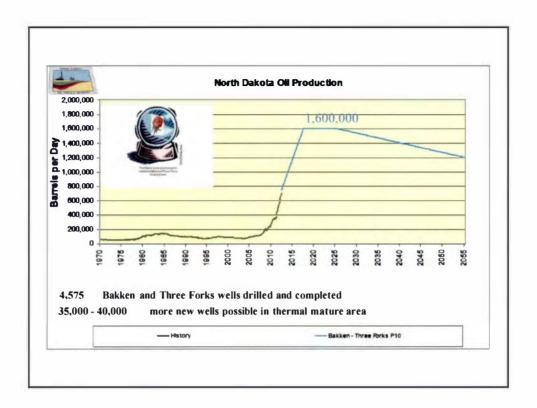
Fax: 701-355-8513





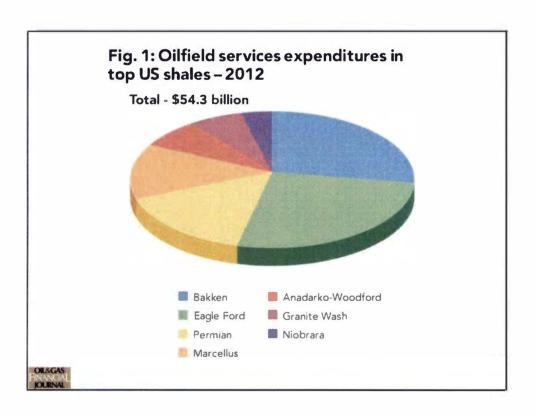
Western North Dakota

- 1,100 to 2,700 wells/year = 2,000 expected
 - 170 rigs = 20,000 temporary drilling jobs
 - Another 12,000 temporary jobs building infrastructure
 - 2,000-3,000 permanent jobs added each year
 - 170 rigs can complete the first phase of drilling in 14 months
 - 170 rigs will require more than 21 years to complete phase 2 drilling
 - 2,000 new wells per year require 11-22 million gallons of frac water per day
 - 40,000-45,000 new wells = 40,000-70,000 long term jobs 17-28 million gallons per day maintenance water



			Feds -IDC	Feds BLM HF -IDC	Feds EPA HF BLM HF -IDC
	Breakeven	\$86	-Accel Dep	-Accel Dep	-Accel Dep
Billings	\$95	2			
BOT-REN	\$140	2			
BOW-SLP	\$80	1			
Burke	\$173	5	1		
Divide	\$115	11	3	1	
Dunn	\$40	29	25	15	5
Golden Valley	\$95	0	0	0	0
McKenzie	\$24	76	60	40	25
McClean	\$62	0	0	0	0
Mountrail	\$34	27	20	15	10
Stark	\$32	6	4	2	3
Williams	\$36	30	25	20	5
	rigs	189	138	93	48
	wells	2,268	1,656	1,116	576
	+BOPD/month	14,062	10,874	7,291	4,032





Bakken – The Bakken shale play is one of the biggest oil discoveries in recent history. Long known since the early days of drilling in the Williston basin, the Bakken shale was largely ignored until technology came along to make it economic to develop. Since then, it has become a huge success.

Seven E&P companies will account for about 65% of Bakken drilling this year. In rank order they are: Continental Resources, Hess, Whiting Petroleum, Statoil/Brigham, Oasis Petroleum, Marathon, and EOG Resources.

Each is developing ways to become more efficient and reduce drilling days/well to somewhere in the mid-20s.

These wells will be around 10,000-foot TVD and cost over \$9 million each.



Eagle Ford – About 400 miles in length and stretching from Southwest Texas into East Texas, the Eagle Ford shale is a very interesting play with oil, liquids, and dry gas windows with 60% to 70% carbonate content and a more brittle geology that's good for fracturing.

Four companies account for around 45% of all drilling here: Chesapeake Energy, EOG, Conoco Phillips, and Marathon. But there are other very aggressive players including Pioneer, Anadarko, Talisman/Statoil, and BHP (which paid \$12 billion for Petrohawk and gained significant Eagle Ford holdings).

Most are drilling \$6.5 million to \$7 million wells with focus on the Eagle Ford's oil and liquids windows.



Permian – Several exciting shales now overlay an historic conventional oil basin where drilling began in the 1920s. They include the Avalon, Leonard, Wolfcamp, Bone Spring Field, Spraberry Field, and Yeso Oil Play. Also included is the Wolfberry Trend which refers to the Wolfcamp Shale and the Spraberry Field.

There are plenty of operators of record here, but just eight account for around 70% of shale drilling today in the Permian. The top three: Pioneer Natural Resources, Concho Resources (which just spent over \$1 billion to acquire Three Rivers Operating), and Apache. Oxy follows close behind, then comes Energen, Sandridge, Cimarex, and EOG.



Marcellus – Most Marcellus shale wells are in Pennsylvania, with about 8 of 10 wells focused on natural gas. Range Resources and a few others are leading wet play development in the southwestern corner of the state.

TVDs are around 6,300 feet with horizontals costing around \$5.3 million.

Busy players include Anadarko (with their Mitsui JV), Chesapeake and their associated JV with Statoil, then comes Range, Shell (which bought into the Marcellus by paying KKR \$4.7 billion for East Resources), and then Chevron via their \$4.3 billion acquisition of Atlas Energy. A plus for the Marcellus is its location adjacent to the biggest gas-consuming region in the country.



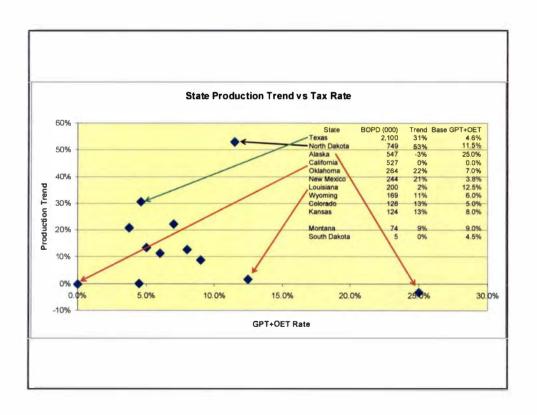
Anadarko-Woodford – Also called the Cana Woodford, the Anadarko-Woodford is a growing crude and liquids play in West-Central Oklahoma running up within the Anadarko basin. It's a relatively deep horizontal play with depths ranging from 11,500 to 14,500 feet. Average drilling and completion costs/well can be ~ \$8.5 million.

Granite Wash – A collection of several "wash plays" in the Texas-Oklahoma Panhandle are alluvial placers formed by mineral particles and deposits set down by ancient streams, involving a number of stacked oil and gas formations at depths of 11,000-15,000 feet. These wells can have up to 15 frac stages (at least at this time) and cost \$7.5 million to \$8 million each.

Niobrara – The Niobrara formation is located in a corner of the Rockies involving Colorado, Wyoming, Kansas, and Nebraska.

Most activity today is in the northeastern corner of Colorado within the Denver-Julesburg basin. TVDs are in the neighborhood of 6,200 feet with well costs that range from \$4.5 million to ~ \$5 million/well.





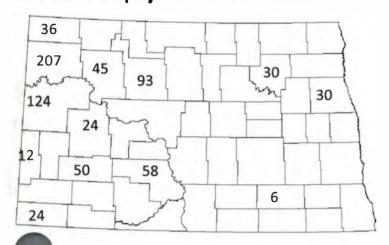
Tax Impacts



Creating affordable housing for all North
Dakotans—waitresses, bank tellers,
cashiers, police officers, nurses, teachers, daycare providers, seniors, individuals with disabilities.

Projects

739 units - 26 projects - 16 communities



172 units targeted to lower-income households.



All HIF-assisted units are rent and income restricted to be affordable to low & moderate-income households.

Total project costs

Each HIF \$ committed leveraged another \$7 in housing activity.



615 units in the oil-impacted communities of

Beach Bowman Dickinson Killdeer Parshall

Crosby Kenmare Minot

Parshall Watford City

Ray Williston

Belfield

HIF Contributors Individuals vs. businesses

Taxpayers making a contribution to HIF receive a tax credit equal to their contribution.



+



\$15M

60 contributions from inesses & financial utions—\$9,568,576

542 contributions from individuals—\$5,431,424

Average Contributions: Businesses—\$159,476 Individuals—\$10,021



2012 Statewide Housing Needs Assessment Michael A. Anderson, Executive Director

September 2012

2012 North Dakota Statewide Housing Needs Assessment Summary

- <u>Projected Population Change</u> The state's population is expected to grow by 25 percent from 2010 to 2025, reaching an estimated 841,820 people. The largest growth will be in the oil-impacted areas where 10 counties are expected to grow by more than 50%. Planning Regions I and VIII will grow by 137% and 59% respectively. Counties with the largest cities are also projected to see robust growth.
- **Projected Housing Demand** Housing demand is projected to increase by 30 percent or by 83,429 households from 2010-2025. Housing demand in Planning Region I and VIII will increase 167% (21,172 units) and 69% (10,935). The rest of the state shows increased demand, but the pace of growth is expected to be much slower.
- Shifting Age Distribution Residents ages 65 and older are projected to increase by 52% (50,583) while the cohort they are aging out of (45 to 64) will expand by only 5% statewide (7,972). Residents ages 25 to 44, considered the primary child bearing age, is projected to increase by 42% (69,279).
- Changing Household Composition
 Household composition will continue to shift away from married couples
 with children to married couples without children and non-family households, the latter becoming the more
 predominate household form in the state. In 2010, 39% of all households were non-family households, 80% of
 which were persons living alone. One-third of these were elderly. With this trend continuing, we need to be
 cognizant of the increased demand for housing that fits their need.
- Affordable Housing Households at or below 80 percent of Median Family Income (MFI) are projected to increase by 45,526 or 55% of total household growth. Currently 16 percent of owner-occupied units and 35 percent of renter-occupied units are affordable for extremely low income households (30 percent of MFI or below). Twenty-nine percent of owner-occupied units and 75 percent of renter-occupied units are affordable for very low income households (31-50 percent of MFI)*.
- Special Populations A July 2011 survey of homeless individuals found that there were 1,773 homeless people in

the state, 54 percent of who were unsheltered. Currently senior households are cost-burdened in 22% of owner-occupied cases and 49% in renter-occupied cases.

Next Steps The Agency convened key housing stakeholders to review the Assessment findings and develop appropriate recommendations for action to be considered by the Agency's Advisory Board and Industrial Commission.



^{*}The commonly-accepted standard for housing affordability is housing costs that are no more than 30 percent of a household's gross income.

The full 2012 North Dakota Statewide Housing Needs Assessment, including Housing Forecast, Detailed Tables, Survey Report and SHARP website link, may be found online at www.ndhfa.org.

TABLE 1. TOTAL POPULATION, 2000 to 2025

	2000	2010	Change:			Change: 2010 to	
Area	2000		2000 to 2010	2015	2020	2025	2010 to 2025
North Dakota	642,200	672,591	4.7%	750,023	806,541	841,820	25.25
Region I	27,781	30,829	11.0%	50,529	859,86	73, 164	137.3%
Region II	88,089	89,967	2.1%	114,709	121,425	121,443	35.0%
Region III	43,168	40,672	-5.8%	41,434	42,264	43,016	5.8%
Region IV	90,798	88,519	-2.5%	90,508	92,800	95,125	7.5%
Region V	162,127	185.481	14.4%	196,322	207.284	218.799	18.0%
RegionVI	61.464	50,363	-8.3%	56,813	57,349	58,222	3.3%
Region VII	130.418	141,864	8.8%	151,192	180,356	169,993	19.8%
Region VIII	38,365	38.696	14%	48,518	58,135	62,058	59.5%

TABLE 2, POPULATION BY AGE, 2010 and 2025

	Less Than 25 Years of Age		Ages 25 to 44		Ages 45 to 64			65 Years and Older				
Area	2010	2025	Change: 2010 to 2025	2010	2025	Change: 2010 to 2025	2010	2025	Change: 2010 to 2025	2010	2026	Change: 2010 to 2025
North Dakota	230,891	272,286	17.9%	165,747	235,026	41.8%	178,476	186,448	4.5%	97,477	148,060	51.9%
Region I	9,819	15,811	61.0%	7,357	24.065	227.1%	8,872	22.637	155.2%	4,781	10,651	122.8%
Region li	31,237	39,071	25.1%	22,376	36,415	62.7%	22,835	27,232	19.3%	13,519	18,725	38.5%
RegionI#	14,529	15,581	7.1%	8,555	9.860	15.3%	11,105	9,249	-10.7%	6,483	8,346	28.7%
Region IV	33,807	36,541	5.1%	20,996	27,118	29.2%	22,229	15,202	-31.6%	11,487	17.264	50.3%
RegionV	68,438	77,939	13.9%	51.328	59,249	15.4%	44,968	45,522	1.2%	20.747	35,089	73.9%
RegionVI	16,117	18,646	3.3%	11.503	14,020	21.9%	16,636	13,300	-20.1%	12,107	14,258	17.8%
RegionVII	44,867	54,647	20.5%	35,015	46.430	32.6%	40,662	37,211	-8.5%	21,320	32,305	51.5%
Region Viti	12,077	17,670	46.3%	8,617	17.869	107.4%	11,169	18,095	44.1%	7,033	10,424	48.2%

TABLE 4. TOTAL OCCUPIED HOUSING UNITS, 2000 to 2025

			Change:			Change:	
Area	2000	2010	2000 to 2010	2015	2020	2025	2010 to 2025
North Dakota	257.152	276,642	7.6%	315,830	342,933	360,071	30.2%
Region I	11,251	12,672	12.6%	21,987	30,003	33.844	167.1%
Region II	35,151	38,587	4.1%	47,473	50,735	50,581	38.2%
Region III	16,240	15,574	-4,1%	16,251	16,686	17,000	9.2%
Region IV	35,627	36,007	1.1%	37,949	38,984	39,979	11.0%
Region V	68,600	77,798	16.8%	84.089	89,531	95,115	22.3%
Region VI	25.426	24.408	-4.0%	24,577	24,914	25,373	4.0%
Region VII	51,476	57,714	12.1%	62,849	67.099	71,362	23.8%
Region VIII	15,381	15,882	3,3%	20,675	24,981	26,817	68.9%

TABLE 11. NUMBER OF HOUSEHOLDS BY INCOME LEVELS AS A PERCENT OF THE MEDIAN FAMILY INCOME (MFI), 2010 and 2025

Area	Exercely Low: 0-30% MFI (Less than \$20,000 in 2010)			Very Low: 31-50 % MFI (\$20,000 to \$29,999 in 2010)		Low Income: 51-80% MFI (\$30,000 to \$49,999 in 2010) (Moderate: 81-115% MFI (\$50,000 to \$74,999 in 2010)		Upper: Above 115% MFI (\$75,000 or more in 2010)		Tax Credit 51 to 60% MFI (\$30,000 to \$39,999 in 2010)						
/	2010	2025	% Change	2010	2025	% Change	2010	2025	Charge	2010	2025	% Change	2010	2025	% Change	2010	2025	Change
No rth Dakota	55,438	72.099	31.1%	33,078	43,540	31.6%	57,935	75.736	30.7%	55,089	71,784	30.3%	75,104	98,298	28.2%	30,980	40,547	30.9%
Region I	2,082	5,173	148.5%	1,275	3,327	100.9%	2,627	6,942	164.3%	2,638	7,308	177.0%	4,050	11,093	173.9%	1,351	3,581	165.1%
Region II	6,590	9,050	37.3%	4,816	6,546	35.9%	7,955	10,924	37.3%	7,825	11,003	40.6%	9,401	13.058	38.9%	4.253	5,846	37.5%
Region III	4,438	5,326	20.0%	2,089	2,356	13.9%	3,232	3,472	7.4%	2,881	2.932	1.8%	2.954	2,920	-1.2%	1,860	1,998	7.4%
Region IV	7,976	9,238	15.8%	4,445	5,244	18.0%	7,619	8,787	15.3%	6,879	7,379	7.3%	9,088	9,332	2.7%	3,844	4,470	16.3%
Region V	15.359	19,269	25.5%	8,954	11.293	26.1%	16,386	20,320	24.0%	15,133	18,314	21.0%	21,966	25,918	18.0%	8,972	11,144	24.2%
Region VI	5,548	5.994	8.0%	3,073	3,297	7.3%	5,463	5,693	4.2%	4,955	5,096	2.8%	5,389	5,296	-1.4%	2,930	3,086	5.3%
Region VII	9,981	13,128	31.5%	8,694	8,727	30.4%	11,427	14,178	24.1%	11,453	14,035	22.5%	18,159	21,298	17.3%	6,092	7,583	24.5%
Region VIII	3,462	5,525	59.6%	1,752	2,750	57.0%	3,226	5,420	68.0%	3,325	5,717	71.9%	4,117	7,382	79.3%	1,678	2,839	69.2%

Population and Household Changes in Five-Year Increments

Projected Population and Housing Demand Change

Between 2010 and 2015, the state's population is expected to grow by 11.5% or 77,432 people. Housing demand in North Dakota is projected to increase by 14.2% or by 39,188 households from 2010-2015. Following is the regional breakdown showing both the numeric and percentage changes:

	Popul	lation	House	holds
	Numeric	Percent	Numeric	Percent
	Change	Change	Change	Change
Region I	19,700	63.9%	9,295	73.4%
Region II	24,742	27.5%	10,886	29.8%
Region III	762	1.9%	677	4.3%
Region IV	1,987	2.2%	1,942	5.4%
Region V	10,841	5.8%	6,291	8.1%
Region VI	450	0.8%	169	0.7%
Region VII	9,328	6.6%	5,135	8.9%
Region VIII	9,622	24.7%	4,793	30.2%

The state's four Native American Indian Reservations will grow 2.6% in population or by 602 people. The number of households will grow 1.8% or by 120 households.

From 2015 to 2020, the state's population growth is projected to be 7.5% or by 56,518 people. The number of households in the state is projected to increase by 8.6% or by 27,103.

	Popul	ation	House	holds
	Numeric	Percent	Numeric	Percent
	Change	Change	Change	Change
Region I	16,409	32.5%	8,036	36.6%
Region II	6,716	5.9%	3,262	6.9%
Region III	820	2.0%	435	2.7%
Region IV	2,294	2.5%	1,035	2.7%
Region V	10,962	5.6%	5,442	6.5%
Region VI	536	0.9%	337	1.4%
Region VII	9,164	6.1%	4,250	6.8%
Region VIII	9,617	19.8%	4,306	20.8%

The Reservations will increase in population by 2.5% or 603 people. Reservation households will grow 9% or by 616 households.

From 2020 to 2025, North Dakota's population will grow by 4.4% or by 35,279 people. The number of households in the state is projected to increase by 5% or by 17,138.

	Popul	lation	House	holds
	Numeric	Percent	Numeric	Percent
	Change	Change	Change	Change
Region I	6,226	9.3%	3,841	12.8%
Region II	18	0.01%	-154	-0.3%
Region III	762	1.8%	314	1.9%
Region IV	2,325	2.5%	995	2.6%
Region V	11,515	5.6%	5,584	6.2%
Region VI	873	1.5%	459	1.8%
Region VII	9,637	6.0%	4,263	6.4%
Region VIII	3,923	6.7%	1,836	7.3%

The Reservations will increase in population by 2.4% or 601 people. The number of households on the Reservations will grow 2.5% or by 185 households.

Population and Household Change in the 12 Largest Communities

From 2010 to 2015

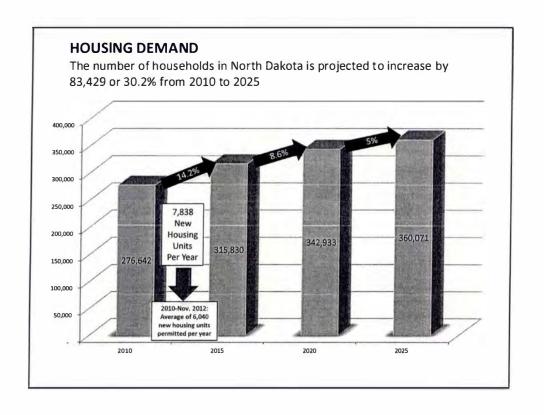
	Popul	ation	House	holds
	Numeric	Percent	Numeric	Percent
	Change	Change	Change	Change
Bismarck	5,577	9.1%	3,119	11.7%
Devils Lake	5	0.1%	147	4.8%
Dickinson	5,334	30.0%	2,722	38.0%
Fargo	7,990	7.6%	4,144	8.9%
Grand Forks	1,962	3.7%	1,735	8.0%
Jamestown	565	3.7%	488	7.7%
Mandan	1,059	5.8%	640	8.8%
Minot	7,744	18.9%	4,276	25.0%
Valley City	187	2.8%	97	3.2%
Wahpeton	1	0.0%	101	3.4%
West Fargo	2,013	7.8%	1,694	17.7%
Williston	8,765	59.6%	4,406	73.4%

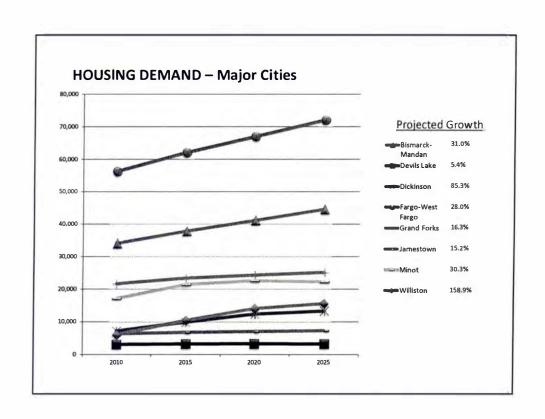
From 2015 to 2020

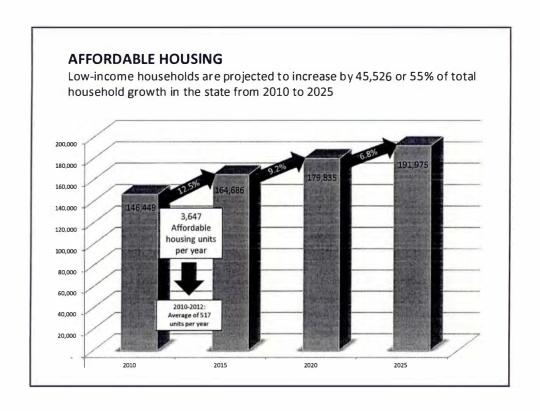
	Popul	ation	House	holds
	Numeric Change	Percent Change	Numeric Change	Percent Change
Bismarck	5,707	8.5%	2,917	9.8%
Devils Lake	3	0.04%	33	1.0%
Dickinson	5,507	23.8%	2,443	24.7%
Fargo	7,955	7.0%	3,905	7.7%
Grand Forks	2,059	3.8%	918	3.9%
Jamestown	520	3.3%	210	3.1%
Mandan	958	4.9%	444	5.6%
Minot	2,506	5.2%	1,163	5.4%
Valley City	110	1.6%	88	2.9%
Wahpeton	-68	-0.9%	-11	-0.4%
West Fargo	2,063	7.4%	945	8.4%
Williston	7,275	31.0%	3,638	35.0%

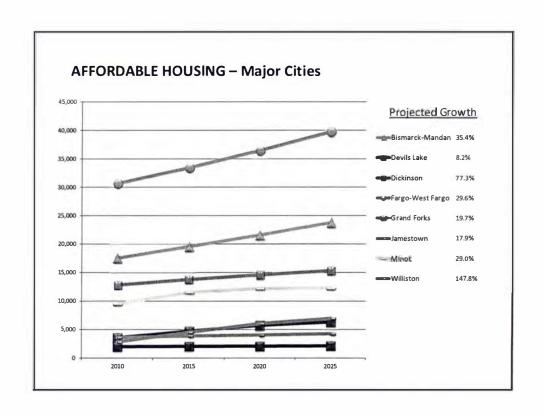
From 2020 to 2025

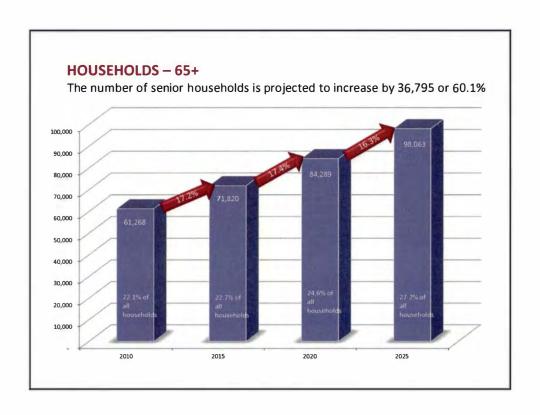
	Population		House	holds
	Numeric	Percent	Numeric	Percent
	Change	Change	Change	Change
Bismarck	6,175	8.5%	2,958	9.0%
Devils Lake	-16	-0.2%	-15	-0.5%
Dickinson	2,093	7.3%	949	7.7%
Fargo	8,571	7.1%	4,165	7.6%
Grand Forks	2,122	3.7%	871	3.6%
Jamestown	712	4.3%	265	3.8%
Mandan	962	4.7%	460	5.5%
Minot	-251	-0.5%	-259	-1.1%
Valley City	112	1.6%	94	3.0%
Wahpeton	-123	-1.6%	-55	-1.8%
West Fargo	2,006	6.7%	900	7.4%
Williston	2,104	6.8%	1,492	10.6%

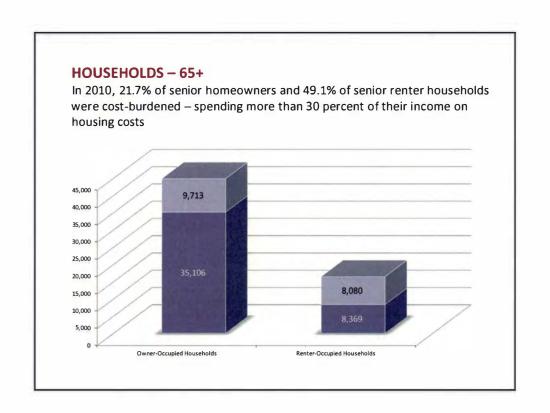












North Dakota Building Permits

2010 Building Permits

Units	ts Construction		
3,833	\$	481,143,489	

2011 Building Permits

0				
Units	Con	struction cost		
6,201	\$	783,615,577		

2012 Building Permits

	Construction cost		
8,086	\$	1,071,841,000	

2010-2012 Building Permits

Units	Cor	struction cost
18,120	\$	2,336,600,066

Average Per Year

Units	Construction cost	
6,040	\$ 778,866,688.67	

U.S. Census Bureau Building Permits Survey

Tables 2au. New Privately Owned Housing Units Authorized Unadjusted Units

Tables 2av. New Privately Owned Housing Units Authorized Valuation



INDUSTRIAL COMMISSION OF NORTH DAKOTA

Jack Dalrymple Governor Wayne Stenehjem Attorney General Doug Goehring
Agriculture Commissioner

Memorandum

TO: Senators Carlisle, Erbele and Warner

FR: Karlene Fine, Industrial Commission Executive Director

DT: February 5, 2013

RE: SB 2014 / SB 2027 / SB 2187

The following are responses to issues raised at the Subcommittee Meeting held on February 1:

Senate Bills 2014 and 2027 regarding the Renewable Energy Program –

There are 2 bills that deal with the Renewable Energy Program

Senate Bill 2014 includes the following provision:

1) Establishes a permanent continuing appropriation/funding source for the Renewable Energy Program at a funding level of .5% of the amount credited to the Resources Trust Fund (RTF). (Estimate for the 2013-2015 biennium is \$2,734,767)

The Water Resources Coalition has adopted a resolution supporting this appropriation at the .5% funding level.

Senate Bill 2027 does 2 things:

- 1) Establishes a permanent continuing appropriation/funding source for the Renewable Energy Program at a funding level of 5% of the amount credited to the Resources Trust Fund with a cap of \$3,000,000 a biennium.
- 2) Authorizes the Department of Commerce to conduct an <u>independent</u> study of value-added market opportunities related to renewable energy resources and appropriates \$300,000 from the General Fund to conduct the study.

The EmPower Commission unanimously supported Senate Bill 2027 with the "cap" provision. The Commission believed that \$3 million was the appropriate level for this program. They selected a higher percentage so if the income to the Resources Trust Fund should go down there would still be sufficient funding for the Program. Having a higher % with a cap assures the Renewable Energy Fund of receiving funding whether the income to the Resources Trust Fund goes up or down. The EmPower Commission was also supportive of the study—they believed that for the long-term future of the state, an independent study identifying value added opportunities would be beneficial for our North Dakota industries and assist in targeting those industries we may wish to recruit to North Dakota.

Bank of North Dakota - Attached is the 10 year history of BND Loan Charge-Offs.

Senate Bill 2187 - You also had some questions about Senate Bill 2187 and although this subcommittee is not assigned this bill I am providing you with the following information you requested/discussed:



Our review of Senate Bill 2187 would be that if the borrowers are unable to repay the 1% loans the loss would be to the Strategic Investment and Improvements Fund.

As to the question of who should be able to access these low-cost loans, the Bank believes that is a question more appropriate for the task force that worked on the bill. SB 2187 now provides the following criteria:

- 1) Loan to a medical facility
- 2) Must be for construction that improves the health care infrastructure in the state or improves access to existing nonprofit health care providers in the state and be completed within 24 months of receiving approval of the loan:
- 3) Construction may include land purchases and may include purchase, lease, erection, or improvement of any structure or facility to the extent the governing board of the health care facility has the authority to authorize such activity
- 4) Must be a project of at least \$1,000,000 and expected to be utilized for at least 30 years
- 5) Demonstrate the need and long-term viability of the construction project
- 6) Priority to be given to:
 - a) projects located in oil producing counties and
 - b) prospective payment system hospitals that receive trauma patients from oil producing counties
- 7) Loan may not exceed the lesser of \$20 million or 75% of the actual cost of the project.

The Bank does not have a position on whether or not there should be further direction from the Legislature on who should be eligible to receive this loan.

The Bank's role is to administer the loans. The loan approval process at the Bank would include: task force make a recommendation regarding the entity to receive the loan; and then the loan process would be the same as for other loans made by the Bank – going through the Bank's internal review process; then to Bank Advisory Board and ultimately the Industrial Commission if the \$ size so required Industrial Commission approval.

Department of Mineral Resources (DMR) – Lynn is still working on the items you requested regarding DMR. He has confirmed that there are no other Senate bills at this time that would impact the number of FTE's needed by the Department of Mineral Resources. As soon as I hear from him we will provide information on the following points:

- 1) Closed Loop system versus semi-closed loop system
- 2) Landfill capacity in the area
- 3) Reclamation Process when the bond is released, soil fertility issue
- 4) Priority listing of the positions (not in the field).

He will also provide you with definitions of the acronyms used in his documents.

Karlene

MEMO TO: BND Investment Committee

BND Advisory Board ND Industrial Commission

FROM: End Mardmeyer, President - Bank of North Dakota

DATE: January 9, 2013

SUBJECT: BND Loan Charge-Offs/Recoveries

TEN YEAR SUMMARY OF BND LOAN CHARGE-OFFS/RECOVERIES (AMOUNTS ROUNDED TO THE NEAREST \$)

	12/31/03	12/31/04	12/31/05	12/31/06	12/31/07
LOANS CHARGED OFF	\$1,976,038	\$1,971,380	\$1,432,204	\$679,779	\$429,490
RECOVERIES OF PREVIOUSLY CHARGED OFF LOANS	(218,362)	(164,400)	(228,225)	(293,030)	(67,269)
NET LOANS CHARGED OFF	\$1,757,676	\$1,806,980	\$1,203,979	\$386,749	\$362,221
AVERAGE LOANS OUTSTANDING FOR THE YEAR	\$1,368,000,000	\$1,410,392,000 \$	1,472,834,000	\$1,628,704,000	\$1,885,030,000
NET LOANS CHARGED OFF AS A % OF AVG. LOANS	.13%	.13%	.08%	.02%	.02%
NET LOANS CHARGED OFF AS A % OF AVG. LOANS (N. DAKOTA AVG.)	.69%	.44%	.43%	.43%	.57%

	12/31/08	12/31/09	12/31/10	12/31/11	UNAUDITED 12/31/12
LOANS CHARGED OFF	\$5,328,206	\$4,907,959	\$8,165,909	\$4,805,324	\$2,979,358
RECOVERIES OF PREVIOUSLY CHARGED OFF LOANS	(304,862)	(325,338)	(211,004)	(75,667)	(376,214)
NET LOANS CHARGED OFF	\$5,023,344	\$4,582,621	\$7,954,905	\$4,729,657	\$2,603,144
AVERAGE LOANS OUTSTANDING FOR THE YEAR	\$2,326,345,600	\$2,658,518,000	\$2,809,678,000	\$2,909,181,000	\$3,101,264,000
NET LOANS CHARGED OFF AS A % OF AVG. LOANS	.22%	.17%	.28%	.16%	.08%
NET LOANS CHARGED OFF AS A % OF AVG. LOANS (N. DAKOTA AVG.)	.87%	1.49%	1.33%	.89%	Not Yet Published

A loan charge-off is an accounting entry that recognizes the Bank's potential inability to collect the loan. It is an adjustment of the records and not a forgiveness of the debt. The Bank has/will pursue all reasonable courses of action to collect on loan charge-offs it has incurred. A recovery is a collection of a previously charged off loan.



13.8164.01001 Title. Prepared by the Legislative Council staff for Senator Erbele

February 7, 2013

PROPOSED AMENDMENTS TO SENATE BILL NO. 2014

Page 1, line 4, after "sections" insert "54-17.6-05,"

Page 1, line 4, replace the second "and" with a comma

Page 1, line 4, after "57-51.1-07" insert "and 57-51.1-07.3"

Page 1, line 5, after "fund" insert ", the oil and gas research council membership, the oil and gas research fund"

Page 1, line 6, after the semicolon insert "to provide for a value-added market opportunities for renewable energy resources and oil and gas study; to provide for a report to legislative management;"

Page 3, replace line 18 with:

"Grand total general fund

\$24,176,213

(\$1,257,095)

\$22,919,118"

Page 3, replace line 20 with:

"Grand total all funds

\$203,458,047

\$5,969,019

\$209,427,066"

Page 6, after line 16, insert:

"SECTION 12. APPROPRIATION - DEPARTMENT OF COMMERCE. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$500,000, or so much of the sum as may be necessary, to the department of commerce for the purpose of conducting a study to evaluate value-added market opportunities for renewable energy resources and oil and gas under section 13 of this Act, for the biennium beginning July 1, 2013, and ending June 30, 2015.

SECTION 13. VALUE-ADDED MARKET OPPORTUNITIES FOR RENEWABLE ENERGY RESOURCES AND OIL AND GAS STUDY - REPORT TO THE LEGISLATIVE MANAGEMENT.

- During the 2013-14 interim, the department of commerce shall conduct a study to evaluate value-added market opportunities related to renewable energy resources and oil and gas.
- The department of commerce shall cooperate with the energy policy commission in conducting this study.
- 3. The department of commerce shall report its findings and recommendations to the legislative management before September 1, 2014."

Page 7, after line 9, insert:

"SECTION 16. AMENDMENT. Subsection 1 of section 54-17.6-05 of the North Dakota Century Code is amended and reenacted as follows:

- 1. The oil and gas research council is composed of eight members, four of whom must currently be engaged in and have at least five years of active experience in the oil and natural gas exploration and production industry. The council consists of:
 - a. Four members appointed by the governor from a list provided by the North Dakota petroleum council. The governor may reject the list and request the council to submit a new list until the appointments are made.
 - b. One member appointed by the governor from a list provided by the North Dakota association of oil and gas producing counties. The governor may reject the list and request the association to submit a new list until the appointment is made.
 - c. The executive director of the North Dakota petroleum council or the executive director's designee.
 - d. The president of the northern alliance of independent producers or the president's designee.
 - e. A county commissioner from an oil producing county appointed by the governor.
 - f.e. The director of the oil and gas division and the state geologist shall serve on the council as advisory nonvoting members."

Page 7, line 30, remove "One-half"

Page 7, line 31, replace "of one" with "Five"

Page 8, line 1, after "fund" insert ", not to exceed three million dollars per biennium"

Page 8, after line 20, insert:

"SECTION 19. AMENDMENT. Section 57-51.1-07.3 of the North Dakota Century Code is amended and reenacted as follows:

57-51.1-07.3. Oil and gas research fund - Deposits - Continuing appropriation.

There is established a special fund in the state treasury to be known as the oil and gas research fund. Before depositing oil and gas gross production tax and oil extraction tax revenues in the general fund, property tax relief sustainability, strategic investment and improvements fund, or the state disaster relief fund, two percent of the revenues must be deposited monthly into the oil and gas research fund, up to fourten million dollars per biennium. All moneys deposited in the oil and gas research fund and interest on all such moneys are appropriated as a continuing appropriation to the council to be used for purposes stated in chapter 54-17.6.

SECTION 20. LEGISLATIVE INTENT - OIL AND GAS RESEARCH FUND. It is the intent of the legislative assembly that the industrial commission give special emphasis to value-added processing of oil and gas projects in the awarding of funds from the oil and gas research fund during the biennium beginning July 1, 2013, and ending June 30, 2015."

Renumber accordingly



STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2014 - Summary of Senate Action

	Executive Budget	Senate Changes	Senate Version
Industrial Commission			
Total all funds	\$63,356,975	\$0	\$63,356,975
Less estimated income	40,937,857	0	40,937,857
General fund	\$22,419,118	\$0	\$22,419,118
Bank of North Dakota			
Total all funds	\$52,452,928	\$0	\$52,452,928
Less estimated income	52,452,928	0	52,452,928
General fund	\$0	\$0	\$0
Housing Finance Agency	440,000,000		440,000,000
Total all funds	\$40,862,039	\$0	\$40,862,039
Less estimated income	40,862,039	0	40,862,039
General fund	\$0	\$0	\$0
Mill and Elevator			
Total all funds	\$52,255,124	\$0	\$52,255,124
Less estimated income	52,255,124	0	52,255,124
General fund	\$0	\$0	\$0
Commerce Department			
Total all funds	\$0	\$500,000	\$500,000
Less estimated income	0	0	0
General fund	\$0	\$500,000	\$500,000
Bill total	_		
Total all funds	\$208,927,066	\$500,000	\$209,427,066
Less estimated income	186,507,948	0	186,507,948
General fund	\$22,419,118	\$500,000	\$22,919,118

Senate Bill No. 2014 - Industrial Commission - Senate Action

This amendment provides for the following:

- Amends Section 57-51.1-07.3 to increase the amount allocated to the oil and gas research fund from \$4 million to \$10 million per biennium.
- Amends Section 57-51.1-07 to provide for five percent of the amount of oil extraction tax revenue allocated to the resources trust fund, not to exceed \$3 million per biennium, to be transferred to the renewable energy development fund. The executive recommendation provided for an allocation of one-half of one percent with no maximum.
- · Provides legislative intent relating to the oil and gas research fund.

Senate Bill No. 2014 - Commerce Department - Senate Action

	Executive Budget	Senate Changes	Senate Version
Market Study		\$500,000	\$500,000
Total all funds Less estimated income	\$0 0	\$500,000 0	\$500,000 0
General fund	\$0	\$500,000	\$500,000
FTE	0.00	0.00	0.00

Department No. 605 - Commerce Department - Detail of Senate Changes

	Adds Funding for a Value- Added Market Study¹	Total Senate Changes
Market Study	\$500,000	\$500,000
•	\$500,000	\$500,000

Total all funds Less estimated income	0	0
General fund	\$500,000	\$500,000
FTE	0.00	0.00

¹This amendment adds an appropriation to the Department of Commerce to provide for a value-added market study on renewable energy resources and oil and gas.



INDUSTRIAL COMMISSION OF NORTH DAKOTA

Jack Dalrymple Governor Wayne Stenehjem Attorney General

Doug Goehring
Agriculture Commissioner

MEMORANDUM

TO:

Senators Carlisle, Erbele and Warner

Senate Bill 2014 Subcommittee

Nort

FR:

North Dakota Industrial Commission

Karlene Eine, Executive Director

DT:

February 6, 2013

: Senate Bill 2014

Attached is information regarding the State Mill profits and anticipated transfers as reflected in Senate Bill 2014 and the Governor's Executive Budget. You will note that I have included the transfer to the Rural Leadership North Dakota program. Here is some background on this expenditure.

Last biennium the Legislature directed that the State Mill support the Rural Leadership North Dakota Program in the amount of \$60,000. That financial support was to be taken from the North Dakota State Mill's agriculture promotion line item. Subsequent to that action by the Legislature, the State Auditor indicated that this transaction should be treated as a transfer rather than as an expense of the State Mill since it was going to another state agency (NDSU).

North Dakota Century Code 54-18-19 states: The industrial commission shall transfer to the state general fund fifty percent of the annual earnings and undivided profits of the North Dakota mill and elevator association after any transfers to other state agricultural-related programs. (emphasis added)

Therefore, for FY 2013 the transfer from the State Mill to the General Fund will be reduced by \$30,000. In essence \$30,000 of the payment to the Rural Leadership North Dakota program is coming from the General Fund and \$30,000 from the State Mill.

Because the topic of funding for this program had come up again during this session we wanted to explain what has and will be happening during the current biennium.

Also here is a summary of the capital projects the State Mill is currently planning for the next 3 to 4 years as Mr. Taylor outlined them yesterday:

\$3,000,000 - K-Mill Phase 3 expansion – will increase State Mill capacity by another 500 cwts. (Mill is currently underway on the Phase 2 expansion which will increase capacity by 1,500 cwts. per day—grinding of another 1 million bushels of wheat per year.

\$5,000,000 - Electrical infrastructure upgrade - With the current upgrade and planned phase 3 upgrade the Mill will be close to maximum levels for electrical infrastructure—will require upgrade in transformers, etc.

\$5,000,000 - Terminal Elevator expansion – with the grinding of more wheat there is a need for improvements to the terminal elevator to allow for faster and more efficient unloading of trucks

\$9,000,000 - Expansion of elevator. With the increased capacity there is the need for more storage of grain.

If you have questions, please contact me at 328-3722 or Vance Taylor at the State Mill – 701-795-7277.



North Dakota State Mill Profits and Actual or Projected Transfers									
		Current law /							
		amended law	Current law	Current Law	Amended Law				
				Actual or Projected	Projected Transfers	Executive			
		Transfer to	Transfer to	Transfers to	to	Budget			
			Rural Leadership						
		Agricultural Fuel	North Dakota		General Fund				
Year	Profits	Tax Fund 5%	(RLND)	General Fund 50%	(@10% level)	Forecast			
FY 2012 (actual)	\$8,048,398	\$402,420	\$0	\$3,822,989		\$3,822,989			
FY 2013 (estimated)	\$8,511,000	\$425,550	\$60,000	\$4,012,725		\$3,822,989			
FY 2014 (estimated)	\$8,740,000	\$437,000	\$0	\$4,151,500	\$830,300	\$830,300			
FY 2015 (estimated)	\$9,200,000	\$460,000	\$0	\$4,370,000	\$874,000	\$874,000			

Senator Carlisle and members of the Senate Appropriations subcommittee following are responses to additional questions asked on 2/1/13:

An explanation of closed loop drilling versus semi-closed loop

Closed loop drilling systems require all drilling materials including liquids, drilling mud, and drill cuttings to be contained in tanks and removed from the well site for reuse, disposal into a class II disposal well, or disposal at a special waste landfill. Semi closed loop systems require some drilling materials primarily the liquids to be contained in tanks and removed from the well site for reuse or disposal into a class II disposal well. The drill cuttings and mud solids can be stabilized and buried on the well site.

New Mexico is the only state that currently requires all closed loop drilling systems. North Dakota requires semi-closed loop systems, but can require a closed loop system if there are site specific environmental concerns, and can permit a conventional reserve pit system after notice and hearing.

2) Landfill capacity

Currently there are four special waste landfills permitted and operating in western North Dakota. Prior to the 4/1/12 rule requiring semi-closed loop drilling systems and the increased drilling activity of the Bakken these landfills had an expected life of 20 years. The enormous increase in volume of special waste resulting from the Bakken drilling activity and the rule change has decreased the expected life of those facilities to approximately 5 years. As a result sixteen applications for special waste landfills were filed with the North Dakota Health Department in 2012.

The DMR has estimated the weight and volume of drill cuttings and mud solids from a single Bakken well to be 1,200 tons or 52 side dump semi-loads. Currently 90% of those drill cuttings and solids are stabilized and buried in carefully constructed cuttings pits on the well sites. If the state was to impose closed loop systems on all wells the number of tuck trips would increase by almost 190,000 per year and the life of the landfill capacity would be reduced 10 fold.

3) Soil productivity / fertility considerations during the well and facility site reclamation process

38-08-04. (1) (d) and (2) (l)

38-08-04.11

43-02-03-15

43-02-03-16

43-02-05-11

43-02-12-03

43-05-01-06

38-08-04.1

The commission uses plugging and reclamation bonds along with civil penalties to enforce the operator's obligation to properly plug wells and reclaim the well and facility sites.

43-02-03-19. SITE CONSTRUCTION

During the period April 13, 1981 and March 1, 1982 the commission began requiring topsoil be removed, stockpiled, and stabilized or otherwise reserved for use when the area is reclaimed. "Topsoil" means the suitable plant growth material on the surface up to the top eight inches [20.32 centimeters] of soil.



All of our problem sites were constructed prior to this requirement. The Oil and Gas Division reclamation specialist has told me that newer sites where the topsoil has been reserved can be restored to pre-disturbance productivity in 2-3 years.

43-02-03-19.4. DRILLING PITS

The commission only allows pits to bury drill cuttings and solids generated during well drilling and completion operations if the pit can be constructed, used, and reclaimed in a manner that will prevent pollution of the land surface and freshwaters. Prior to reclaiming the pit, the operator or the operator's agent must obtain approval of a pit reclamation plan. Drilling waste must be encapsulated in the pit and covered with at least four feet of backfill and topsoil and surface sloped, when practicable, to promote surface drainage away from the reclaimed pit area.

43-02-03-34. METHOD OF PLUGGING.

All casing strings are cut off at least three feet [91.44 centimeters] below the final surface contour, and a cap welded on them.

43-02-03-34.1. RECLAMATION OF SURFACE.

Within a reasonable time, but not more than one year, after a well is plugged, or if a permit expires, has been canceled or revoked, the well site, access road, and other associated facilities constructed for the well must be reclaimed as closely as practicable to original condition. Prior to site reclamation, the operator or the operator's agent must obtain approval of a reclamation plan. The operator or operator's agent must provide a copy of the proposed reclamation plan to the surface owner at least ten days prior to commencing the work unless waived by the surface owner. The notice must include:

- a. The name and address of the reclamation contractor;
- b. The name and address of the surface owner and the date when a copy of the proposed reclamation plan was provided to the surface owner;
- c. A description of the proposed work, including topsoil redistribution and reclamation plans for the access road and other associated facilities; and
- d. Reseeding plans, if applicable.

The commission mails a copy of the approved notice to the surface owner.

All equipment, waste, and debris are removed from the site. Flow lines are purged. Flow lines are removed if buried less than three feet [91.44 centimeters] below final contour. Gravel or other surfacing material must be removed, stabilized soil must be remediated, and the well site, access road, and other associated facilities must be reshaped as near as is practicable to original contour. The stockpiled topsoil must be evenly distributed over the disturbed area and, where applicable, the area re-vegetated with native species or according to the reasonable specifications of the appropriate government land manager or surface owner. The director, with the consent of the appropriate government land manager or surface owner, may waive the requirement of reclamation of the site and access road after a well is plugged.

The commission does not release the bond on the well until the well site produces crop or vegetation equal to or greater than the surrounding area.

Following is the output of our field inspection manpower model for various possible rig counts:

Current Permanent Staff Ideal

17 Petroleum Engineer - Field Inspectors

45 hours per week

5 hours office time

10 hours Spills, Pluggings, other Engineering

10333 producing wells 1073 injection wells

0 visits per year

0 visits per year 0 hours for well inspections

10333 producing wells 1073 injection wells

4 visits per year

12 visits per year

38 hours for well inspections 0 hours for rig inspection

8 Engineering Technician - Field Inspectors

5 hours office time 2 hours Spills

45 hours per week

525 hours per week for rig inspection

30 hours for rig inspection

3 hours per week per rig average (1 visit/week vert and 2 visits/week horiz)

170-180 Rig Count

		6/30/2015		
Rigs	Petroleum Engineer - Field Inspectors	Wells	Engineering Technician - Field Inspectors	
170	17	14,413	10	
175	17	14,533	10	
180	18	14,653	10	
185	18	14,773	11	current
190	19	14,893	11	
195	19	15,013	14	
200	20	15,133	14	expected
205	20	15,253	14	
210	21	15,373	14	
215	21	15,493	15	
218	21	15,565	15	

ng is the prioritized list of other administrative and supervisory staff requested, with the anticipated activity growth for each program:

Priority		Current FTE	Activity Growth	FTE Needed	Increase
1	Underground injection	1	150%	2	1.0
2	Well logs, cores, samples, cement top, and directional surveys	3	165%	5	2.0
3	Oil and Gas permitting	7	105%	8	1.0
4	Information Technology	4	125%	5	1.0
5	Accounting & payroll	2	171%	3	1.0
6	Geology inquiries, georeviews, and publications	2	136%	3	1.0
7	Core Library	7	108%	8	1.0
8	Production auditing	2	130%	4	1.5
9	Oil and Gas measurement	2	130%	3	1.0
10	Hearing dockets and orders	5	110%	6	0.5
11	Reception and filing	6	115%	7	1.0
	Bonding	1	115%	1	0.0
	Paleontology	3	125%	3	0.0
	Reclamation	1	140%	1	0.0
					12.0

Sincerely, Lyn D. Helas Director

Acronymns:

PE – Petroleum Engineer

FI – Field Inspector

 ${\sf ET-Engineering\,Technician}$

GPT – Gross Production Tax

OET — Oil Extraction Tax

13.8164.01004 Title. Prepared by the Legislative Council staff for Senator Bowman
February 15, 2013

PROPOSED AMENDMENTS TO SENATE BILL NO. 2014

Page 8, after line 20, insert:

"SECTION 16. LEGISLATIVE INTENT. It is the intent of the sixty-third legislative assembly that the industrial commission's department of mineral resources oil and gas division include in its next administrative rules review and revision process, the effect of provisions included in North Dakota Administrative Code section 43-02-03-19.5 relating to reserve pits for drilling mud and drill cuttings from shallow wells drilled and completed outside of the Bakken and Three Forks formations for the biennium beginning July 1, 2013, and ending June 30, 2015."

Renumber accordingly

13.8164.01006 Title. Fiscal No. 3 Prepared by the Legislative Council staff for Senator Carlisle February 20, 2013

PROPOSED AMENDMENTS TO SENATE BILL NO. 2014

- Page 1, line 4, after "reenact" insert "subsection 1 of section 54-17.6-05,"
- Page 1, line 4, replace the second "and" with a comma
- Page 1, line 4, after "57-51.1-07" insert ", and 57-51.1-07.3"
- Page 1, line 5, after "fund" insert ", the oil and gas research council membership, the oil and gas research fund,"
- Page 1, line 6, after the semicolon insert "to provide for a value-added market opportunities for renewable energy resources and oil and gas study; to provide for a report to the legislative management;"

Page 1,	replace	line	18	with:	
---------	---------	------	----	-------	--

"Salaries and wages	\$12,059,220	\$5,824,123	\$17,883,343"
Page 2, replace lines 1 through 3 with	n:		
"Total all funds Less estimated income Total general fund	\$61,542,969 46,766,756 \$14,776,213	\$1,986,719 (5,815,082) \$7,801,801	\$63,529,688 40,951,674 \$22,578,014"
Page 2, replace lines 9 through 11 wit	th:		
"Bank of North Dakota operations Capital assets Total special funds	\$45,587,155 1,266,000 \$46,853,155	\$6,274,253 (521,000) \$5,753,253	\$51,861,408 745,000 \$52,606,408"
Page 3, replace line 8 with:			
"Salaries and wages	\$6,516,277	\$928,822	\$7,445,099"
Page 3, replace line 12 with:			
"Total special funds	\$38,590,046	\$2,279,861	\$40,869,907"
Page 3, replace line 18 with:			
"Grand total general fund	\$24,176,213	\$28,901,801	\$53,078,014"
Page 3, replace line 19 with:			
"Grand total special funds	179,281,834	7,401,279	186,683,113"
Page 3, replace line 20 with:			
"Grand total all funds	\$203,458,047	\$36,303,080	\$239,761,127"
Page 4, after line 4, insert:			
"Housing incentive fund		0	30,000,000"

Page 4, replace lines 10 through 12 with:

"Total all funds	\$38,299,400	\$31,560,800
Total special funds	10,000,000	0
Total general fund	\$28,299,400	\$31,560,800"

- Page 5, line 23, remove "biennium beginning"
- Page 5, line 24, replace "July 1, 2013," with "period beginning with the effective date of this Act"
- Page 5, line 29, replace "biennium beginning July 1, 2013," with "period beginning with the effective date of this Act"
- Page 6, line 3, replace "biennium beginning July 1, 2013," with "period beginning with the effective date of this Act"
- Page 6, line 7, replace "biennium beginning July 1, 2013," with "period beginning with the effective date of this Act"
- Page 6, line 10, remove " 2011-13 BIENNIUM"
- Page 6, line 14, replace "2013" with "2015"
- Page 6, line 15, remove "The office of management and budget shall transfer the funds provided under this"
- Page 6, remove line 16
- Page 6, after line 16, insert:

"SECTION 12. APPROPRIATION - DEPARTMENT OF COMMERCE. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$500,000, or so much of the sum as may be necessary, to the department of commerce for the purpose of conducting a study to evaluate value-added market opportunities for renewable energy resources and oil and gas under section 13 of this Act, for the biennium beginning July 1, 2013, and ending June 30, 2015.

SECTION 13. VALUE-ADDED MARKET OPPORTUNITIES FOR RENEWABLE ENERGY RESOURCES AND OIL AND GAS STUDY - REPORT TO THE LEGISLATIVE MANAGEMENT.

- During the 2013-14 interim, the department of commerce shall conduct a study to evaluate value-added market opportunities related to renewable energy resources and oil and gas.
- 2. The department of commerce shall cooperate with the energy policy commission in conducting this study.
- The department of commerce shall report its findings and recommendations to the legislative management before September 1, 2014."
- Page 6, line 18, remove "APPROPRIATION -"
- Page 6, line 20, remove "appropriated"
- Page 7, after line 9, insert:

"SECTION 16. AMENDMENT. Subsection 1 of section 54-17.6-05 of the North Dakota Century Code is amended and reenacted as follows:

- 1. The oil and gas research council is composed of eightseven members, four of whom must currently be engaged in and have at least five years of active experience in the oil and natural gas exploration and production industry. The council consists of:
 - a. Four members appointed by the governor from a list provided by the North Dakota petroleum council. The governor may reject the list and request the council to submit a new list until the appointments are made.
 - b. One member appointed by the governor from a list provided by the North Dakota association of oil and gas producing counties. The governor may reject the list and request the association to submit a new list until the appointment is made.
 - c. The executive director of the North Dakota petroleum council or the executive director's designee.
 - The president of the northern alliance of independent producers or the president's designee.
 - e. A county commissioner from an oil producing county appointed by the governor.
 - f.e. The director of the oil and gas division and the state geologist shall serve on the council as advisory nonvoting members."

Page 7, line 30, remove "One-half"

Page 7, line 31, replace "of one" with "Five"

Page 8, line 1, after "fund" insert ", not to exceed three million dollars per biennium"

Page 8, after line 20, insert:

"SECTION 19. AMENDMENT. Section 57-51.1-07.3 of the North Dakota Century Code is amended and reenacted as follows:

57-51.1-07.3. Oil and gas research fund - Deposits - Continuing appropriation.

There is established a special fund in the state treasury to be known as the oil and gas research fund. Before depositing oil and gas gross production tax and oil extraction tax revenues in the general fund, property tax relief sustainability, strategic investment and improvements fund, or the state disaster relief fund, two percent of the revenues must be deposited monthly into the oil and gas research fund, up to fourten million dollars per biennium. All moneys deposited in the oil and gas research fund and interest on all such moneys are appropriated as a continuing appropriation to the council to be used for purposes stated in chapter 54-17.6.

SECTION 20. LEGISLATIVE INTENT - OIL AND GAS RESEARCH FUND. It is the intent of the legislative assembly that the industrial commission give special emphasis to value-added processing of oil and gas projects in the awarding of funds from the oil and gas research fund during the biennium beginning July 1, 2013, and ending June 30, 2015.

SECTION 21. LEGISLATIVE INTENT - ADMINISTRATIVE RULES - RESERVE

PITS. It is the intent of the sixty-third legislative assembly that the industrial commission's department of mineral resources oil and gas division include in its next administrative rules review and revision process, the effect of provisions included in North Dakota Administrative Code section 43-02-03-19.5 relating to reserve pits for drilling mud and drill cuttings from shallow wells drilled and completed outside of the Bakken and Three Forks formations for the biennium beginning July 1, 2013, and ending June 30, 2015."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2014 - Summary of Senate Action

	Executive Budget	Senate Changes	Senate Version
Industrial Commission			
Total all funds	\$63,356,975	\$172,713	\$63,529,688
Less estimated income	40,937,857	13,817	40,951,674
General fund	\$22,419,118	\$158,896	\$22,578,014
Bank of North Dakota			
Total all funds	\$52,452,928	\$153,480	\$52,606,408
Less estimated income	52,452,928	153,480	52,606,408
General fund	\$0	\$0	\$0
Housing Finance Agency			
Total all funds	\$40,862,039	\$30,007,868	\$70,869,907
Less estimated income	40,862,039	7,868	40,869,907
General fund	\$0	\$30,000,000	\$30,000,000
Mill and Elevator			
Total all funds	\$52,255,124	\$0	\$52,255,124
Less estimated income	52,255,124	0	52,255,124
General fund	\$0	\$0	\$0
Commerce Department	100		
Total all funds	\$0	\$500,000	\$500,000
Less estimated income	0	0	0
General fund	\$0	\$500,000	\$500,000
Bill total			
Total all funds	\$208,927,066	\$30,834,061	\$239,761,127
Less estimated income	186,507,948	175,165	186,683,113
General fund	\$22,419,118	\$30,658,896	\$53,078,014

Senate Bill No. 2014 - Industrial Commission - Senate Action

	Executive Budget	Senate Changes	Senate Version
Salaries and wages	\$17,710,630	\$172,713	\$17,883,343
Operating expenses	6,330,576		6,330,576
Capital assets	5,800		5,800
Grants - Lignite research	19,500,000		19,500,000
Grants - Bond payments	19,809,969		19,809,969
Total all funds	\$63,356,975	\$172,713	\$63,529,688
Less estimated income	40,937,857	13,817	40,951,674
General fund	\$22,419,118	\$158,896	\$22,578,014
FTE	98.75	0.00	98.75

Department No. 405 - Industrial Commission - Detail of Senate Changes

	Corrects Executive Compensation Package ¹	Total Senate Changes
Salaries and wages Operating expenses Capital assets Grants - Lignite research Grants - Bond payments	\$172,713	\$172,713
Total all funds	\$172,713	\$172,713
Less estimated income	13,817	13,817
General fund	\$158,896	\$158,896
FTE	0.00	0.00

¹Funding is added due to a calculation error in the executive compensation package.

This amendment provides for the following:

- Amends Section 57-51.1-07.3 to increase the amount allocated to the oil and gas research fund from \$4 million to \$10 million per biennium.
- Amends Section 57-51.1-07 to provide for 5 percent of the amount of oil extraction tax revenue allocated to the resources trust fund, not to exceed \$3 million per biennium, to be transferred to the renewable energy development fund. The executive recommendation provided for an allocation of one-half of 1 percent with no maximum.
- Amends Section 54-17.6-05 to reduce the size of the Oil and Gas Research Council from eight to seven members by removing the representative from an organization that is no longer activethe Northern Alliance of Independent Producers.
- Provides legislative intent relating to the oil and gas research fund and administrative rules for reserve pits.

Senate Bill No. 2014 - Bank of North Dakota - Senate Action

	Executive Budget	Senate Changes	Senate Version
Capital assets	\$745,000		\$745,000
BND operations	51,707,928	153,480	51,861,408
Total all funds	\$52,452,928	\$153,480	\$52,606,408
Less estimated income	52,452,928	153,480	52,606,408
General fund	\$0	\$0	\$0
FTE	179.50	0.00	179.50

Department No. 471 - Bank of North Dakota - Detail of Senate Changes

	Corrects Executive Compensation Package¹	Total Senate Changes
Capital assets BND operations	153,480	153,480
Total all funds Less estimated income	\$153,480 153,480	\$153,480 153,480
General fund	\$0	\$0
FTE	0.00	0.00

¹Funding is added due to a calculation error in the executive compensation package.

Senate Bill No. 2014 - Housing Finance Agency - Senate Action

	Executive Budget	Senate Changes	Senate Version
Salaries and wages Operating expenses	\$7,437,231 3,791,758	\$7,868	\$7,445,099 3,791,758
Grants HFA contingencies	29,533,050 100,000		29,533,050 100,000
Housing incentive fund		30,000,000	30,000,000
Total all funds	\$40,862,039	\$30,007,868	\$70,869,907
Less estimated income	40,862,039	7,868	40,869,907
General fund	\$0	\$30,000,000	\$30,000,000
FTE	46.00	0.00	46.00

Department No. 473 - Housing Finance Agency - Detail of Senate Changes

	Corrects Executive Compensation Package ¹	Provides Transfer to Housing Incentive Fund ²	Total Senate Changes
Salaries and wages Operating expenses Grants HFA contingencies	\$7,868		\$7,868
Housing incentive fund		30,000,000	30,000,000
Total all funds Less estimated income	\$7,868 7,868	\$30,000,000 0	\$30,007,868 7,868
General fund	\$0	\$30,000,000	\$30,000,000
FTE	0.00	0.00	0.00

¹Funding is added due to a calculation error in the executive compensation package.

Senate Bill No. 2014 - Commerce Department - Senate Action

	Executive Budget	Senate Changes	Senate Version
Market Study		\$500,000	\$500,000
Total all funds Less estimated income	\$0 0	\$500,000	\$500,000 0
General fund	\$0	\$500,000	\$500,000
FTE	0.00	0.00	0.00

Department No. 605 - Commerce Department - Detail of Senate Changes

	Adds Funding for a Value- Added Market Study ¹	Total Senate Changes
Market Study	\$500,000	\$500,000
•	\$500,000	\$500,000

²Provides for a transfer of \$30 million from the general fund to the housing incentive fund during the 2013-15 biennium. The executive budget provided for the transfer to occur during the 2011-13 biennium.

This amendment amends Section 11 of the bill to provide that the transfer of \$30 million from the general fund to the housing incentive fund be made during the period beginning with the effective date of the Act and ending June 30, 2015. The executive budget provided for the transfer to be made in the 2011-13 biennium.

Total all funds Less estimated income	0	0
General fund	\$500,000	\$500,000
FTE	0.00	0.00

¹This amendment adds an appropriation for the Department of Commerce to provide for a value-added market study on renewable energy resources and oil and gas.

March 7, 2013 Stackment /

63RD LEGISLATIVE ASSEMBLY

ANALYSIS OF CHANGES TO THE GOVERNOR'S BUDGET



FEBRUARY 28, 2013 (CROSSOVER)

Prepared by the Legislative Council Staff

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2014 - Funding Summary

Bill No. 2014 - Funding Su	mmary		
	Executive Budget	Senate Changes	Senate Version
Industrial Commission	•	•	
Salaries and wages	\$17,710,630	\$172,713	\$17,883,343
Operating expenses	6,330,576	4 - 1 - 1 - 1	6,330,576
Capital assets	5,800		5,800
Grants - Lignite research	19,500,000		19,500,000
Grants - Bond payments	19,809,969		19,809,969
Total all funds	\$63,356,975	\$172,713	\$63,529,688
Less estimated income	40,937,857	13,817	40,951,674
General fund	\$22,419,118	\$158,896	\$22,578,014
FTE	98.75	0.00	98.75
Bank of North Dakota			
Capital assets	\$745,000		\$745,000
BND operations	51,707,928	153,480	51,861,408
Total all fimds	\$52,452,928	\$153,480	\$52,606,408
Less estimated income	52,452,928	153,480	52,606,408
General fund	\$0	\$0	\$0
FTE	179.50	0.00	179.50
Housing Finance Agency			
Salaries and wages	\$7,437,231	\$7,868	\$7,445,099
Operating expenses	3,791,758	•	3,791,758
Grants	29,533,050		29,533,050
HFA contingencies	100,000		100,000
Housing incentive fund		30,000,000	30,000,000
Total all funds	\$40,862,039	\$30,007,868	\$70,869,907
Less estimated income	40,862,039	7,868	40,869,907
General fund	\$0	\$30,000,000	\$30,000,000
FTE	46.00	0.00	46.00
Mill and Elevator			
Salaries and wages	\$29,849,124		\$29,849,124
Operating expenses	21,796,000		21,796,000
Contingencies	400,000		400,000
Agriculture promotion	210,000		210,000
Total all funds	\$52,255,124	\$0	\$52,255,124
Less estimated income	52,255,124	0	52,255,124
General fund	\$0	\$0	\$0
FTE	135.00	0.00	135.00
Commerce Department			
Market Study		\$500,000	\$500,000
Total all funds	\$0	\$500,000	\$500,000
Less estimated income	0	0	0
General fund	\$0	\$500,000	\$500,000
FTE	0.00	0.00	0.00
Bill Total			
Total all funds	\$208,927,066	\$30,834,061	\$239,761,127
Less estimated income	186,507,948	175,165	186,683,113
General fund	\$22,419,118	\$30,658,896	\$53,078,014
FTE	459.25	0.00	459.25

Senate Bill No. 2014 - Industrial Commission - Senate Action

	Executive Budget	Senate Changes	Senate Version
Salaries and wages	\$17,710,630	\$172,713	\$17,883,343
Operating expenses	6,330,576		6,330,576
Capital assets	5,800		5,800
Grants - Lignite research	19,500,000		19,500,000
Grants - Bond payments	19,809,969		19,809,969
Total all funds	\$63,356,975	\$172,713	\$63,529,688
Less estimated income	40,937,857	13,817	40,951,674
General fund	\$22,419,118	\$158,896	\$22,578,014
FTE	98.75	0.00	98.75

Department 405 - Industrial Commission - Detail of Senate Changes

	Corrects Executive Compensation Package ¹	Total Senate Changes
Salaries and wages Operating expenses Capital assets Grants - Lignite research Grants - Bond payments	172,713	172,713
Total all funds Less estimated income	\$172,713 13,817	\$172,713 13,817
General fund	\$158,896	\$158,896
FTE	0.00	0.00

Funding is added due to a calculation error in the executive compensation package.

This amendment provides for the following:

- Amends Section 57-51.1-07.3 to increase the amount allocated to the oil and gas research fund from \$4 million to \$10 million per biennium.
- Amends Section 57-51.1-07 to provide for 5 percent of the amount of oil extraction tax revenue allocated to the resources trust fund, not to exceed \$3 million per biennium, to be transferred to the renewable energy development fund. The executive recommendation provided for an allocation of one-half of 1 percent with no maximum.
- Amends Section 54-17.6-05 to reduce the size of the Oil and Gas Research Council from eight to seven members by removing the representative from an organization that is no longer active--the Northern Alliance of Independent Producers.
- Provides legislative intent relating to the oil and gas research fund and administrative rules for reserve pits.

Senate Bill No. 2014 - Bank of North Dakota - Senate Action

	Executive Budget	Senate Changes	Senate Version
Capital assets	\$745,000		\$745,000
BND operations	51,707,928	153,480	51,861,408
Total all funds	\$52,452,928	\$153,480	\$52,606,408
Less estimated income	52,452,928	153,480	52,606,408
General fund	\$0	\$0	\$0
FTE	179.50	0.00	179.50

Department 471 - Bank of North Dakota - Detail of Senate Changes

	Corrects Executive Compensation Package ¹	Total Senate Changes
Capital assets		
BND operations	153,480	153,480
Total all funds	\$153,480	\$153,480
Less estimated income	153,480	153,480
General fund	\$0	\$0
FTE	0.00	0.00

¹ Funding is added due to a calculation error in the executive compensation package.

Senate Bill No. 2014 - Housing Finance Agency - Senate Action

	Executive Budget	Senate Changes	Senate Version
Salaries and wages	\$7,437,231	\$7,868	\$7,445,099
Operating expenses	3,791,758		3,791,758
Grants	29,533,050		29,533,050
HFA contingencies	100,000		100,000
Housing incentive fund	,	30,000,000	30,000,000
Total all funds	\$40,862,039	\$30,007,868	\$70,869,907
Less estimated income	40,862,039	7,868	40,869,907
General fund	\$0	\$30,000,000	\$30,000,000
FTE	46.00	0.00	46.00

Department 473 - Housing Finance Agency - Detail of Senate Changes

	Corrects Executive Compensation Package ¹	Provides Transfer to Housing Incentive Fund ²	Total Senate Changes
Salaries and wages Operating expenses Grants HFA contingencies	7,868		7,868
Housing incentive fund		30,000,000	30,000,000
Total all funds	\$7,868	\$30,000,000	\$30,007,868
Less estimated income	7,868	0	7,868
General fund	\$0	\$30,000,000	\$30,000,000
FTE	0.00	0.00	0.00

¹ Funding is added due to a calculation error in the executive compensation package.

This amendment amends Section 11 of the bill to provide that the transfer of \$30 million from the general fund to the housing incentive fund be made during the period beginning with the effective date of the Act and ending June 30, 2015. The executive budget provided for the transfer to be made in the 2011-13 biennium.

Senate Bill No. 2014 - Mill and Elevator - Senate Action

The Senate did not change the executive recommendation for the Mill and Elevator.

² This amendment provides for a transfer of \$30 million from the general fund to the housing incentive fund during the 2013-15 biennium. The executive budget provided for the transfer to occur during the 2011-13 biennium.

Senate Bill No. 2014 - Commerce Department - Senate Action

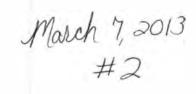
	Executive	Senate	Senate
	Budget	Changes	Version
Market Study		\$500,000	\$500,000
Total all funds	\$0	\$500,000	\$500,000
Less estimated income	0	0	0
General fund	\$0	\$500,000	\$500,000
FTE	0.00	0.00	0.00

Department 605 - Commerce Department - Detail of Senate Changes

	Adds Funding for a Value- Added Market Study ¹	Total Senate Changes
Market Study	500,000	500,000
Total all funds Less estimated income General fund	\$500,000 0 \$500,000	\$500,000 0 \$500,000
FTÉ	0.00	0.00

¹ This amendment adds an appropriation for the Department of Commerce to provide for a value-added market study on renewable energy resources and oil and gas.





INDUSTRIAL COMMISSION OF NORTH DAKOTA

Jack Dalrymple Governor Wayne Stenehjem Attorney General Doug Goehring
Agriculture Commissioner

Revised Schedule Engrossed Senate Bill 2014 House Appropriations Committee-Government Operations Division Medora Room Thursday, March 7, 2013

9:00 a.m.	Administration Office – <u>Karlene Fine</u> , Executive Director and Secretary
9:05 a.m.	Department of Mineral Resources – <u>Lynn Helms</u> , Director
10:05 a.m.	Oil and Gas Research Program – <u>Karlene Fine</u> & <u>Brent Brannan</u> , Director
10:15 a.m.	Pipeline Authority – Karlene Fine & Justin Kringstad, Director
10:25 a.m.	Renewable Energy Program – <u>Karlene Fine</u> & <u>Al Anderson</u> , Chairman, Renewable Energy Council
10:35 a.m.	Lignite Research Program – <u>Sandi Tabor</u> , representing <u>John Dwyer</u> , Chairman, Lignite Research Council & <u>Mike Jones</u> , Director of the Lignite Research Program R&D Program
10:50 a.m.	Transmission Authority – Karlene Fine & Sandi Tabor, Former Director
10:55 a.m.	Housing Finance Agency – Mike Anderson, Executive Director
11:25 a.m.	North Dakota State Mill – <u>Vance Taylor</u> , President and General Manager
11:55 a.m.	
2:00 p.m.	Public Finance Authority – <u>DeAnn Ament</u> , Executive Director
2:15 p.m.	Bank of North Dakota – <u>Eric Hardmeyer</u> , President
3:15 p.m.	Administration – Karlene Fine, Executive Director and Secretary



INDUSTRIAL COMMISSION OF NORTH DAKOTA

Jack Dalrymple Governor Wayne Stenehjem Attorney General Doug Goehring
Agriculture Commissioner

Testimony for Engrossed Senate Bill No. 2014

House Appropriations Committee – Government Operations Division
Karlene Fine, Executive Director and Secretary
of the Industrial Commission
March 7, 2013

Mr. Chairman and members of the Government Operations Division, my name is Karlene Fine and I am Executive Director and Secretary for the Industrial Commission of North Dakota. Engrossed Senate Bill 2014 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 Agriculture Commissioner. The Industrial Commission is responsible for overseeing the State's industries—the Bank of North Dakota and State Mill. In the area of finance the Commission also oversees the Public Finance Authority, the Student Loan Trust, the North Dakota Building Authority and the Housing Finance Agency. In the area of natural resources the Commission oversees the Department of Mineral Resources which includes the regulation of oil and gas, geophysical exploration, subsurface mineral exploration and mining, and CO₂ Geological Storage in addition to other programs through its Oil and Gas Division and the Geological Survey. The Commission is also involved in research through the Lignite Research, Development and Marketing Program, the Oil and Gas Research Program and the Renewable Energy Program. In addition the Industrial Commission is the North Dakota Transmission Authority and the North Dakota Pipeline Authority.

Subdivision 1 of Section 1, includes the appropriations for the administrative office of the Industrial Commission as well as the Department of Mineral Resources (Oil and Gas Division and Geological Survey), Public Finance Authority, Lignite Research, Development and Marketing Program, and the lease (bond) payments for projects financed by the Building Authority.

Oil and Gas Research Program. This bill does not include a line item for the Oil and Gas Research Program. This Program has a continuing appropriation and is funded from oil and gas gross production and oil extraction tax revenues currently up to the \$4 million level. Section 19 of this bill would increase that amount to \$10,000,000 a biennium. This increase was not in the Executive Budget. Additional information about the Oil and Gas Research Fund/Program is behind the tab titled OGRP.

Section 16 of this bill would change the make-up of the Oil and Gas Research Council. Currently the Council has 10 members with 8 voting members. One of those voting members is a representative of the Northern Alliance of Independent Producers. Since that organization is no longer active we are requesting that the position be deleted from the statute.

Pipeline Authority. A portion of the Oil and Gas Research Fund is utilized to fund the North Dakota Pipeline Authority. Justin Kringstad, a consultant, is the Director of the Pipeline Authority. The Commission transferred \$301,500 from the Oil and Gas Research Fund for the Authority during the 2011-2013 biennium. These funds are utilized to compensate the Director of the Authority and for studies conducted by the Authority. More information about the Pipeline Authority is available under the tab titled Pipeline Authority.

Renewable Energy Program. In Section 2 there is a reference to one-time funding of \$1.5 million for the Renewable Energy Program for the 2011-2013 biennium. In the Executive Budget Governor Dalrymple proposed that for future biennia a continuing appropriation funding source be identified-similar to what has been done for the Lignite Research Program and the Oil and Gas Research Program. Section 18 proposes that five percent of the amount credited to the Resources Trust Fund be transferred to the Renewable Energy Development Fund with a maximum of \$3,000,000 per biennium. This is different from what had been proposed in the Executive Budget. The Executive Budget had a lower percentage but no cap. The Executive Budget had estimated the amount to be transferred to the Renewable Energy Fund, at the lower percentage, at \$2,734,767 in the 2013-2015 biennium. Additional information about the Renewable Energy Program is behind the tab titled Renewable Energy Program.

Sections 12 and 13 of this bill refer to a study to evaluate value-added market opportunities for renewable energy resources and oil and gas resources. This was originally introduced as two studies at \$300,000 each. The Senate combined the two studies into one study at a cost of \$500,000 from the General Fund. This study would be conducted by the Department of Commerce with assistance from the EmPower Commission.

Section 18 also proposes that one-half of one percent of the amount credited to the Resources Trust Fund be transferred to the Energy Conservation Grant Fund. This Fund is established in Engrossed Senate Bill 2018 (the Department of Commerce Budget). Alan Anderson, Commerce Commissioner, will discuss how the dollars in the Energy Conservation Grant Fund will be utilized.

Lignite Research Program. Section 1, Subdivision 1 provides for an appropriation for the Lignite Research Program - see line 24 on Page 1. **Section 14** refers to that portion of the Lignite Research Program budget that can be used for litigation and non-matching projects. Information about the Lignite Research Program is behind the tab LRP.

Transmission Authority. In 2005 the Legislature established the North Dakota Transmission Authority. Curtis Jabs currently serves as the Acting Director of the Transmission Authority. The funding for the Transmission Authority comes from the Lignite Research Fund. More information about the Transmission Authority is available under the tab titled Transmission Authority.

Administration. The Administration budget is part of Subdivision 1 of Section 1 and is also referenced in Sections 3, 5, and 6 of Engrossed Senate Bill 2014 or Budget No. 405. **Subdivision 1**

Testimony on Engrossed Senate Bill 2014 Page 3 March 7, 2013

The funding for the administrative office of the Industrial Commission consists of two and .31 full-time employees. The .31 position is currently vacant. The Executive Budget increases this position by .69 making it into a full-time employee. The administrative budget also includes the funding for the state's participation in the Interstate Oil and Gas Compact Commission. This Commission is a multi-state organization which 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 as adjusted by the Senate is \$654,045 for the office and then a total of \$39,964,015 when you include the Lignite Research Program and lease (bond) payments. With the additional .69 FTE and benefits and the salaries and wages included in the Governor's Executive Budget for all state employees the administrative office request reflects an increase of \$165,834 from the prior biennium. The administrative budget is funded by the agencies that report to the Industrial Commission. You will see this funding source noted in **Section 6** where authority is granted for these agencies to transfer funds to the Industrial Commission.

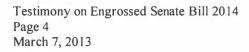
Section 5 includes language that would allow the Industrial Commission to utilize funds that may become available from bonds issued by the Commission upon the approval of the Emergency Commission. This authority would allow reimbursement from the bond issues for extra costs incurred in preparation of the financing.

Subdivision 1 of Section 1 includes the lease payments (bond payments) for the North Dakota Building Authority in the amount of \$19,809,969 — see line 2 on page 2. This is a decrease from the prior biennium of \$5,579,764. 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, Developmental Center located in Grafton, State Hospital, Youth Correctional Center, International Peace Garden, various buildings on the University System campuses, Southeast Human Services Center in Fargo, Health Department, James River Correctional Center in Jamestown, Historical Society projects, Crime Lab, Parks and Recreation, Extension Service, Job Service in Bismarck and Grand Forks and the Veterans Home. During this past biennium the Commission acting as the North Dakota Building Authority issued the 2012 Series A Bonds which refinanced four bond issues and achieved present value savings of just over \$1.8 million.

Attached for your information is the Debt Service Schedules for all the outstanding bond issues. The proposed Executive Budget does not include any bonding by the North Dakota Building Authority. If there was bonding proposed this attachment shows that there is available debt service under the 10% of 1¢ statutory limitation in the amount of \$50.6 million.

Section 3 provides the breakdown on the source of funding for the \$19+ million of lease (bond) payments for the upcoming biennium. The following non-General Fund sources or energy conservation savings* will be utilized to pay a portion of these payments:

*University System – UND (05A) \$ 491,397 *Missouri River Correctional Center (03B) \$ 16,024 Job Service North Dakota (02A/10B) \$ 426,325



Job Service North Dakota (93B/02C/2012A	\$	114,051
Historical Society (05A)	\$	33,333
Veterans Home (10A/B)	\$	408,840
Dept. of Health (02A) (federal funds)	\$	183,973
	\$1	,673,943

In addition the ConnectND bond costs for the 2013-2015 biennium total \$2,504,100. Seventy-one percent of these costs are paid by the University System.

Thank you for the opportunity to present testimony on the Industrial Commission budget and to briefly comment on a number of the programs that the Industrial Commission oversees.

		NOI	RTH DA	KOTA	BUILD	ING A	UTHOR	ITY DE	BT SE	RVICE		
12.20.12												
				2006A								
	2006B	2010B		1998A				Other	Energy	Total	10% of \$.01	Available
Biennium	2001A	2002A	2005A	2000A	2010A/B	2012A	Totals	Source	Conser.	Gen. Fund	Sales Tax*	Debt Ser
2013-15	2,085,497	923,550	6,573,831	2,002,201	525,525	7,816,050	19,926,654	3,787,307	507,421	15,631,926	61,759,540	46,127,614
2015-17	2,110,338	917,956	6,570,669	2,004,000	460,544	3,084,650	15,148,157	1,102,614	507,368	13,538,175	64,229,922	50,691,747
2017-19	2,126,363	917,144	6,575,206	1,377,800	504,531	1,809,463	13,310,507	1,146,911	507,785	11,655,811	66,799,118	55,143,307
2019-21	1,865,172	928,088	6,574,469	0	490,888	1,797,750	11,656,367	1,140,293	507,625	10,008,449	69,471,083	59,462,634
2021-23	812,924	492,700	6,573,256	0	481,056	909,000	9,268,936	840,392	499,535	7,929,009	72,249,927	64,320,918
2023-25	0	0	3,285,650	0	465,981	0	3,751,631	499,317	245,604	3,006,710	75,139,924	72,133,214
2025-27	0	0	0	0	448,181	0	448,181	448,182	0	0	78,145,521	78,145,521
2027-29	0	0	0	0	425,469	0	425,469	425,468	0	0	81,271,341	81,271,341
2029-31	0	0	0	0	174,031	0	174,031	174,031	0	0	84,522,195	84,522,195
Totals	9,000,294	4,179,438	36,153,081	5,384,001	3,976,206	15,416,913	74,109,933	9,564,515	2,775,338	61,770,080		
	4.15%	3.24%	4.23%	4.13%	3.33%	1.41%						
	mber 2012 fore 4% increase e biennium.											



House Appropriations Committee Government Operations Division

March 7, 2013

Lynn D. Helms, Director
Department of Mineral Resources
North Dakota Industrial Commission



The DMR budget is 98% general funds and 2% federal funds. Budget costs are primarily salary and benefits (82%). The federal funds for the 2013-2015 biennium are not expected to increase over the current biennium funding.

The operating budget consists primarily of Lease/Rent (30%) for the Bismarck office, warehouse, and three field offices. Other items of significant costs include travel (28%), primarily for fieldwork, and IT costs (12.5%) including Data Processing, Telephone, and Contractual Services.



SALARIES AND BENEFITS

During the 2011-2013 biennium we experienced a significant increase in workload due to a record setting rig count and oil production. This increased workload resulted in a drilling permit back log of over 400 permits and an order back log of approximately 1000 administrative orders. Current staffing levels are adequate to keep up with about 180 rigs and 11,000 wells. We have now exceeded that level of rigs and anticipate exceeding the well number by the end of the current biennium. Even with the additional staffing being requested in this budget, some seasonal temporary staffing will be crucial to meeting our mission both in the field and in the central office and flexibility is needed so that the personnel can be assigned to meet the most critical need. Increased interest in oil and gas and other minerals found in North Dakota is also resulting in an increased workload with the Geological Survey staff. The Department also continues to face difficulties in hiring experienced oil and gas and geological staff, therefore housing allowances and market salaries may be needed to find qualified personnel.

Engrossed SB2014 funds 100% of the requested increase.

OPERATING

Travel

DOT motor pool rates will increase 27% from the 2011-2013 biennium resulting in an inflationary increase of \$12,940 for the Geological Survey, and \$231,932 for the Oil and Gas Division. Additional inflationary increases are hitting In-State Lodging, Utilities, Insurance, Janitorial, Data Processing, and ITD rates. To offset these increases and meet the 100% budget guideline, the number of field inspections would have to be reduced at a time when industry has a large number of inexperienced personnel who need guidance and supervision. This could result in inadequate protection of potable waters and correlative rights.

Lease/Rent Bldg/Land

Geological Survey rent is increasing \$5,000 in our Bismarck office building, and Oil and Gas Division rent is increasing \$137,368 in our Bismarck, Dickinson, Minot, and Williston office buildings. The field offices currently provide a location for efficient synchronization of inspector data to our main database, contact between the general public and local Oil and Gas Division employees, and for inspectors to complete written correspondence.

Postage & Advertising Services

Applications received for hearings have continued to rise dramatically during the 2011-2013 biennium. Decisions on hearings are mailed out to all parties of such cases. The current postal budget of \$14,107 will be exceeded by \$20,000. The current advertising budget of \$82,000 will be exceeded by \$30,000. Holding funding for postage and legal advertisements constant to meet budget guidelines would have required limiting the number of applications heard by the Commission. Since this would cause untimely delays in permitting and drilling wells and would have resulted in the loss of revenue to the state and royalty owners, this was not considered an acceptable option.



Oil and Gas Exploration and Production (NDCC 38-08-01)

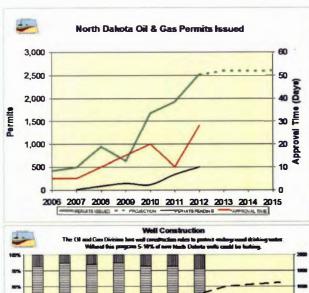
It is hereby declared to be in the public interest to foster, to encourage, and to promote the development, production, and utilization of natural resources of oil and gas in the state in such a manner as will prevent waste; to authorize and to provide for the operation and development of oil and gas properties in such a manner that a greater ultimate recovery of oil and gas be had and that the correlative rights of all owners be fully protected; and to encourage and to authorize cycling, recycling, pressure maintenance, and secondary recovery operations in order that the greatest possible economic recovery of oil and gas be obtained within the state to the end that the landowners, the royalty owners, the producers, and the general public realize and enjoy the greatest possible good from these vital natural resources.

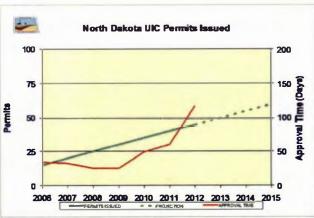
Geophysical Exploration (NDCC 38-08.1)

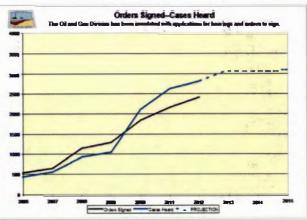
Notwithstanding any other provision of this chapter, the commission is the primary enforcement agency governing geophysical exploration in this state. Any person in this state engaged in geophysical exploration or engaged as a subcontractor of a person engaged in geophysical exploration shall comply with this chapter; provided, however, that compliance with this chapter by a crew or its employer constitutes compliance herewith by that person who has engaged the service of the crew, or its employer, as an independent contractor.

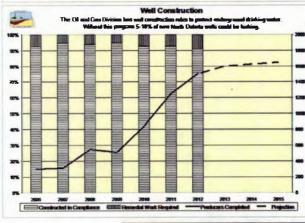
Carbon Dioxide Geological Storage (NDCC 38-22-01)

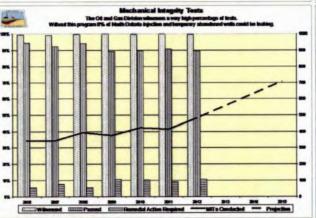
It is in the public interest to promote the geologic storage of carbon dioxide. Doing so will benefit the state and the global environment by reducing greenhouse gas emissions. Doing so will help ensure the viability of the state's coal and power industries, to the economic benefit of North Dakota and its citizens. Further, geologic storage of carbon dioxide, a potentially valuable commodity, may allow for its ready availability if needed for commercial, industrial, or other uses, including enhanced recovery of oil, gas, and other minerals. Geologic storage, however, to be practical and effective requires cooperative use of surface and subsurface property interests and the collaboration of property owners. Obtaining consent from all owners may not be feasible, requiring procedures that promote, in a manner fair to all interests, cooperative management, thereby ensuring the maximum use of natural resources.

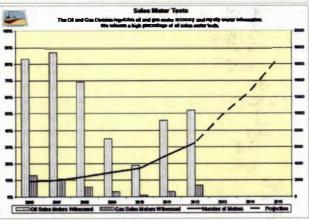






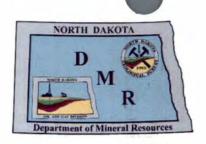








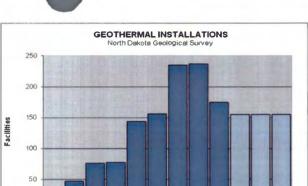




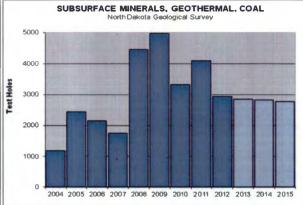
The North Dakota Geological Survey was created by an act of the North Dakota Legislature in 1895. After more than 117 years, the Survey still serves as the primary source of geological information in the state. Its mission over the years has grown and is now three-fold: to investigate the geology of North Dakota; to administer regulatory programs and act in an advisory capacity to other state agencies; and to provide public service to the people of North Dakota.

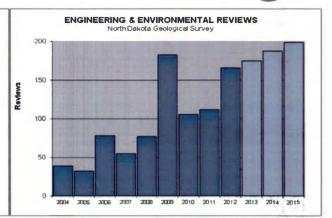
The Geological Survey publishes maps and reports on the mineralogical, paleontological, and geochemical resources of North Dakota, including oil and gas, coal, uranium, clay, sand and gravel, volcanic ash, potash and other salts, etc. In addition to the mapping of subsurface resources, the Survey is actively mapping the surface geology throughout the state with an emphasis on urban areas and the identification of geohazards such as landslides. Survey publications support the regulatory programs of the Industrial Commission, as well as other state and federal agencies, and assist mineral companies, geotechnical consulting firms, city and county governments, landowners, and citizens of the state. The North Dakota Geological Survey regulates coal exploration, subsurface mineral exploration and development (this includes all elements, minerals, and compounds other than oil and gas, sand and gravel, and coal), geothermal facilities (both commercial and residential), the Class III Underground Injection Control Program, and paleontological resources on state-owned lands.

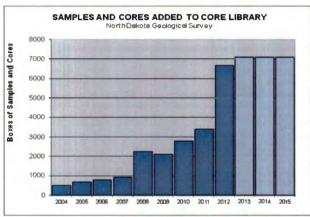
The Geological Survey and the Oil and Gas Division are in the Department of Mineral Resources and under the North Dakota Industrial Commission. The main office of the Department of Mineral Resources is located at 1016 East Calgary Avenue in Bismarck. The paleontology program of the Geological Survey is housed in the Clarence Johnsrud Paleontology Laboratory in the North Dakota Heritage Center (state museum) on the State Capitol grounds in Bismarck. The North Dakota State Fossil Collection, as well as the State Rock and Mineral Collection, are also housed in the Heritage Center. The North Dakota Geological Survey's Wilson M. Laird Core and Sample Library is located on the University of North Dakota campus in Grand Forks. The facility currently houses 75 miles of core (400,000 feet in 133,000 boxes) and 38,000 boxes of samples (also called drill cuttings or cuttings).

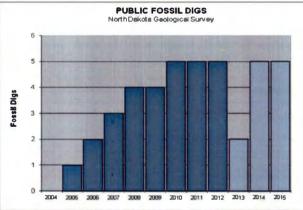


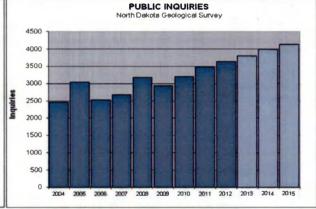
2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015





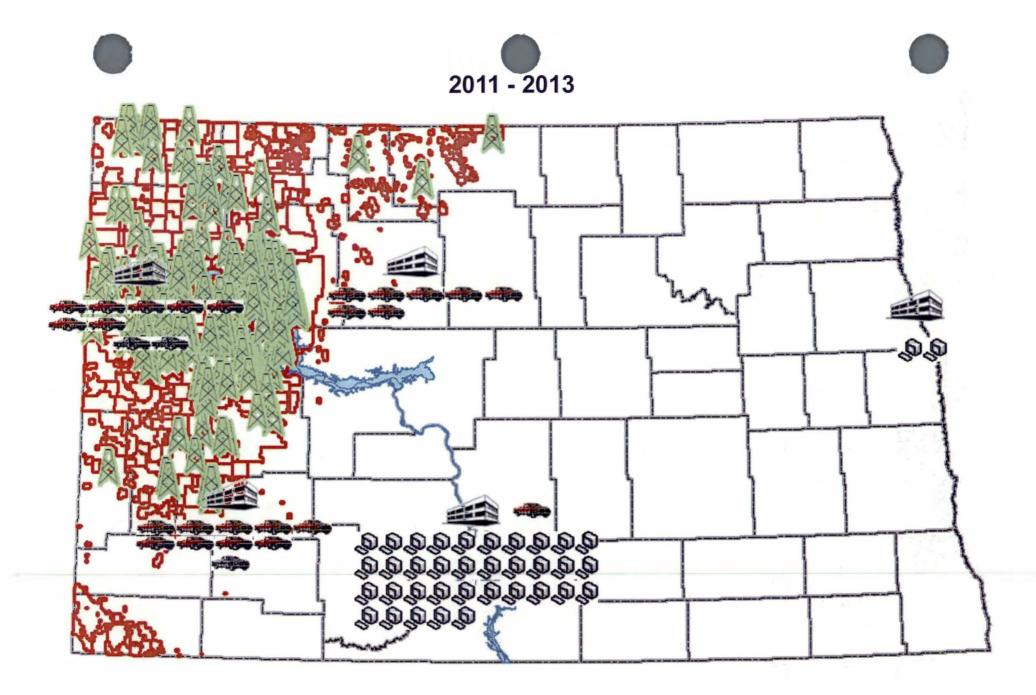


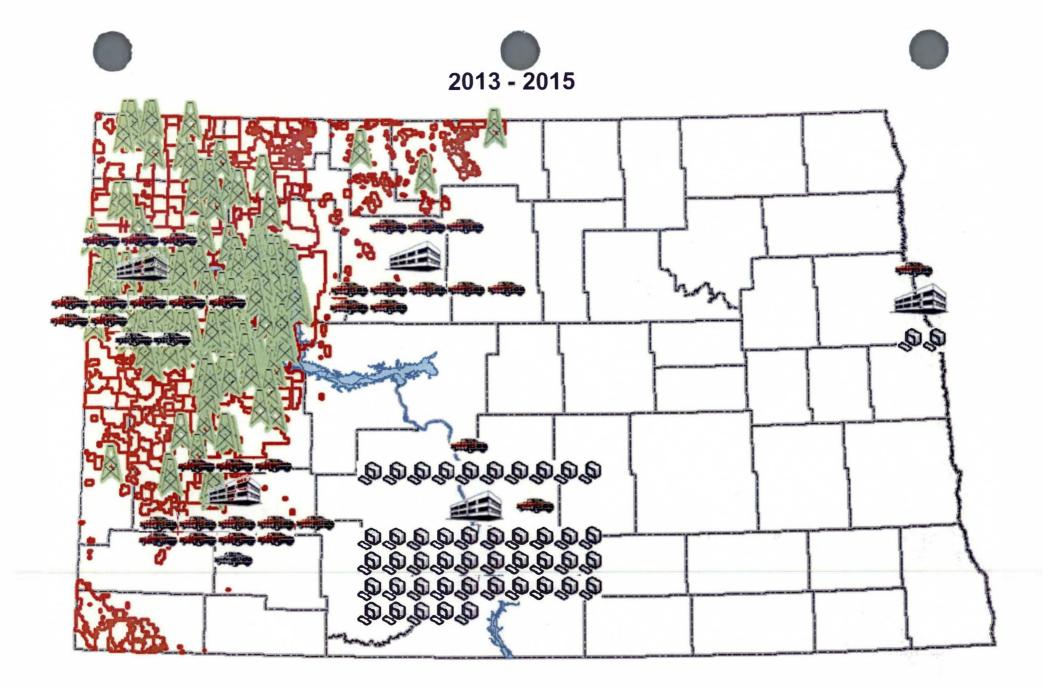


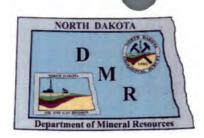




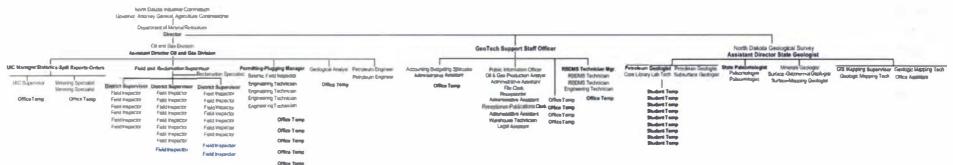








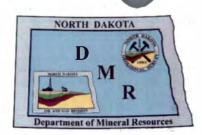
2011 - 2013



Programs

Activity versus 2 years ago (2010-2012)

Bonding	157%
Core Library	240%
Field Inspection	rigs 144% & wells 150%
Geology – inquiries, georeviews, and publications	135%
Hearings, dockets, and Industrial Commission orders	133%
Paleontology -Public Fossil Digs	100%
Permitting – Oil and Gas	166%
Petroleum Geology Compliance	154%
Production measurement and accounting	212%
Reclamation	144%
Underground injection	110%
Database and Public Map Services	121%



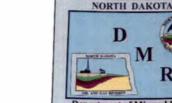
2013 - 2015



Programs

Activity Forecasted (2013 -2015)

Bonding	115%
Core Library	108%
Field Inspection	rigs 110% & wells 120%
Geology – inquiries, georeviews, and publications	136%
Hearings, dockets, and Industrial Commission orders	110%
Paleontology (Public Fossil Digs)	125%
Permitting – Oil and Gas	105%
Petroleum Geology Compliance	150%
Production measurement and accounting	130%
Reclamation	140%
Underground injection	150%
Database and Public Map Services	157%



2011-2013 Appropriation Update (FTE requests)

Change funding source for 2-FTE (contingency Field Inspector and Legal Assistant) from Special to General Fund – **Implemented**.

New 1-FTE (Petroleum Engineer) for Oil & Gas Division – Implemented.

New 4-FTE (Field Inspection Engineering Technicians) for Oil & Gas Division – **75% Implemented** (3 hired, 1 advertised). Note: Housing Allowance Page 16

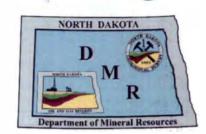
New 1-FTE (Measurement Specialist Engineering Technician) for Oil & Gas Division – **Implemented**.

New 1-FTE (Production Analyst) for Oil & Gas Division-Implemented.

New 1-FTE (Subsurface Mineral Geologist) for Geological Survey – Implemented.

New 1-FTE (Petroleum Engineer) for Carbon Storage Regulatory Program – Implemented.

New 2-FTE (Field Inspection Engineering Technicians) Oil & Gas Contingency >9,300 wells Approved by Emergency Commission (12/04/12, 2 advertised).



2011-2013 Appropriation Update (Non-FTE requests)

Market Salary Funds: Implemented.

Change the funding source for \$9,000 in Geological Survey from Federal Funds to General Fund – **Implemented**.

SECTION 5. LEGISLATIVE MANAGEMENT STUDY. During the 2011-2012 interim, the legislative management shall consider studying primacy in the administration of federal environmental protection agency regulations – **Completed**.



2013-2015 Budget Needs (Optional FTE requests Engrossed SB 2014)

- 2 FTE engineering technicians for OGD field inspection authorized 12/04/12 (After base budget submitted). Page 10 Field Inspection well count 150% 2010-12
- 1 FTE engineering technician for OGD Bismarck office well log and directional survey compliance and QC. Pages 10&11 Petroleum Geology Compliance 154% 2010-12 + 150% 2013-15, temps 2 > 1
- 1 FTE engineering technician for OGD Bismarck office stage 1 and 2 review of drilling permits.

 Page 5 pending permits and approval time, pages 10&11 Permitting 166% 2010-12 + 105% 2013-15, temps 3 > 2
- 1 FTE engineering technician for OGD Bismarck office stage 1 and 2 review of underground injection permits.

 Page 5 permit number and approval time, pages 10&11 underground injection 110% 2010-12 + 150% 2013-15, temps 1 > 0
- 1 FTE engineering technician for OGD Bismarck office database and public mapping system support. Pages 10&11 database and public map services 121% 2010-12 + 157% 2013-15, temps 1 > 0
- 1 FTE petroleum geology analyst for OGD Bismarck office well cementing plus core & sample submission.

 Page 5 wells and remedial work, pages 10&11 petroleum geology compliance 154% 2010-12 + 150% 2013-15, temps 1 > 0
- 1 FTE accounting budget specialist DMR assist Accounting Budget Specialist III with payroll. Pages 8&9 increased FTE, vehicles, office equipment 125% 2010-12 + 130% 2013-15, temps 1 > 0
- 1 FTE surface geologist for GSD Bismarck office aggregate, waste permit, and infrastructure siting reviews. Page 7 workload, pages 10&11 geology inquiries, reviews, and publications 135% 2010-12 + 136% 2013-15
- 3 FTE petroleum engineers for OGD field inspection focusing on drilling rigs. Pages 10&11 field inspection 144% 2010-12 + 110% 2013-15



NORTH DAKOT

2013-2015 Budget Needs (Optional FTE requests Engrossed SB 2014)

- 3 FTE engineering technicians OGD field inspection focusing on injection wells and production facilities, Page 5 mechanical integrity tests, pages 10&11 field inspection **150**% 2010-12 + **120**% 2013-15
- 1 FTE core library technician/geothermal facility inspector GSD Grand Forks.

 Page 7 record workload, pages 10&11 core library 240% 2010-12 + 108% 2013-15, temps 9 > 6
- 1 FTE petroleum engineer for OGD Bismarck office-supervise oil and gas production auditing and measurement.

 Page 5 sales growth, pages 10&11 production measurement and accounting 212% 2010-12 + 130% 2013-15, temps 1 > 1
- 1 FTE engineering technician for OGD Bismarck office oil and gas measurement field inspection.
- Office assistant for OGD Bismarck-production auditing and hearing case load.
 Page 5 stabilizing at over 3,000/year, pages 10&11 hearing dockets and orders 130% 2010-12 + 110% 2013-15, temps 4 > 2
 Office assistant for OGD Bismarck-general office filing and reception.
- 3 FTE engineering technicians contingency if well count exceeds 15,000 OGD field inspection-focusing on wells and facilities.

Page 11 well count 120% 2013-15, on 12/31/12 O&G-8,228 , EOR-717 , SWD-488, Total-9,433

Note: Workload growth percentages are highlighted in **bold** text. Positions highlighted in **red** are identified as contingent staff reductions in the event of unanticipated reduced activity.



2013-2015 Budget Needs (Optional non-FTE requests Engrossed SB 2014)

Inflationary Increases.

Additional leased space for additional staff. Page 8 & 9

Litigation (State vs. Federal Agencies) – ONE TIME - \$1,000,000.

Market salary funds (included in agency salaries and benefits) - \$450,000.

Housing Allowance - ONE TIME - \$400,000.

Architectural - ONE TIME - \$25,000. Page 18

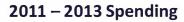
Analysis of oil bearing rocks - ONE TIME - \$80,000. Page 22

Geothermal Temperature Profiles - ONE TIME \$50,000. Page 23

Wide Bed Plotter – ONE TIME - \$5,800.



2011-2013 Estimated Spending & One-time funding needs status



Special Projects

	<u>Amount</u>	Spent to Date	Projected Remainder Available
Core Library Temps Page 18	\$90,000	\$65,244	\$24,756
Paleontology Temps	\$56,727	\$29,826	\$26,901
RockEval Page 19	\$40,000	\$35,564	\$4,436
Shallow Gas Page 20	\$25,000	\$4,500	\$20,500
Proppant Page 21	\$50,000	\$45,000	\$5,000

2013-2015 Estimated Spending & One-time funding needs status 2013 – 2015 Estimating Spending (Special Projects)

Anticipated Amount

RockEval Page 22	\$80,000
Temperature Profiles Page 23	\$50,000
Proppant Page 21	\$25,000

NORTH DAKOTA

Department of Mineral Resources

ARCHITECTURAL PLANS FOR EXPANSION OF THE WILSON M. LAIRD CORE AND SAMPLE LIBRARY (2013 – 2015)

Oil companies are required by law to archive cores and samples (small pieces of rock ground up by the drill bit) in the Wilson M. Laird Core and Sample Library located on the University of North Dakota Campus in Grand Forks. The core library was constructed in 1980 and is quickly filling to capacity due to record-setting drilling activity in North Dakota. Current estimates are that the core library will be completely filled in 2016. The core library warehouse (13,200 square feet) will need to be tripled in size in order to accommodate future cores and samples.

An architectural firm will need to draw up plans and cost estimates for a core library expansion during the 2013-2015 biennium so that we can bring

them to the legislature in 2015 for approval.



The Wilson M. Laird Core and Sample Library on the campus of the University of North Dakota. The core library houses over 75 miles of core (133,000 boxes of core) and 38,000 boxes of samples.

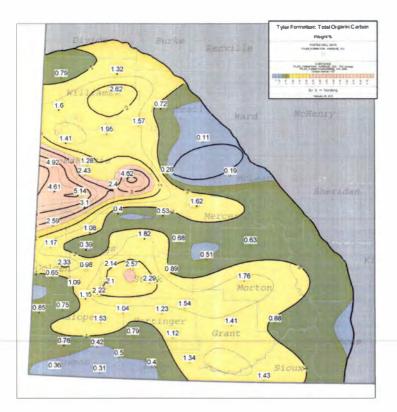


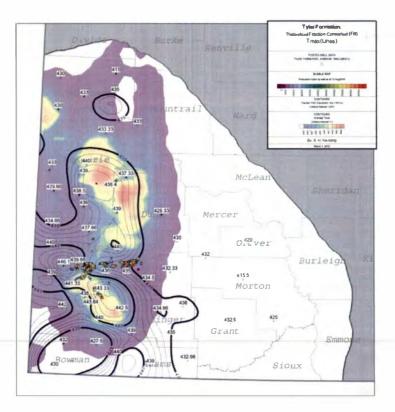


Both photographs are shown looking to the east down Aisle 1 in the core and sample library. The photograph on the left was taken on July 13, 2012 after the aisle had been reboxed resulting in a space savings (open bins) of approximately 40%. The photograph on the right was taken on October 19, 2012 after all but one of the bins in Aisle 1 had been filled to capacity with new core.

OIL-BEARING ROCK ANALYSIS PROJECT (2011-2013)

The cores in our core and sample library in Grand Forks provide valuable insight into the oil generation history of the Williston Basin. In 2012, the Geological Survey collected and analyzed 664 samples of oil-bearing rocks in the core library for the total organic carbon content and a suite of rock analyses called RockEval. The majority of these rock samples came from the Tyler Formation. The results of these analyses can be used to predict where rocks in the Williston Basin were buried deep enough and long enough to generate oil (mature areas).





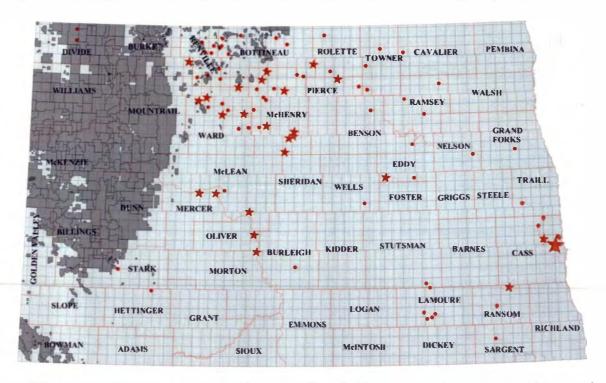
Map on the left: Map showing the average total organic content of the Tyler Formation in the western half of North Dakota. Fair, good, or excellent amounts of organic carbon are shown in shades of green, yellow and pink respectively. Map on the right: Map of the western half of North Dakota showing the fraction of reactive kerogen within the Tyler Formation that has been converted to petroleum. The posted values and the black contours are the average T_{max} values obtained from Rock-Eval pyrolysis. Wells that have produced from the Tyler Formation are shown as the color filled circles with the colors keyed to the initial production of these wells. Most of the wells lie along the east-west Dickinson-Fryburg trend.

SHALLOW GAS PROJECT (2011-2013)

Methane bubbles in a groundwater sample recently obtained from a private well southwest of Harwood in Cass County (large star on map).

The Geological Survey recently completed phase II of a study of shallow natural gas in North Dakota. Having detected methane in 905 of the 4,325 ND State Water Commission monitoring wells tested, we turned our attention to private wells with historical reports of gas. In the fall of 2012, we tested more than 100 private wells for methane and detected gas in 25.

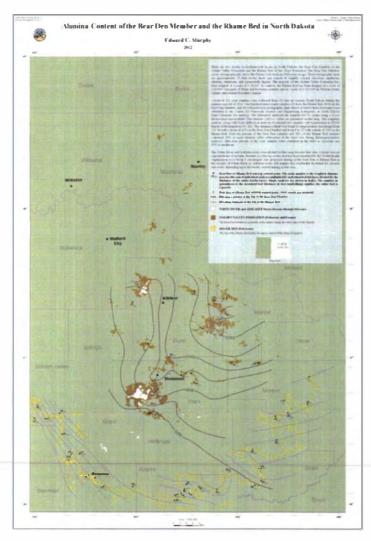
We will be analyzing a dozen or so groundwater samples during the spring of 2013 for major ions and isotopes to enable us to determine the source of the gas and identify chemical groundwater signatures that might assist the oil and gas industry in natural gas exploration.



Private wells with reported shows of methane are indicated with a red dot and those we were able to confirm contain methane are indicated by a star. Oil fields are shown in gray.

20

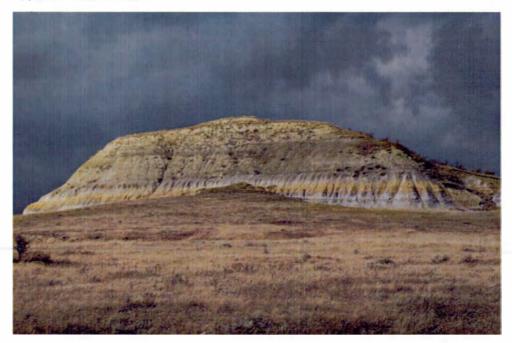
PROPPANT PROJECT (2011-2013)



The alumina (aluminum oxide) content of clay samples collected from 62 sites in western North Dakota. Bear Den Member deposits are shown in brown and the Rhame Bed in yellow. The Geological Survey published this map in August 2012.

Millions of tons of sand and ceramic proppants are used every year in the Williston Basin, part of a multi-billion dollar industry. During the 2009-2011 biennium, the Geological Survey collected 125 sand samples throughout the state in our search for deposits that could be utilized for oil and gas proppants in the well fracing process. In the fall of 2011, we collected 232 clay samples from western North Dakota to determine their suitability for the manufacture of ceramic proppant.

The Nanoscale Science and Engineering Laboratory at North Dakota State University determined the alumina content using x-ray fluorescence and is currently determining the clay mineralogy using x-ray diffraction. The alumina content of the clay samples ranged from 7 to 34% with a mean of 21% in the Bear Den Member and 18% in the Rhame Bed.



Seventeen feet of brightly colored clay of the Bear Den Member (Golden Valley Formation) at the base of a butte in Dunn County.

OIL-BEARING ROCK ANALYSIS PROJECT (2013-2015)

In the 2013-2015 biennium, the Geological Survey will be shifting the emphasis from rocks above the Bakken (previous work was primarily in the Tyler Formation) to rocks below the Bakken and Three Forks Formations. We plan on obtaining 1,300 rock samples from core in the Icebox, Red River, and Interlake Formations for total organic carbon and RockEval analysis. The results will significantly increase our knowledge of the maturity of the oil-bearing rocks that occur below the Bakken and outside of the Bakken mature area.

SESW Sec. 1, T.152N., R.90W.
EOG Resources, Inc.
IREI-01 Shell Creek

Cored Interval: 13098 - 13126.5 \$

SESW Sec. 1, T.152N., R.90W.
EOG Resources, Inc.
IREI-01 Shell Creek

Cored Interval: 13126.5 - 13158 R

Cored Interval: 13098 - 13126.5 \$

SESW Sec. 1, T.152N., R.90W.
EOG Resources, Inc.
IREI-01 Shell Creek

Sixty feet of core of the Ice Box Formation (Winnipeg Group) from EOG Resource's #1-01 Shell Creek well in Mountrail County. The shale in these three-foot-long boxes is gray to grayish green in color. The bright green colors are Styrofoam spacers noting where core was removed for testing.

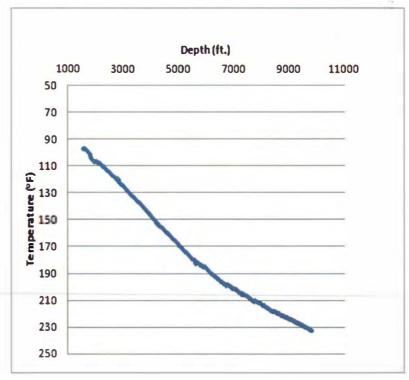
WILLISTON BASIN TEMPERATURE PROFILE PROJECT (2013-2015)

The burial history and temperature profile of the Williston Basin are important components when calculating areas within the basin where rocks are hot enough or were hot enough at one time in geologic history to generate oil. Temperature profiles can be obtained by temperature logging oil wells that have been idle for several months thus allowing the fluid in the well to come to the same temperature as the surrounding rock.

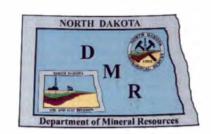
The North Dakota Petroleum Council recently donated \$140,000 towards this project. In addition to hiring a logging firm to temperature log a dozen oil wells to a depth of 10,000 feet, a trailer-mounted temperature probe will be purchased that will enable us to log a number of wells, but to a shallower depth. At least fifty additional wells will be logged using the shallow probe and the results will be matched to the deeper temperature profiles. These temperature profiles, scattered across the basin, will enable more accurate estimates of where rocks in the

Williston Basin were hot enough to generate oil (mature areas).





Photograph on the left: A producing oil well in Mercer County. Graph on the right: Temperature profile of the Rauch Shapiro Fee #21-9 in Billings County.



2011-2013 Continuing Appropriations

N.D. Oil & Gas Division

Name of Fund	Starting Balance	Total Revenue	Total Expenses	Fund Balance
Abandoned Oil & Gas Reclamation Fund	\$1,084,569	\$1,010,748	\$75,436	\$2,019,880
Cash Bond Fund	\$439,623	\$73,028	\$141,369	\$371,282
Oil & Gas Reservoir Data Fund	\$355,174	\$477,736	\$472,552	\$360,358
Carbon Dioxide Storage Facility Admin Fund	\$532,000	\$715	\$141,584	\$391,131
Carbon Dioxide Storage Facility Trust Fund	\$0	\$0	\$0	\$0



Abandoned Oil and Gas Reclamation Fund: (North Dakota Century Code 38-08-04.5) Monies deposited into this fund are from oil and gas operator permit fees and forfeited surety bonds paid to the North Dakota Industrial Commission Oil and Gas Division. Monies in this fund are appropriated to plug oil and gas wells and reclaim well sites, and associated facilities:

- 1) If the person or company drilling or operating the well cannot be found, has no assets with which to properly plug or replug the well or reclaim the well site, or cannot be legally required to plug or replug the well or to reclaim the well site;
- 2) If there is no surety bond covering the well to be plugged or the site to be reclaimed or there is a forfeited surety bond but the cost of plugging or replugging the well or reclaiming the site exceeds the amount of the bond; or
- 3) The well is leaking or likely to leak oil, gas or saltwater or is likely to cause a serious threat of pollution or injury to the public health or safety. During the current biennium, the Oil and Gas Division plugged and abandoned two well sites. We anticipate reclaiming the two associated sites later in the current biennium. The reclamation of a well site may take several years depending on the location of the site and the weather conditions.

Cash Bond Fund (2200-305)

Cash Bond Fund: (North Dakota Century Code 38-08-04.11) Monies deposited into this fund are from administrative fees on all moneys held or controlled by the Commission under subdivision d of subsection 1 of section 38-08-04 (the statute allowing a company to provide a cash bond rather than surety bond when operating in North Dakota). Monies in this fund are appropriated to the Commission to be used for:

- 1) defraying costs incurred in the plugging of abandoned oil and gas wells and related activities;
- 2) defraying costs incurred in the reclamation of abandoned oil and gas drilling and production sites, saltwater disposal pits, drilling fluid pits, and access roads, and related activities.

Oil & Gas Reservoir Data Fund (2250-317)

(North Dakota Century Code 38-08-04.6) Monies deposited in this fund are from the payment of fees for the actual costs of services performed to provide oil and gas reservoir data requested by industry, royalty owners, other governmental agencies and the public. Monies in this fund are appropriated to the Commission to be used for purchase of equipment and supplies directly related to storage and dissemination of computerized geophysical exploration, production, and well information data to industry, royalty owners, other governmental agencies and the public. Requests for oil and gas reservoir data are cyclical with commodity price and a revolving fund is required to most efficiently meet demand.

Carbon Dioxide Storage Facility Admin Fund (2400-252)

Carbon Dioxide Storage Facility Admin. Fund: Monies deposited in this fund are from the payment of fees from CO2 storage operators when submitting an application for approval. Money in the fund may be used to defray expenses for processing permit applications including public notice costs and public hearings, regulating storage facilities during their construction, operational and preclosure phases and making storage amount determinations. The fund may also be used to compensate other agencies incurring expenses to conduct regulatory responsibilities at the storage facility. It is anticipated that the operation of the storage facilities will be for multiple years. Therefore, a continuing appropriation is needed.

Carbon Dioxide Storage Facility Trust Fund (3400-281)

Carbon Dioxide Storage Facility Trust Fund: Monies deposited in this fund are from the payment of fees from CO2 storage operators when carbon dioxide is injected into the storage facility. The fee is based on a per ton basis. Monies in the fund are to be used for the costs associated with the long-term monitoring and management of a closed storage facility. The fund may also be used to compensate other agencies incurring expenses to conduct regulatory responsibilities at the storage facility. It is anticipated that the monitoring of a closed facility may take place for multiple years. Therefore, a continuing appropriation is needed.



2011-2013 Continuing Appropriations

North Dakota Geological Survey

Name of Fund	Starting Balance	Total Revenue	Total Expenses	Fund Balance
Cartographic Products Fund	\$26,722	\$3,254	\$341	\$29,635
Fossil Excavation and Restoration Fund	\$162,159	\$164,000	\$124,952	\$201,207
Geo Data Preservation Fund	\$5,684	\$140,375	\$10	\$146,049
Geo Min Coal Exploration Fund	\$38,036	\$13,920	\$174	\$51,781
Global Positioning System Data Fund	\$6,696	\$0	\$424	\$6,272

Cartographic Products Fund (6300-305)

The Cartographic Products Fund was established during the 1989 legislative session (NDCC 54-17.4-10). The fund is used to purchase topographic maps for sale from the federal government. All monies collected from the sale of topographic maps are redeposited in this fund. Map sales are cyclical and this fund requires a revolving fund to function most efficiently.

Fossil Excavation and Restoration Fund (6600-234)

The Fossil Excavation and Restoration Fund was established during the 1997 legislative session (NDCC 54-17.4-9.1). The fund contains monies donated to the North Dakota Geological Survey to pay for excavation and restoration of fossils for display in the North Dakota Heritage Center and other museums and public venues across the state. Fossil exhibits are costly and also take a considerable amount of time to plan and prepare and require that money be held for long periods of time.

Geo Data Preservation Fund (6500-319)

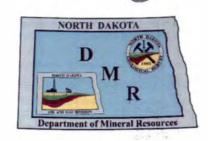
The fund was established in 2007 to preserve geologic data that might otherwise be lost and to fund projects that would generate new geologic data. In 2009, EOG made a small donation to help defray costs related to the purchase of a black light system in the core and sample library to assist with the identification of hydrocarbons in rock core. Recently, the North Dakota Petroleum Council donated \$140,000 towards a temperature survey of the Williston Basin.

Geo Min Coal Exploration Fund (6800-428)

This fund was established by the state legislature in 2007 to assist with the plugging of problem test holes or site restoration of holes drilled under the geothermal, subsurface mineral, or coal exploration programs. Monies deposited into this fund are from administrative fees charged in the permit application process. To date, no money has been used from this fund.

Global Positioning System Data Fund (6400-305)

In 1993 the North Dakota Geological Survey, North Dakota Oil and Gas Division, North Dakota Agriculture Department, North Dakota State Water Commission, North Dakota Department of Transportation, United States Geological Survey and Bismarck State College entered into an agreement to establish and maintain a global positioning base station at Bismarck State College. The Global Positioning System (GPS) Data Fund was established by the 1995 Legislative Assembly (NDCC 54-17.4-12). The revolving fund was designed to hold GPS fees and to pay the costs of maintaining the base station. In 2001, all data from the base station was put on line for all users to download for free. The fund is still being used to pay for the costs of maintaining the base station, but no new monies are being deposited in the fund. In 2004, ten local engineering and surveying firms contributed towards the purchase of new equipment for the base station.



2011-2013 Status of Federal Funding

	Budgeted Amount	Received to Date
UIC Oil & Gas (EPA)	\$210,001	\$102,000
PSC Coal (OSM-DOI)	\$16,000	\$7,539
STATEMAP	\$17,484	\$0
NCRDS-Coal (USGS-DOI)	\$20,000	\$14,863
CO ₂ – GeoUnits (USGS-DOI)	\$0	\$23,169



2013-2015 Possible Changes in Federal Funding -Change Effect -Plan to Address Changes

	Anticipated Award
UIC Oil & Gas (EPA)	\$210,000
PSC Coal (OSM-DOI)	\$9,840
STATEMAP (USGS-DOI)	\$13,790
NCRDS-Coal (USGS-DOI)	\$30,380

No Anticipated Reductions 2013-2015



INDUSTRIAL COMMISSION OF NORTH DAKOTA

OIL AND GAS RESEARCH COUNCIL

Brent Brannan, Director E-Mail: brentbrannan@gmail.com Governor Jack Dalrymple Attorney General Wayne Stenehjem Agriculture Commissioner **Doug Goehring**

Oil and Gas Research Program North Dakota Century Code 54-17.6

History of the Oil and Gas Research Program

North Dakota's Oil and Gas Research Program (OGRP), established by the Legislature in 2003, is a state/industry program designed to demonstrate to the general public the importance of the State oil and gas exploration and production industry, to promote efficient, economic and environmentally sound exploration and production methods and technologies, to preserve and create jobs involved in the exploration, production and utilization of North Dakota's oil and gas resources, to develop the State's oil and gas resources, and to support research and educational activities concerning the oil and natural gas exploration and production industry. The Program is currently funded from two percent of the State's share of the oil and gas gross production tax and oil extraction tax revenues, up to \$4 million, each biennium. Engrossed Senate Bill 2014 would increase the amount up to \$10 million each biennium with a special emphasis on value-added processing of oil and gas projects.

Mission Statement

The Mission of the Oil and Gas Research Council is to promote the growth of the oil and gas industry through research and education.

General Criteria

Priority areas of the Program that promote the growth of the oil and gas industry through research and education in no particular order include, but are not limited to, the following:

- Generate information and knowledge that will have the highest probability of bringing new oil and gas companies and industry investment to North Dakota.
- Have the highest potential for preserving and creating oil and gas jobs, wealth, and tax revenues for North Dakota.
- Most effectively educate the general public about the benefits and opportunities provided by the North Dakota oil and gas industry.
- Positively affect ultimate recovery from North Dakota's existing oil and gas pools.
- Preserve existing production levels.
- Identify oil and gas exploration and production technologies presently not used in North Dakota.
- Identify oil and gas potential in non-producing counties.
- Maximize the market potential for oil, natural gas, and the associated byproducts.
- Improve the overall suitability of the oil and gas energy industry in North Dakota through the development of new environmental practices that will help to reduce the footprint of oil and gas
- Develop baseline information that will lead to other projects, processes, ideas, and activities.

Grant Round Timelines

Grant round deadline dates are June 1 and November 1 of each year. Additional grant round deadline dates may be established by the Industrial Commission.

Grant Round Process & Procedures

Since the Program was implemented the Commission has approved funding of 56 projects totaling \$13,218,328. The dollars invested by the State in these projects is also matched so that every dollar

Ron Anderson Chairman Robert Harms

Ryan Kopseng, Vice Chairman John Berger Lynn Helms

Jeff Kummer

Terry Kovacevich Ed Murphy

Anthony Duletski Ron Ness



provided by the Program is leveraged. A grant may not exceed fifty percent of the total project cost. A higher priority will be given to those applications having private industry investment. As with the other Industrial Commission administered research programs the Commission believes having a partner in the project leads to projects being conducted that have a value to the industry and State and is not just research for research sake. The Oil and Gas Research Program during the current biennium has been set up to direct 73.25% of its funds for research and 15% for education with the remaining funds used for the Pipeline Authority (7.5%) and for administration (4.25%).

Current Projects of Interest

<u>CO₂ – Enhanced Bakken Recovery Research Program - Submitted by Energy & Environmental Research Center (EERC)</u>

This project will evaluate the use of CO₂ to increase the ultimate recovery of Bakken oil. The objective is to use new and existing reservoir characterization and laboratory data integrated with reservoir modeling to determine the viability of CO₂ for enhanced oil recovery in the Bakken.

Demonstration of Gas-Powered Drilling Operations for Economically Challenged Wellhead Gas and Evaluation of Complementary Platforms - Submitted by Energy & Environmental Research Center

This project will explore, identify and demonstrate technologies for utilizing wellhead gas. The project will demonstrate collection, transportation and fueling of a diesel engine power system for a drilling operation using pipeline or "lean" gas and demonstrate the powering of a drilling operation

Investigation of Methodologies for Dust Control - Submitted by Dunn & McKenzie Counties

This project proposes to evaluate and compare several different products and construction techniques. Magnesium chloride, flake calcium chloride, enzymatic soil stabilizers and geotextiles will be used in road test strips of one-half to one mile in length.

<u>Investigation of Improved Conductivity & Proppant Application in the Bakken - Submitted by Energy & Environmental Research Center</u>

The goal of this project is to improve the lateral and vertical drainage of hydrocarbons from the Three Forks and Bakken Formations by identifying the factors that lead to the collapse of propped fractures. Laboratory testing is proposed to determine whether more durable fracture conductivity can be achieved in the Bakken by altering the fracturing fluids, proppant types, and proppant concentrations.

ND Petroleum Council Oil Can! - Submitted by North Dakota Petroleum Council

utilizing delivery of compressed Bakken Formation associated gas.

Through this project the North Dakota Petroleum Council will continue their efforts through education and outreach to industry members, landowners, royalty owners, policymakers, and the general public. The campaigns include "Drive Safely", "Progress Zone", Townhall Meetings & Cookfests, Safety education to name a few.

Information on all the projects funded by the Program is available on the Industrial Commission website.

Oil and Gas Research Council Members

The Oil and Gas Research Council is a volunteer, citizen, industry, and government group which provides advice to the Industrial Commission on policies and recommends research for funding under the program. The Governor appoints the members of the Oil and Gas Research Council.

Ron Anderson (county commissioner from an oil-producing county) Anthony Duletski (representing oil and gas producing counties) John Berger (North Dakota Petroleum Council)
Ryan Kopseng (North Dakota Petroleum Council)
Terry Kovacevich (North Dakota Petroleum Council)
Jeff Kummer (North Dakota Petroleum Council)
Ron Ness (President, North Dakota Petroleum Council)
Robert Harms (President, Northern Alliance of Independent Producers)
Lynn Helms (ND Oil and Gas Division Director - non-voting member)
Ed Murphy (State Geologist - non-voting member)

Technical Advisors

Kent Ellis (Education expertise)
Monte Besler (Petroleum Engineering expertise)

The Industrial Commission Administrative Office provides the administrative support for the Council and maintains the financial records of the Program. Brent Brannan has been retained on a part-time basis to serve as the Oil and Gas Research Program Director.



Continuing Appropriation

	2011-2013	<u>Biennium</u>	2013-2015	<u>Biennium</u>
Beginning Balance		\$2,433,098 ¹		\$2,474,098
Add transfers and estimated revenues ²				
Transfer from State Treasurer from oil and gas taxes	\$4,000,000		\$4,000,000 ⁵	
Estimated applicant contributions	\$ 2,600		\$ 2,000	
Estimated Interest Income	\$ 10,900		\$ 10,000	
Total Available		\$6,446,598		\$6,486,098
Less estimated expenditures and commitments ³				
Estimated Project Expenditures & Commitments	\$3,500,000		\$ 5,950,000	
Administrative and Technical Services Costs	\$ 171,000		\$ 180,000	
Transfer to the North Dakota Pipeline Authority	\$ 301,500		\$ 305,000 ⁶	
Total estimated expenditures		\$3,972,500		\$6,435,000
Estimated ending balance		\$2,474,0984		\$ 51,098

⁽¹⁾ The Oil and Gas Research Program/Fund was authorized by the 2003 Legislature. During the 2003-2005 biennium \$50,000 was made available for the Program. That amount was increased in the 2005 Legislature to \$1,300,000 and then it was again increased in 2007 to \$3,000,000 and in 2009 it was increased to \$4,000,000. The source of funding for the Oil and Gas Research Fund is two percent of the state's share of the oil and gas gross production tax and oil extraction tax revenues.

⁽²⁾Revenues under the 2011-2013 biennium reflect the transfer of \$4,000,000 from the State Treasurer. Estimated interest income includes actual interest income of \$8,375 through December, 2012 and an estimate of the interest income through June 30, 2013. Estimated applicant contributions reflect actual applicant contributions of \$1,600 through December, 2012 with an estimate for the remainder of the biennium.

⁽³⁾ Since 2003 through January, 2013 the Commission has committed funding for 56 projects totaling \$13,839,238 of OGRP funding. Total project costs are \$223,556,666. This includes eight projects approved so far during the 2011-2013 biennium with funding to be provided during the 2011-2013 and subsequent biennia. A special grant round was established with a submission date of February 15, 2013 and 6 applications were received. Actual project payment through December, 2012 total \$720,116 with an estimate for the remainder of the biennium. Actual administrative and technical services costs through December, 2012 total \$117,118 (excluding the Pipeline Authority) with an estimate for the remainder of the biennium.

⁽⁴⁾ This funding is needed for payments of approved projects that will be completed in subsequent biennia.

⁽⁵⁾ This amount is in the current law. Engrossed Senate Bill 2014 would increase the amount to \$10,000,000.

⁽⁶⁾ This amount is determined by the Industrial Commission based on a recommendation from the Oil and Gas Research Council. It is estimated that approximately \$305,000 will be needed during the next biennium for the Pipeline Authority.



INDUSTRIAL COMMISSION OF NORTH DAKOTA

OIL AND GAS RESEARCH COUNCIL

Brent Brannan, Director

E-Mail: brentbrannan@gmail.com

Governor Jack Dalrymple Attorney General Wayne Stenehjem Agriculture Commissioner **Doug Goehring**

Testimony before the House Appropriations Committee, Government Operations Division Brent Brannan, Oil and Gas Research Program Director March 7, 2013

The Oil and Gas Research Council was established by the Legislature in 2003 to encourage the growth of the oil and gas industry through research and education. Here are some of the specific areas where the Council and Commission have focused these dollars:

- Nearly \$3 million dollars in grant money has been committed toward four research projects specifically aimed at utilizing natural gas in geographic locations where the operator might not otherwise be able to capture this energy. A few examples include; natural gas conversion to on-site power generation, wellhead gas capture through compressed natural gas technologies, and a technical evaluation of gas fired bi-fuel diesel power for drilling operations. The State's funding is being utilized along with additional outside grants and industry investment for a total of nearly \$14.5 million dollars.
- Over \$1,000,000 has been committed on improving field operations identifying uses for Bakken water; finding ways to improve conductivity and the type of proppant that best works in the Bakken and Three Forks formations. Again the State's dollars were leveraged with other funds for a commitment of over \$2.3 million.
- In the area of education we are providing funding to the University of North Dakota's Geology and Geological Engineering program to enhance the research capabilities in the North Dakota Geological Survey's core library for students and the industry and to encourage students to pursue career opportunities in the petroleum field. The OGRP's commitment of \$4 million is being leveraged with a contribution of \$10 million from industry.

There are two grant rounds per year, with exceptions made for special grant rounds as certain project plans may require specific start dates. During this past round of applicants (February 15th deadline), we received 6 applications (with one carry over application from a previous grant round), requesting funds totaling over \$17 million. These applications include; natural gas capture projects to reduce flares while separating and capitalizing on the natural gas liquids; wellsite optimization - increasing efficiencies as to operational and well density studies; and expanding a dust control project – attempt to reduce dust in western ND.

Extended projects and long term projects: The OGRP continues to support projects focused on education and safety through entities like the North Dakota Petroleum Council. Whether it is through the annual teacher seminars or career fairs at the middle or high schools, it is important to convey to our youth that North Dakota is the place where you want to work in the future and begin planning now for energy careers. The OGRP is also working with the Petroleum Council to encourage safety and cleanliness on our highways with programs such as "Progress Zone" and "Pick up the Patch".

Ron Anderson, Chairman Robert Harms

Ryan Kopseng, Vice Chairman John Berger Lynn Helms

Jeff Kummer

Terry Kovacevich Ed Murphy

Anthony Duletski Ron Ness





INDUSTRIAL COMMISSION OF NORTH DAKOTA

NORTH DAKOTA PIPELINE AUTHORITY

Governor
Jack Dalrymple
Attorney General
Wayne Stenehjem
Agriculture Commissioner
Doug Goehring

North Dakota Pipeline Authority North Dakota Century Code 54-17.7

The North Dakota Pipeline Authority was created by the North Dakota Legislative Assembly in 2007. The statutory mission of the Pipeline Authority is "to diversify and expand the North Dakota economy by facilitating development of pipeline facilities to support the production, transportation, and utilization of North Dakota energy-related commodities, thereby increasing employment, stimulating economic activity, augmenting sources of tax revenue, fostering economic stability and improving the State's economy." As established by the Legislature the Pipeline Authority is a builder of last resort, meaning private business would have the first opportunity to invest in and/or build additional needed pipeline infrastructure. The Industrial Commission acting as the North Dakota Pipeline Authority has issued no bonds under this statutory authority.

By law the Pipeline Authority membership is comprised of the members of the North Dakota Industrial Commission. The Industrial Commission transferred \$301,500 during the 2011-2013 biennium from the Oil and Gas Research Fund to the Pipeline Authority Fund. The Industrial Commission has named Justin Kringstad, a consultant, as Director of the Authority. He works closely with Lynn Helms, Director of the Department of Mineral Resources, Ron Ness, President of the North Dakota Petroleum Council and Karlene Fine, Executive Director of the Industrial Commission. The Pipeline Authority has no other staff and receives no direct General Fund appropriation. The Director of the Pipeline Authority reports to the Industrial Commission and the Oil and Gas Research Council on a regular basis.

The Pipeline Authority issues a quarterly newsletter in addition to making numerous presentations to the Legislative interim committees and the public. These newsletters and presentations are available on the Pipeline Authority website at www.northdakotapipelines.com In addition Mr. Kringstad hosts webinars on topics of interest to producers, developers as well as the general public. A recent webinar was on the topic of Natural Gas Flaring Alternatives. Recordings of the webinars are available on the Pipeline Authority website.

This past year the Authority hired Bentek Energy to conduct an analysis of the Williston Basin with the objective of forecasting natural gas production growth through 2025 to determine if adequate natural gas pipeline infrastructure exists in North Dakota. That study titled "The Williston Basin: Greasing the Gears for Growth in North Dakota" is posted on the website. There has been significant interest in that study with over 1280 hits.

The website is updated on a regular basis so you should add this website to your "favorites". We are hopeful that this website will be a good tool for keeping policy makers, citizens and industry informed of what is happening with the development of pipelines in North Dakota.



ANALYSIS OF THE PIPELINE AUTHORITY FUND N.D.C.C. 54-17.7-11 Continuing Appropriation

	2011-2013 Bie	<u>ennium</u>	2013-2015 Bie	<u>ennium</u>
Beginning Balance		\$158,113		\$ 34,913
Add transfers and estimated revenues ¹				
Transfer from Oil and Gas Research Fund	\$ 301,500		\$ 305,000 ³	
Estimated Interest Income	\$ 300		\$ 300	
Total Available		\$459,913		\$340,213
Less estimated expenditures and commitments ²				
Study Expenditures	\$ 220,000		\$ 120,000	
Administrative Costs	\$ 20,000		\$ 25,000	
Consultant Costs	\$ 185,000		\$ 195,000	
Total estimated expenditures		\$425,000		\$340,000
Estimated ending balance		\$ 34,913		\$ 213

⁽¹⁾ Revenues reflect a transfer of \$301,500 from the Oil and Gas Research Fund for the 2011-13 biennium. Estimated interest income includes actual interest income of \$215 through December, 2012 and an estimate of the interest income through June 30, 2013.

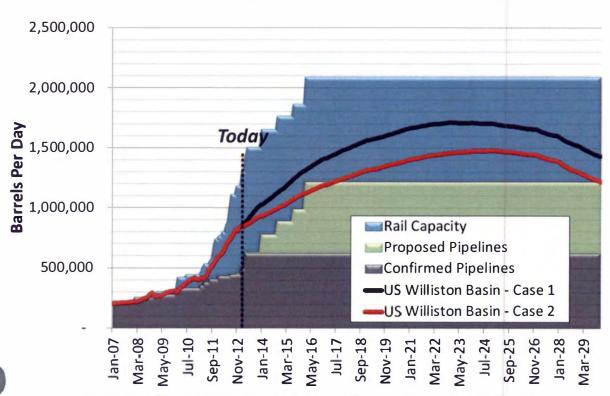
⁽²⁾ Actual administrative costs including one major study through December, 2012 total \$110,622 with an estimate for the remainder of the biennium. Actual consultant costs through November, 2012 total \$137,000 with an estimate for the remainder of the biennium.

⁽³⁾ The amount to be transferred from the Oil and Gas Research Fund for the Pipeline Authority is at the discretion of the Industrial Commission utilizing the funding available In the Oil and Gas Research Fund.

North Dakota Pipeline Miles



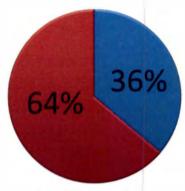
Williston Basin Oil Production & Export Capacity, BOPD



Production forecast is for visual demonstration purposes only and should not be considered accurate for any near or long term planning.

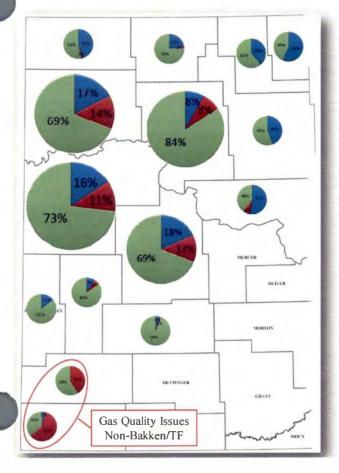
ND Crude Oil Gathering

Red – Trucked Blue – Pipeline



All ND Production

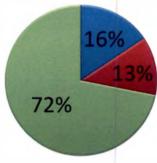
Sep 2012 Estimates – Some data incomplete or unavailable



Solving the Flaring Problem

GREEN – % of gas captured and sold Red – % flared from wells with at least 1 mcf sold.

Blue - % flared from "0" sales wells



All ND Production

Simple Terms

Red – Challenges on existing infrastructure
Blue – Lack of pipelines

Dec 2012 Data - Non-Confidential Wells



INDUSTRIAL COMMISSION OF NORTH DAKOTA

RENEWABLE ENERGY PROGRAM

Governor
Jack Dalrymple
Attorney General
Wayne Stenehjem
Agriculture Commissioner
Doug Goehring

Renewable Energy Program North Dakota Century Code 54-63

History of the Renewable Energy Program

North Dakota's Renewable Energy Program was established by the Legislature in 2007 under the control of the North Dakota Industrial Commission. The law provides that the Industrial Commission shall consult with the Renewable Energy Council. The Program's responsibilities include providing financial assistance as appropriate to foster the development of renewable energy and related industrial use technologies including, but not limited to, wind, biofuels, advanced biofuels, biomass, biomaterials, solar, hydroelectric, geothermal and renewable hydrogen through research, development, demonstration and commercialization. In addition the Program shall promote research and utilization of renewable energy co-product utilization for livestock feed, human food products and industrial use technologies. The Commission has adopted policies to implement this Program.

The Legislature further provided that the Commission shall contract with the Department of Commerce to provide technical assistance to the Renewable Energy Council and the Industrial Commission to carry out the law, including pursuit of aid, grants or contributions of money and other things of value from any source for any purpose consistent with the law.

In 2007 and 2009 the Legislature appropriated \$3,000,000 each biennium from the General Fund. In 2011 the amount was \$1,500,000. Section 18 of Engrossed SB 2014 would authorize a continuing source of funding for the program -- 5% of the Resources Trust Fund with a cap of \$3,000,000. The Executive Budget had a lower percentage of funding for the 2013-2015 biennium which resulted in \$2,734,767 being available for the Program.

Mission Statement

The Mission of the Renewable Energy Program is to promote the growth of North Dakota's renewable energy industries through research, development, marketing and education.

Grant Round Timelines

By policy grant round application deadline dates were established to be January 1, May 1 and September 1 of each year. Additional grant round deadline dates may be established by the Industrial Commission of North Dakota.

Grant Round Process & Procedures

A group of Technical Reviewers are identified by the Department of Commerce staff to analyze and critique the applications. Based on the analysis of the Technical Reviewers the Dept. of Commerce staff (Andrea Holl Pfennig) makes a recommendation to the Renewable Energy Council. The Council then makes a recommendation to the Industrial Commission. If the Commission approves funding the Industrial Commission Executive Director negotiates a contract and payments are made based upon work completed.

Grants may not exceed the legislative appropriation. By policy all projects must generate matching funds from industry or other sources (e.g., various federal government agencies, non-profit organizations) of cash or in-kind services (contributed equipment, materials or services). In-kind services may not exceed fifty percent of the total Commission funding amount. A grant may not exceed fifty percent of the total project cost. A higher priority will be given to those applications having private industry investment. The Commission has established that the maximum amount of any one grant is \$500,000.

Funded Projects

The Commission has approved the funding of 27 projects including 2 projects that were funded from the Biomass Incentive Research Fund. Currently there are 2 applications for Grant Round 18 that are in the review process. The total amount of Renewable Energy Program funding committed to the 27 approved projects as of December 31, 2012 is \$7,439,045. Each of these projects has match funding which means that the Renewable Energy Program funding has been leveraged to result in projects totaling over \$25.3 million. Some of the ongoing projects are:

- Biobased Hybrid Resins for Pultrusion Composites
- Energy Beet Research Phase II
- Distributed Nitrogen Fertilizer plant Engineering and Development
- Higher-Level Blend Ethanol Marketing
- Renewable Energy Commodity Trading Education Program

Renewable Energy Council

The Renewable Energy Council is appointed by the Governor. Current members are as follows:

Al Anderson, Commerce Commissioner - by law the Commissioner serves as Chairman Al Christianson, Great River Energy — represents Biomass Industry
Terry Goerger — represents the agriculture industry
Rod Holth, Green Vision — represents advanced biofuels and sugar-based biofuel
Eric Mack, ADM — represents biodiesel industry
Mark Nisbet, Excel Energy — represents wind industry
Randy Schneider — represents ethanol industry

ANALYSIS OF THE RENEWABLE ENERGY DEVELOPMENT FUND N.D.C.C. 54-63-04 Continuing Appropriation

	2011-2013 Biennium	2013-2015 Biennium
Beginning Balance	\$3,355,358 ¹	\$1,778,858
Add estimated revenues ²		
General Fund Appropriation	\$1,500,000	\$2,734,767 ⁴
Interest Income	\$ 8,250	\$ 7,000
Applicant contribution	\$ 1,500	\$ 1,000
Total Available	\$4,865,108	\$4,521,625
Less estimated project expenditures and commitments		
Project Expenditures & Commitments ³	\$2,980,250	\$4,000,000
Administrative Costs	\$ 106,000	\$ 110,000
Total estimated expenditures	\$3,086,250	\$4,110,000
Estimated ending balance	\$1,778,858	\$ 411,625

⁽¹⁾ The Renewable Energy Program/Fund was authorized in 2007 and received \$3,000,000 General Fund appropriations in each of the 2007-2009, 2009-2011 biennia & \$1,500,000 in the 2011-2013 biennium. In addition some special funds were transferred from the Biomass Incentive Fund.
(2) Revenues under the 2011-2013 biennium reflect the General Fund appropriation of \$1,500,000. Other estimated revenues include actual interest income of \$6,556 and application contribution income of \$1,000 through December, 2012 with estimated revenues for the remainder of the biennium.

⁽³⁾ Actual project expenditures through December 31, 2012 totaled \$1,712,352 and as of January 1, 2013 the Commission has outstanding commitments of \$2,090,267 for 12 projects with 2 project applications in the review process that total \$370,000 and one additional grant round scheduled for May 1, 2013. Actual administrative and technical costs through December 31, 2012 total \$66,740 with an estimate for the remainder of the biennium.

⁽⁴⁾ Section 18 of Engrossed SB 2014 establishes a continuing appropriation source for the Renewable Energy Fund—five percent of the amount credited to the Resources Trust Fund with a cap of \$3,000,000 per biennium. The <u>Executive Budget</u> estimates that \$2,734,767 will be transferred during the 2013-2015 biennium.

DEPARTMENT OF COMMERCE TESTIMONY ON SB 2014 MARCH 7, 2013, 9:00 A.M. HOUSE APPROPRIATIONS COMMITTEE, GOVERNMENT OPERATIONS DIVISION MEDORA ROOM REPRESENTATIVE BLAIR THORESON, CHAIRMAN

ALAN ANDERSON – COMMISSIONER, ND DEPARTMENT OF COMMERCE

Good morning, Mr. Chairman and members of the committee, my name is Alan Anderson and I serve as the Commissioner for the North Dakota Department of Commerce. As Commerce Commissioner I also have the pleasure of serving as the chairman of both the Renewable Energy Council and the EmPower North Dakota Commission.

The EmPower North Dakota Commission was established by the 2007 legislative assembly and made permanent by the 2009 legislative assembly. Its members are appointed by the Governor. It is an industry lead effort that allows all of our energy industries, both renewable and traditional, to have a voice into the state's energy policy.

On behalf of the EmPower ND Commission, I am here today to speak in favor of Senate Bill 2014. Specifically the EmPower ND Commission supports the Value-Added Market Opportunities Study, Renewable Energy Program, the Housing Incentive Fund, and the increased staffing for the Department of Mineral Resources.

The EmPower ND Commission supports a permanent funding mechanism for the Renewable Energy Program, similar to the Oil & Gas Research and Lignite Research programs. The EmPower ND Commission recommended, and the interim Energy Development & Transmission Committee introduced, SB 2027 the provisions of which have been rolled into SB 2014. One such provision provides five percent of the funds transferred into the Resources Trust Fund to the Renewable Energy Program with a cap of \$3 million per biennium. The Executive Budget Recommendation also included a similar provision.

Examples of projects funded from the Renewable Energy Program include:

- Renewable Energy Commodity Trading Education Program (\$500,000). This program
 will develop a world class renewable energy commodity trading educational programs for
 students, feedstock suppliers, and industry personnel at NDSU with match provided by
 ADM and Gavilon.
- Biobased Hybrid Resins for Pultrusion Composites (\$200,000). This project will utilize NDSU expertise to develop novel polyurethane resins from renewable materials such as vegetable oils. This would be used to fabricate items such as biobased plastics and fiberglass. If successful, the composites would be manufactured by Tecton in Fargo.
- Distributed Nitrogen Fertilizer Plant Engineering and Development (\$431,000). This project will develop a Basic Engineering Design Package for a small-scale, distributed nitrogen fertilizer plant that will be co-located at Tharaldson Ethanol.

Another provision included in SB 2027 was a study to evaluate value-added opportunities related to renewable energy resources. This was similar to a study included in SB 2029 to evaluate

value-added opportunities related to oil & gas. The Senate combined these studies into one and placed them into SB 2014 at a funding level of \$500,000. The agriculture industry in the state has evolved from just producing agricultural commodities to also adding value to those commodities and manufacturing end products. The commission would like to see opportunities explored to do the same for our energy resources. This could include chemicals, plastics, nanofibers, manufactured products or materials yet to be discovered.

SB 2029 also included an increase in the amount of funding available for the Oil & Gas Research Program. The EmPower ND Commission had recommended the bill at a level of \$5 million, which is a \$1 million increase. The interim Energy Development & Transmission Committee had amended it to a level of \$10 million, which is the level the Senate had included in SB 2014.

The EmPower ND Commission also supports the Governor's recommended \$30 million appropriation for the Housing Incentive Fund. The EmPower ND Commission recommended, and the interim Energy Development & Transmission Committee introduced, HB 1029 which extends the sunset for the Housing Incentive Fund and provides for tax credits in the amount of \$20 million. Combined, these two bills would provide a total of \$50 million for assistance in providing affordable housing throughout the state. Affordable housing has been identified as one of the key challenges to attracting and retaining workforce in the state.

The EmPower ND Commission recommends the State of North Dakota:

Recognize the additional burdens new energy developments are placing on state regulatory agencies and provide adequate funding and staffing levels for North Dakota Department of Health, North Dakota Department of Mineral Resources, North Dakota Public Service Commission, and North Dakota State Water Commission to ensure that each will be able to properly manage their respective programs.

It is important for energy development, as well as for the safety of the citizens and environment, that proper resources are being put forward to the regulation of the industry. It is vital that the state maintain regulatory primacy and that requires having sufficient staff resources within our regulatory agencies. A lack of adequate staff resources could also impede energy development. The EmPower ND Commission supports the additional FTEs and salary dollars for the Department of Mineral Resources as recommended by the Governor and approved by the Senate in SB 2014.

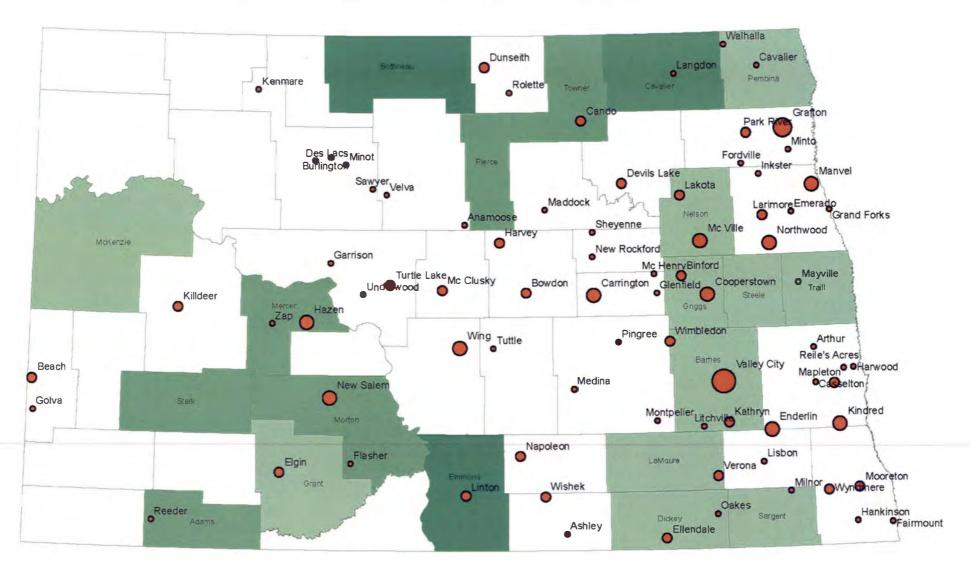
As Commerce Commissioner, I would also like to provide a few comments on the Energy Conservation Fund. This fund is created in the Department of Commerce's appropriation bill (section 12 of SB 2018) and the funding source is included in section 18 of SB 2014. The Energy Conservation Fund will be used to provide energy efficiency grants for public buildings throughout the state. This has the potential to save significant taxpayer dollars over time.

This new program will be similar to the Energy Efficiency and Conservation Block Grant program that utilized about \$8.5 million in federal fiscal stimulus dollars. These funds were used to retrofit 198 building with about 3.5 million square feet. These projects provide an annual savings of \$1.11 million. A map of these projects is attached to my testimony.



Mr. Chairman and members of the Appropriations Committee, I respectfully request your favorable consideration of Senate Bill 2014. That concludes my testimony and I am happy to entertain any questions.

Energy Efficiency and Conservation Block Grant: Number of Energy Efficiency Retrofits and Locations



County Buildings

City Buildings













Page 1 of 14 March 7, 2013 Sandi Tabor Lignite Research Council SB 2014

SB 2014 Lignite R&D Program Funding Testimony of Sandi Tabor

House Government Operations Division

I. Overview of the Lignite Industry

A. Current Lignite Industry in North Dakota

- 30 million tons of lignite coal
 - Serves 2 million people with electricity
 - Serves 225,000 homes with SNG (Synthetic Natural Gas)
 - Produces 1,000 tons per day of agricultural fertilizer

B. Annual Economic Contribution to North Dakota (2012 projected)

- Over 4,000 people employed / more than 17,500 total direct/indirect/ or one out of every 22 jobs in the state is tied to the lignite industry
- \$1,200 million in direct expenditures / each dollar spent multiplies into three dollars for our economy for a total of nearly \$3.5 billion
- \$1,076 million in personal income
- \$101.6 million in state tax revenues

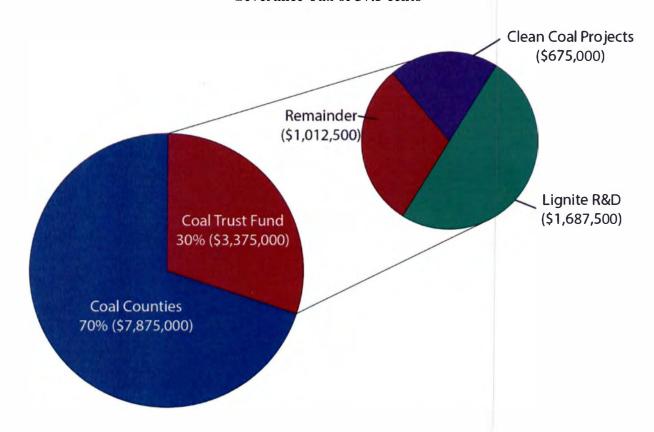
II. Overview of the Lignite Research Council

A. 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
 - Appointed by the Governor
 - Provides advice on policy and guidelines
 - Provides recommendations on project funding
 - Members are representatives from both the private and public sectors
 - John Dwyer serves as the Chairman of the Council and Mike Jones serves as the Technical Advisor to the Council

B. What are Funding Sources of R&D Program?

ND Coal Severance Tax Annual Revenue and Distribution (Assumes 30 million tons of annual production) Severance Tax of 37.5 cents*



Summary of Lignite R&D Funding

Summary of Annual Revenue

Lignite R&D (50% of Coal Trust Fund)	\$1,687,500
Clean Coal Projects (20% of Coal Trust Fund)	675,000
2 Cents per ton R&D Tax	600,000*
Coal Conversion Tax	1,250,000**
Total Annual R&D Revenue	\$4,212,500
	<u>x2</u>
Total Estimated Biennium Revenue	\$8,425,000

Additional revenues are also received from investments made in the Dakota Gasification Plant.

Note: In addition to the funding from the Coal Trust Fund, the Lignite R&D Program receives revenue from a two-cents-per-ton R&D tax.

**Note: The legislature has authorized that a portion of the Coal Conversion Tax be transferred to the Lignite Research Fund through July 31, 2018.

III. Summary of 2011-13 activities

A. Research Projects for existing facilities – What are the benefits?

- Combustion, gasification & environmental research projects help identify technologies that increase efficiencies, reduce emissions, and increase use of combustion byproducts (EERC)
 - Examples are:
 - \$80,000 in state money has resulted in sales of nearly 100 percent of fly ash generated at Coal Creek Station – resulting in annual sales revenue of \$2.5 million versus landfill costs of \$2 million
 - \$400,000 in state money has resulted in \$13.5 million DOE investment for coal dryer development at Coal Creek Station Unit II and subsequent investment of over \$600 million to integrate coal drying at Coal Creek Station. This project in turn has led to the construction of a \$375 million power plant at Spiritwood near Jamestown. The plant will be fueled with beneficiated lignite
 - \$3 million in state money was leveraged for total of \$30 million used for research and demonstration projects to develop cost-effective mercury control technologies for lignite-based plants
 - \$3.1 million in state money has been leveraged for a total of \$158 million used to demonstrate the technical and economic feasibility of *storing* CO₂ in terrestrial and geological formations (EERC PCOR)
 - \$490,000 in state money has been leveraged for a total of \$8,716,523 used for research on Oxy-firing to demonstrate one possible lower cost option for capturing CO₂ by burning coal in oxygen instead of air to produce a flue gas rich in CO₂.
- B. Demonstration Projects Lignite Vision 21 Program (LV21) Primary purpose is to assist with developing new projects with cost-effective clean coal technologies to meet additional energy demands.
 - What is in it for State? LV21 means new taxes and new jobs!
 - ALE Coal-to-liquid fuels (CTL) Plant (30,000 bpd gasoline) would mean (estimated):
 - o 700 direct jobs
 - 9 million more tons of coal
 - \$4 billion capital cost
 - o Go-no go decision by December 2013
 - GNPD Coal-to-hydrogen-electricity plant (175 MW) would mean (estimated):
 - o 350 direct jobs
 - o \$8.17 million more in annual tax revenue
 - o 2.8 million more tons of coal
 - \$3 billion capital cost
 - Mine permit application filed, coal beneficiation demonstration plant constructed

- GRE Spiritwood 99-megawatt power plant will mean when it is operative next year (estimated):
 - 43 operating jobs (24 direct power plant and 19 for transportation of beneficiated coal)
 - o \$380 million/year economic impact
 - o 700,000 more tons of coal
 - \$375 million capital cost
 - Construction completed, operation due to begin January 2015
- Support Services to Developers under LV21
 - Environmental/Regulatory
 - Research & Development
- What is North Dakota's commitment to LV21?
 - Unqualified support from Legislature and Industrial Commission (Governor, Attorney General & Ag Commissioner)
 - Agency support shortens lead times / reduces risk
 - \$10 million in *matching* funds for development phase for each project upon Industrial Commission approval

C. Marketing Activities - What are the benefits?

- Marketing program includes advertising flights (concentrated in targeted market areas in ND & MN)
 - Research shows advertising on broadcast television has improved overall favorability of coal-based electricity in Minnesota and North Dakota
 - o Over 75% in ND favor coal-based electricity
- Development and implementation of successful marketing plan helps preserve and enhance lignite markets
 - Messages include affordability, reliability, increasingly cleaner and energy security

D. Lignite Study Initiatives (20011-2013)

- Beneficial Use of CO₂ Study
 - Completed 1/12
 - Identified opportunities for beneficial use of CO₂ from lignite-based energy conversion facilities in North Dakota
- Lignite-based Advanced Generation Technology Systems at 175-225 MWe Size range
 - Evaluated "Best" options for new 175-225 MWe lignite-based power plant
 - Completed 12/12

E. How was \$19.97 million R&D appropriation allocated in present biennium (2011 to 2013)?

Appropriated		Amount (\$) \$19,971,300
Expended (Estimated)		
Research Activities	(\$1,120,000)	
Demonstration	(\$1,900,000)	
Marketing	(\$491,700)	
Litigation (General Fund and LRF)	(\$855,665)	
Administration	(\$750,000)	
Enhance, Preserve and Protect	(\$1,505,375)	
Subtotal		(\$6,622,740)
Balance (Appropriated less expended funds)		\$13,348,560

F. Future commitments for Lignite Vision 21 Program (Demonstration Projects)

The NDIC has made formal commitments to three projects under the Lignite Vision 21 Program. Outstanding commitments for these three projects for subsequent biennia are dependent on start-up for the Spiritwood facility, and construction for ALE CTL and GNPD Coal-to-hydrogen-to-electricity projects.

Outstanding NDIC commitments for these LV21 projects are:	NDIC <u>Commitments</u>
ALE Coal-to-Liquid Fuels Project	\$ 8,650,000
GRE Spiritwood Project (Beneficiated coal/lignite-based electricity/renewable energy)	\$ 75,000
Great Northern Project Development/South Heart	\$ 3,572,866
Expected NDIC Commitments ('11 to '13 Biennium)	\$12,297,866

IV. Summary of 2013-15 Planned Activities:

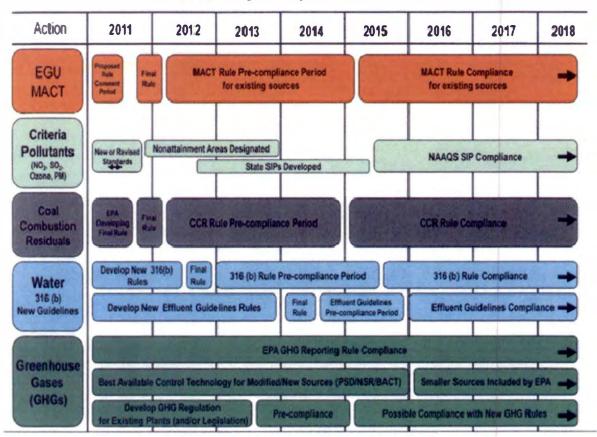
A. Overview of Political/Regulatory Climate

• The Landscape has Changed



• Future environmental issues will have a significant impact on our competitiveness / growth potential

EPA New Regulatory Actions Timeline



B. Industry Response

- Intensive year-long strategic planning process
 - Identified several key foundations that must be addressed
- Board of Directors agreed to:
 - Three-year plan to fight back
 - Significant increase in dues to support plan

C. Enhance, Preserve and Protect Project

- Goals
 - To preserve and protect the existing lignite fleet in North Dakota
 - Support existing partners in the development of new lignite facilities
 - Explore new avenues to develop value-added opportunities for lignite and combustion waste products
- Research and Development Program
 - Address immediate technology needs as existing plants comply with new regulations
 - Discover new beneficial uses for lignite
 - Examine technology options that will allow a new lignite fleet to develop
- Public Affairs Program
 - Aggressively push back against proposed rules and legislative initiatives that do not make scientific or economic sense

- Develop coalitions throughout the region to educate and address misinformation regarding lignite-based generation
- Coordinate with the State on issues of common concern
- Explore opportunities to improve our communications with federal agencies
- Support Services to Developers under LV21
 - Environmental/Regulatory
 - Research & Development
- Lignite Study Initiatives Proposed (2013-2015), subject to review and approval
 - Determine best options for new strategies for NOx control for lignite based plant in using North Dakota lignite
 - Determine life cycle CO₂ footprint for natural gas based electricity

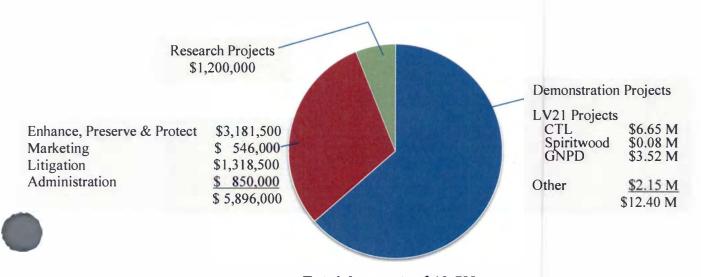
V. 2013-2015 Budget

A. Governor's Industrial Commission budget of \$19.5 million consists of:

Research and Education Activities	\$ 1,200,000
Demonstration Projects	\$12,404,000
Marketing	\$ 546,000
Litigation	\$ 1,318,500
Enhance, Preserve and Protect	\$ 3,181,500
Administration	\$ 850,000
	\$19,500,000

B. What is proposed for 2013 - 2015 Biennium for lignite R&D program? How will \$19,500,000 be allocated in 2013 to 2015 biennium?

2013 – 2015 Lignite R&D Proposed Appropriation



Total Amount = \$19.5M

Summary of Research, Development & Marketing Components

- Research Each dollar in state funds has generated another six 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;
- Enhance, Preserve and Protect The lignite industry in partnership with the State of North
 Dakota has developed a 3 year plan to aggressively work to preserve and protect the existing
 lignite fleet in North Dakota, support existing partners in the development of new lignite
 facilities, and explore new avenues to develop value-added opportunities for lignite and
 combustion waste products;
- Marketing Developed regional lignite marketing plan, presently being implemented;
 Assistance to Lignite Vision 21 Program participants; Identified new markets for beneficiated lignite;
- <u>Development (Demonstration)</u> Feasibility and permitting of clean coal demonstration projects which will provide new markets for lignite-based electrical generation and renewable energy, upgraded or beneficiated lignite, liquid fuels such as gasoline, diesel and jet fuels, and by-products such as activated char for enhanced mercury control; Implemented *Lignite Vision 21 Program* to develop new clean coal energy conversion projects;
- <u>Litigation</u> Funds are made available if needed for litigation that may be necessary to protect and promote the continued development of lignite resources; and
- 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, and
 our state.

Additional information is also available on the R&D Program Web site: http://www.state.nd.us/ndic/lrc-infoP.htm

Summary of 2013 - 2015 Small Research Projects

<u>FY06-LV-143: "Plains CO2 Reduction Partnership - Phase II":</u> Program Funding: \$360,000; Total Project Costs: \$21,487,892. Objective: Initiate Phase II activities by performing field sequestration validation tests leading to eventual commercial applications that include geologic storage and coal seams (producing coal bed methane) in addition to land management practices and wetlands.

FY08-LXII-159: "Demonstration of Coal Combustion Products for Green Roadbuilding in Medora, North Dakota": Program Funding: \$125,000; Total Project Costs: \$377,725. Objective: Demonstrate environmentally sustainable (green) roadbuilding using multiple coal combustion product (CCP) utilization applications and, in the process, educate North Dakota industry, state agencies, and the public about environmentally sustainable construction.

FY08-LXII-160: "Center for Air Toxic Metals Program Affiliates Membership for the North Dakota Industrial Commission (NDIC)": Program Funding: \$45,000; Total Project Costs: \$270,000. Objective: Develop information on the behavior of air toxic substances that allows for the prediction of the fate of air toxic metals, the enhancement of existing control technologies, the identification of new control technologies, the optimization of utilization and disposal of residuals, and pollution prevention.

FY08-LXIV-163: "Coal Ash Behavior in Reducing Environments (CABRE III)": Program Funding: \$150,000; Total Project Costs: \$2,401,174. Objective: Conduct research and demonstrate fuel ash-related roblems that affect gasification performance and provide more reliable evaluation tools for gasifier design engineers and operators to assess coal requirements and optimize operating conditions.

FY08-LXIV-164: "Partnership for CO2 Capture": Program Funding: \$300,000; Total Project Costs: \$3,410,000. Objective: Conduct pilot-scale demonstration testing of selected CO2 separation and capture technologies for fossil fuel-and biomass-fired systems. The technologies may include solvent scrubbing, oxygen-fired combustion, and gas separation membranes.

<u>FY10-LXVII-168</u>: "Lignite Education Program": Program Funding: \$156,000; Total Project Costs: \$312,000. Objective: to educate teachers from North Dakota and neighboring states about the economic benefits, career opportunities and operations of the lignite industry, enabling them to educate their students about the industry.

FY10-LXIX-171: "Partnership for CO2 Capture-Phase II": Program Funding: \$150,000; Total Project Costs: \$1,860,000. Objective: This project focus is to develop promising technologies toward demonstration and commercialization that capture and separate CO2 from a dilute gas stream produced by combusting fossil fuels. In order for this to happen, the program will focus on developing and demonstrating a range of CO2 capture technologies while achieving high reductions in SOx, NOx, particulate, mercury, and other gas constituents as required by CO2 capture technologies.

FY10-LXIX-173: "Evaluation of Novel Technologies for CO2 Capture": Program Funding: \$50,000; Total Project Costs: \$1,935,156. Objective: This project will evaluate technologies that have the potential to liramatically reduce the cost of CO2 capture from a dilute gas stream produced by combusting fossil fuels. The technology that has been chosen for evaluation and optimization is the Neumann System Group's (NSG's) NeuStreamTM technology.

FY10-LXX-175: "Center for Air Toxic Metals Affiliates Program": Program Funding: \$45,000; Total Project Costs: \$1,000,000. Objective: This project will use a cradle to grave approach to solve scientific and environmental issues related to the production of energy and industrial processes in an environmentally responsible manner and to assist impacted organizations to meet pending regulations and control challenges. The focus of these efforts will be on air toxic metals with particular interest in Mercury emissions.

FY11-LXXI-177: "Annual LEC Education Seminar: Energy, Economics & Environment": Program Funding: \$160,000; Total Project Costs: \$320,000. Objective: The program involves a two credit, four day seminar to educate ND, MN, SD & MT teachers about lignite industries.

FY12-XXII-178: "Evaluation of CO2 Capture from Existing Coal Fired Plants by Hybrid Sorption Using Solid Sorbent (CACHYSTM)": Program Funding: \$350,000; Total Project Costs: \$3,690,000. The objective of this project is to improve the current state-of-the-art by developing a novel sorbent-based, post-combustion technology, namely the CACHYSTM process that can achieve at least 90% carbon dioxide (CO2) removal from coal-fired power plants while demonstrating progress toward achievement of the U.S. Department of Energy's (DOE) target of less than a 35% increase in the levelized cost of electricity (LCOE).

FY12-XXIII-179: "Demonstration of Multipollutant Reduction Using a Lextran 3-in-1 Wet Scrubber": Program Funding: \$67,200; Total Funding: \$199,050. The general objective is to conduct pilot-scale combustion testing of the Lextran 3-in-1 gas cleaning technology using lignite-fired flue gas conditions at the Energy and Environmental Research Center.

FY12-XXIII-180: "Novel In-situ Sorbent Activation Process (SAP) – An Evaluation of North Dakota Lignite and Lignite Byproduct Feasibility to Reduce Mercury in Exhaust Gases Over an Extended Period of Time": Program Funding: \$400,000; Total Project Costs: \$1,045,000. The overall objective of the proposed project is to test the commercial application of EPRI's patented mercury control technology (SAP) at commercial scale and over a longer duration on North Dakota lignite at Great River Energy's Coal Creek Station.

FY12-XXIII-181: "Geomechanical Study of Harmon Lignite and Surrounding Rocks for Underground Coal Gasification in Western North Dakota": Project Funding: \$242,729; Total Project Costs: \$485,712. The objective of this project is to determine the feasibility of using underground coal gasification (UCG) to access currently un-economic lignite resources in North Dakota.

Summary of 2013 – 2015 <u>Demonstration</u> Projects (Matching Funds)

FY06-LVII-148: "Lignite Vision 21 Project Coal-to-Liquids Plant McLean County, North Dakota": Program Funding: \$10,000,000; Total Project Costs: \$50,000,000. Objective: Complete the Front-End Engineering and Design (FEED) for a 10,000 barrels per day (bpd) coal to liquids (CTL) plant to be located in McLean County, North Dakota. The 10,000 bpd CTL will use indirect liquefaction and Fischer Tropsch to produce diesel, jet fuel, and naphtha. Also, the plant as proposed would yield other products and electricity. Limited activity is noted on this project. This contract is being amended.

FY07-LVIII-149: "Spiritwood Energy Power Plant": Program Funding: \$2,000,000; Total Project Costs: \$375,000,000. Objective: Construct and operate a beneficiated lignite-fired combined heat and power plant near Spiritwood that would provide steam for an expanded malting facility and yet to be determined steam client. The size of the boiler for the combined steam and electrical load is equivalent to a 99 MW power system.

FY07-LXI-154: "Development of Biomimetic Membranes for Near-Zero PC Power Plant Emissions": Program Funding: \$260,000; Total Project Costs: \$5,832,241. Objective: Evaluate and demonstrate the ability of a contained liquid membrane permeator to capture CO2 from flue gas produced during the combustion of lignite.

FY07-LXI-157: "North Dakota Partnership in the Canadian Clean Power Coalition Phase III": Program Funding: \$130,000; Total Project Costs: \$260,000. Objective: To support the development of advanced coal utilization technologies including gasification, oxy-fuel combustion, and various carbon removal technologies that can be applied to conventional coal power plants.

<u>Y07-LXI-158</u>: "Demonstration of WRI's Pre-Combustion Mercury Removal Process for Lignite-Fired Power Plants": Program Funding: \$188,000; Total Project Costs: \$595,000. Objective: To develop and demonstrate precombustion mercury removal of raw coal by thermal treatment.

FY08-LXII-161: "Lignite Vision 21 Feasibility Project Phase IV – Engineering, Business Development and Design": Program Funding: \$7,328,807; Total Project Costs: \$28,300,000. Objective: Conduct Pre-FEED (front-end engineering and design) and FEED studies showing the feasibility of constructing a coal gasification project making pipeline quality synthetic natural gas from lignite.

FY08-LXIII-162: "Plains CO2 Reduction Partnership - Phase III": Program Funding: \$2,400,000; Total Project Costs: \$136,231,052. Objective: Demonstrate technical and economic technologies to store CO2 in geologic formations in the region. One demonstration project will be conducted in western North Dakota and the other demonstration project will be conducted in British Columbia.

FY09-LXV-165: "CO₂ Capture Demonstration Project": Program Funding: \$2,700,000; Total Project Costs: \$5,400,000. Objective: Conduct a Front End Engineering and Design study involving the application of Powerspan's technology to remove 90% of the carbon dioxide from a 120 MW flue gas slipstream of Unit 1 of the Antelope Valley Station.

FY09-LXV-166: "Long-term Assessment of Selective Catalytic Reduction Reactor Slip Stream Performance of Utilities Burning Lignite Coal": Program Funding: \$200,000; Total Project Costs: \$1,050,000. Objective: Conduct testing of selective catalytic reduction technology to remove nitrogen oxides from the flue gas of SaskPower's Poplar River Station Unit 1, which burns Fort Union Lignite.

FY10-LXVI-167: "Application of Waste Heat Recovery Generation at Great River Energy's Coal Creek Station": Program Funding: \$55,000; Total Project Costs \$110,000. Objective: Calnetix will evaluate waste heat sources at lignite based power plants to determine if additional waste heat recovery can be applied economically to these facilities.

<u>FY10-LXVIII-169</u>: "Alstom Oxy-fired Demonstration Project": Program Funding: \$490,000; Total Project Costs: \$8,716,523. Objective: Alstom will use their 5MW pilot facility to examine the impact of oxy-firing on boiler performance with a range of US coals. Funding from the LRC will be used to partially fund testing a ND lignite coal supplied by GRE that has been upgraded using their Dry-fining process.

<u>FY10-LXIX-171: "Partnership for CO2 Capture – Phase II":</u> Program Funding: \$150,000; Total Project Costs: \$1,860,000. Objective: To identify and help commercialize a range of CO2 capture technologies that can be used by the electric utility industry to meet potential regulations to capture and sequester CO2 from lignite-fired power plants.

FY10-LXIX-172: "WRITECoal Gasification Process for Low Rank Coals for Improved Integrated Gasification Combined Cycle with Carbon Capture: Phase II – Pilot-scale Demonstration": Program Funding: \$549,500; Total Project Costs: \$1,970,022. To demonstrate the Western Research Institute's WRITECoal TM gasification process for IGCC with CO2 capture, fuel cell applications, and chemicals production.

FY11-LXXI-176: "Field Evaluation of Novel Approach for Obtaining Metal Emission Data": Program Funding: \$235,120; Total Project Cost: \$573,000. Objective is twofold: 1) to evaluate the EERC-developed multi-element sorbent trap (ME-ST) technology at two ND lignite-fired full-scale sites, and 2) to provide metal and halogen emission data at these sites.

FY12-LXXII-178: "Evaluation of CO2 Capture from Existing Coal Fired Plants by Hybrid Sorption Using Solid Sorbent (CACHYSTM)": Program Funding: \$350,000; Total Project Costs: \$3,690,000. Objective: The project team proposes to develop and demonstrate a hybrid solid sorbent based process to capture CO2 from flue gas using novel process chemistry and contactor conditions. The goal is cost effective CO2 capture and separation technology applicable to lignite based power plants

Summary of 2011 – 2013 <u>R&D Projects</u> (Non-Matching Funds)

LMFS-10-40: "Lignite Vision 21 Program - Phase VI Environmental Permitting and Transmission Plan Development of Lignite 21 Projects": Program Funding: \$1,312,500; Objective: 1) coordinate and assist the Lignite Vision 21 Program (LV21P) participants; 2) develop and implement legal, marketing, generation, environmental, and transmission strategies; 3) manage the LV21P projects in order to eliminate any potential duplication; and 4) maximize value for the State of North Dakota.

LMFS-10-40A: "A Study of Lignite-Based Advanced Generation Technology Systems": Program Funding: \$150,000; Objective: To evaluate the potential technology options for a new 175-225 MWe lignite-based base load power plant to be built in North Dakota. Options to be considered include PC-fired boiler, circulating fluidized bed boiler and an integrated gasification combined cycle system.

LMFS-10-40B: "Beneficial Use of CO2 for North Dakota Lignite Fired Plants": Program Funding from LV21P: \$275,000; Total Project Funding: \$414,000. Objective: To evaluate the technical options for beneficial use of CO2 from plants using ND lignite. In addition, the market potential based on the markets for the products produced will be determined.

LMFS-07-39D: "Lignite Gasification Technologies Summary Report": Program Funding: \$50,000 from LV21P; Total Project Funding: \$100,000. Phase V Project Objective: Compile various lignite gasification research, development and demonstration project information into a summary report. The unique properties of lignite from the US will be discussed and the impact of those properties on gasification system performance discussed.

<u>LMFS-40</u>: "<u>Lignite Marketing Program - Phase VI"</u>: Program Funding: \$1,312,500; Objective: To improve the public image and promote the use of lignite-based electricity, to build a public support base, to ensure growth and stability of the regional lignite industry and to assist in the development of energy and environmental policies.

Summary of 2009 – 2011 Marketing Projects (Matching Funds)

FY06-LVI-147: "Implementation of Lignite Regional Energy Marketing Plan": Program Funding: \$2,400,000; Total Project Costs: \$4,800,000. Objective: Improve and maintain overall public regional image of coal and promote the use of coal as a low-cost, efficient and environmentally compatible energy source to ensure the continued utilization and growth of coal-based electrical energy.

FY10-LXVII-170: "Implementation of North Dakota Lignite Energy Marketing Plan (dated October 2009)": Program Funding: \$819,000. Total Project Costs: \$1,638,000. Objective: Improve and maintain overall public regional image of coal and promote the use of coal as a low-cost, efficient and environmentally compatible energy source to ensure the continued utilization and growth of coal-based electrical energy.



NORTH DAKOTA TRANSMISSION AUTHORITY

Governor
Jack Dalrymple
Attorney General
Wayne Stenehjem
Agriculture Commissioner
Doug Goehring

NORTH DAKOTA TRANSMISSION AUTHORITY Chapter 17-05 North Dakota Century Code

The North Dakota Transmission Authority was created by the North Dakota Legislative Assembly in 2005. Since its inception the Authority's mission has been to facilitate the development of transmission infrastructure in North Dakota. The Authority was established to serve as a catalyst for new investment in transmission by facilitating, financing, developing and/or acquiring transmission to accommodate new lignite and wind energy development. The Authority is a builder of last resort, meaning private business would have the first opportunity to invest in and/or build additional needed transmission.

By statute the Authority membership is comprised of the members of the Industrial Commission. Curtis Jabs was just recently named as Acting Director of the Authority. Prior to his appointment Sandi Tabor had served as Director of the Authority since 2006. The Authority Director works closely with the Executive Director of the NDIC, Ms. Karlene Fine. The Authority has no other staff and receives no direct General Fund appropriation. Funding for the Authority comes from the Lignite Research, Development and Marketing Program.

The powers of the Authority include: 1) make grants or loans or borrow money; 2) to issue up to \$800 million in revenue bonds; 3) enter into lease-sale contracts; 4) own, lease, rent and dispose of transmission facilities; 5) enter into contracts to construct, maintain and operate transmission facilities; 6) investigate, plan prioritize and propose transmission corridors; and 7) participate in regional transmission organizations. In 2009 the Legislature provided the Authority with the power to attach the moral obligation of the State on up to 30% of any revenue bonds sold in conjunction with the financing of a transmission line project.

During the current biennium the Transmission Authority, in partnership with Basin Electric Cooperative and Montana Dakota Utilities, conducted a study on electric baseload needs for the region through 2032 titled "Power Forecast 2012 – Williston Basin Oil and Gas Related Electrical Load Growth Forecast." This study showed that the electric baseload needs for North Dakota by 2032 will triple – going from the current baseload of 974 to 3030 MW. In order to provide that baseload to North Dakota citizens, both residential and commercial, additional transmission lines will need to be built and we are pleased that the private sector has already begun the process of getting these lines in place. The full study is posted on the Industrial Commission website at http://www.nd.gov/ndic/ic-press/Power2012.pdf

The Authority's work has also focused on interaction with members of Midwest Independent System Operator (MISO), the Organization of MISO (OMS) and other regional and state planning and permitting authorities to ensure transmission policies developed will be favorable to any new ND projects (coal or wind) that may come before these groups.

The Authority has continued to be engaged in the next phase of MISO transmission line development work ... a task force called the Multi-Value Project (MVP) Candidate Task Force. This group evaluated the feasibility of "starter project" lines. During this past year the MVP process moved from study to final recommendation. The transmission lines identified by the MVP study are lines that have near-term value to the ultimate build-out of transmission across the MISO footprint. The significance of a transmission project being identified as an "MVP line" is that the cost of building the line will be allocated across the MISO footprint. Seventeen lines were identified as MVP lines. Of particular importance to North Dakota are the Ellendale to Big Stone, Big Stone to Brookings and Brookings to Twin Cities lines. Montana-Dakota Utilities Co, Great River Energy, Otter Tail Power Company and Xcel have indicated an interest in building the Ellendale to Twin Cities segments.

Mr. Jabs, along with representatives from the North Dakota Public Service Commission, is also involved in a planning process including the 39 states located within the Eastern Interconnection. This planning process is focused on identifying the infrastructure needs to move power from western rural areas of the country (like North Dakota, South Dakota and Kansas) to the urban areas of the eastern United States. The study is financed through a grant from the Department of Energy and will be completed in the near future.

The Transmission Authority also coordinates its activities with the Public Service Commission and the Department of Commerce and regularly reports to the Industrial Commission.

A copy of the Transmission Authority's annual report is available on the Industrial Commission website at http://www.nd.gov/ndic/ under publications.



Study Regions — Comparison

MW Demand			
	2012	2032	Additional
North Dakota	974	3,030	2,057
Montana	204	608	404
South Dakota	31	83	52
Total	1,209	3,721	2,512



March 7, 2013



INDUSTRIAL COMMISSION Jack Dalrymple Governor Wayne Stenehjem Attorney General Doug Goehring Agriculture Commissioner

SB 2014 North Dakota Housing Finance Agency **Division of the State Industrial Commission** Budget No. 473.0 **Testimony of Michael Anderson, Executive Director House Appropriations Committee**

Chairman Thoreson and members of the Government Operations Division of the House Appropriations Committee:

My name is Mike Anderson executive director of the North Dakota Housing Finance Agency.

The Agency's budget is in Section 1, subdivision 5 of SB2014. The \$40,862,039 Executive Recommendation after adjusting for one-time funded items from the current budget represents a 6% increase from the 2011-2013 biennium budget. The majority of this is accounted for with HUD Section 8 grants increasing by 10% and the Agency operating expenses decreasing by 25% to \$3.7 million. The majority of the reduction in operating expenses in the Operating Fees and Services line item - in particular Servicing Release Premium and Loan Loss Reserves - will be significantly less due to fewer loans being purchased than anticipated in our prior budget.

The proposed budget is seeking appropriation from Agency special funds including bond trust indentures, federal grant programs, Agency reserves, and, in the case of the Housing Incentive Fund, an appropriation from the state's general fund. There are no one-time spending items in the proposed budget and there is no request for additional FTE authority which currently stands at 46.

This budget, as with past budgets, includes a provision which appropriates any additional or unanticipated funds that may become available to the Agency during the biennium (see Section 4). Previously, we have relied on this provision to apply for federal funds for new programs that became available following the Legislative Session. Continuing this provision

during the upcoming biennium will provide the Agency with the flexibility to react to new housing challenges and the resources necessary to meet those challenges as both arise.

Next I'll provide a brief update on estimated spending relative to the current biennium budget and Agency programs. The Agency's operating expenses excluding salaries for the current biennium are anticipated at \$3.8 million or 25% below the \$5.1 million budgeted. While there are variances among all line items, the majority of this variance, similar to the proposed budget, is in the Operating Fees and Services line item reflecting fewer loans being purchased than anticipated.

Anticipated grant expenditures will essentially be at the amount budgeted. Of the total \$33.8 million, all but \$3.6 million are from federal grants, mostly under HUD Section 8 rental assistance programs. The \$3.6 million includes Agency-sponsored grants and the Law Enforcement Pilot Program (LEPP). Of the \$33.8 million, \$8 million are one time funding items under federal stimulus, NSP, and Mortgage Servicing Settlement proceeds (LEPP).

The Agency's homeownership programs, including the FirstHome mortgage purchase program and down payment assistance, are primarily funded by issuing revenue bonds and, more recently, the issuance of mortgage backed securities through GNMA (Government National Mortgage Association).

The aggregate amount of bonds issued to date is \$3.2 billion. The assets, liabilities and revenues resulting from these bond issues are accounted for under the bond indentures and are held in trust by the indenture trustee. The Agency's costs of administering these bond financed programs are accrued on a monthly basis and drawn from the trust indentures as needed. The assets and liabilities in the bond indentures as of December 31, 2012, were \$1.043 billion and \$912 million respectively – unaudited numbers.

The Agency's FirstHome loan program has funded 37,366 loans totaling \$2.6 billion history to date. In 2012, purchases were 1,049 loans totaling \$133 million or 70% of the ten year annual average for the program. Seventy percent of these loans received down payment assistance.

Under the ND Roots program, the Agency has purchased 291 loans totaling \$39 million history to date.

The Property Management Division performs the compliance monitoring activities under HUD Section 8 contracts, federal Low Income Housing Tax Credit (LIHTC) projects, and projects assisted by the Housing Incentive Fund as they are placed into service. Total biennium grant disbursements under HUD Section 8 for rental assistance are projected at \$26,515,800, assisting 3,417 units in 136 projects. LIHTC compliance monitoring is currently being performed on 159 properties containing 4,799 units across the state. There are no ongoing subsidies going the LIHTC projects.

The Agency's Planning and Housing Development division administers our multifamily (MF) development programs and Agency-funded initiatives targeted to housing rehab and technical assistance for rural communities. The two main MF development programs are the LIHTC and the Housing Incentive Fund programs. These tax credit programs provide an incentive for investment in the development of affordable housing for lower-income tenants. The tax credits provide equity for the project developer, thus reducing the required debt which results in the need for less rental income to support the project. Through a competitive application process, the Agency allocates the tax credits to project applicants and monitors the construction project through it being placed into service. History to date, the LIHTC program has supported the new construction or rehabilitation of 258 projects containing 6,256 units and resulting in a total private investment of more than \$500 million in affordable rental housing in North Dakota.

The HIF program was approved during the last legislative session and amended during the special session to provide \$15 million for the development of mixed-income rental housing with a primary target of oil and disaster impacted counties. The \$15 million was approved in the form of a state tax credit in exchange for taxpayer contributions into the HIF fund. The administration of the program involved not only the development of an allocation plan, soliciting for and approving funding to eligible projects, but also carrying out a fundraising campaign to encourage taxpayer contributions. We were able to raise the entire \$15 million which was in turn allocated to 26 projects producing 739 units and is resulting in a total

capital investment of \$105 million in affordable rental housing - a 7 to 1 leverage of the state commitment to the development of affordable rental housing.

The Agency conditionally committed the \$15 million in less than a year and had requests for funds well in excess of the dollars available. We continue to respond to inquiries about accessing HIF for new development even today.

HB1029 is proposing the reauthorization of HIF and is requesting another \$20 million in tax credits. In addition, the Governor is requesting in SB2014, Section 11, a \$30 million transfer from the general fund to HIF. Using our experience from the current \$15 million program, the \$50 million should result in approximately 2,500 additional affordable rental housing units and a total direct investment of approximately \$350 million in the next two to three years in our local communities.

The Statewide Housing Needs Assessment published last fall (See attachment 1) projects average new household growth of 7,838 each year from 2010 through 2015. Of these new households, 3,647 or 46 percent will be considered low-income households – defined as 80 percent or less of median family income. Based on census data, the average annual new housing units permitted from 2010 through 2012 was 6,040 units or 77 percent of the assessment's annual projection of 7,838. However, our records show that an average of only 517 affordable units were approved each year during this same period utilizing federal and state resources including HIF. This is only 15 percent of the projected 3,647 affordable units needed annually. In other words, while there is considerable housing construction occurring, it is not near enough to address the need of our most economically challenged households. We have fallen far behind during the past three years. We need to accelerate our efforts.

There recently have been some observations that the work force needs in oil-impacted areas have peaked. While I am not going try to confirm or deny this today, there is plenty of evidence to suggest that not only have we not caught up with the existing demand for affordable permanent housing in the area, but the demand for more will continue to grow in the ensuing years.

According to a report from the Department of Mineral Resources provided a year ago, each new oil well translates to the need for one permanent full-time employee to operate and maintain it during its production years. And the report estimated an additional 30,000 to 35,000 wells are still to be drilled. In addition, an economic impact analysis of the oil and gas industry on North Dakota completed by NDSU economists shows that for every permanent oil industry employee, another 2.5 jobs are required to support them in the communities where they choose to live. These are the workers who will be employed on main street and provide essential services in those communities.

Projections show the oil and gas related work force in western North Dakota will transition from temporary transient workers to a more permanent work force which will continue to require an aggressive housing policy at least for the near future. This transition will be from crew camp and extended stay facilities that are extensively utilized today to the more traditional housing structures like single family homes and multifamily projects.

Preliminary numbers from the North Dakota Coalition for Homeless People's annual Point in Time survey of the homeless in the state show that in Region 1 which includes Williams, Divide and McKenzie Counties, there were more than 1,100 unsheltered homeless with 53% sleeping in a vehicle and 32% staying outdoors during the late January count.

There are those who, subscribing to the supply and demand doctrine, believe that eventually private development will catch up with the need and prices will begin to moderate. While I concur with this theory during normal situations, today we are experiencing unprecedented times. There are two important questions that we must ask ourselves: When will we reach the tipping point when prices begin to moderate – two years, three years, or longer? And more importantly, what do we do with our low- and moderate-income citizens in the mean time?

Considering the assessment projections and current construction activity, clearly a \$50 million program is not going to solve the problem in the next two to three years. However, it will be a giant step closer to reaching that tipping point. The sooner we get there, the sooner housing costs can begin coming in line with affordable levels for all our citizens.

I've talked a lot about the needs for affordable housing development in western North Dakota, but the housing issues are not confined to the west. Non-oil impacted communities are not only experiencing their own economic expansion, but are also seeing their current stock of affordable housing being consumed by those leaving the oil patch, as well as new residents moving there seeking employment opportunities.

The Jamestown/Valley City areas are currently experiencing a low vacancy rate due to several major business expansions and lost housing stock due to recent flooding. Grand Forks has established a Blue Ribbon Commission on Housing as young families and students cannot find affordable housing. Fargo continues to be concerned with housing their growing elderly and special needs populations. The Lashkowitz High Rise, which houses 248 of Fargo's senior and special needs households, is in critical need of major rehabilitation in the \$12-\$15 million range.

In order for HIF to have a positive impact on North Dakota's affordable housing needs taken as a whole, it is essential that it receive the \$30 million general fund transfer proposed in Section 11 in addition to the \$20 million tax credit authority.

SB2014 also contains an emergency clause in Section 22 that applies to the general fund transfer. This is important so that the program can begin approving eligible projects as soon as possible to take advantage of this year's construction season. Without the emergency clause, we likely would not be able to approve new projects until early fall.

I'll finish my comments by referring to Attachment 2 which consists of a number of charts regarding the Agency's financial statement and loan portfolio performance. The financial information is broken down by bond indenture and Agency totals. You will see that the Agency's assets, net income, and mortgage portfolio have been declining in recent years. This is attributable to higher than normal loan prepayments, a reflection of current low interest rates, and the Agency purchasing fewer new loans during the same timeframe.

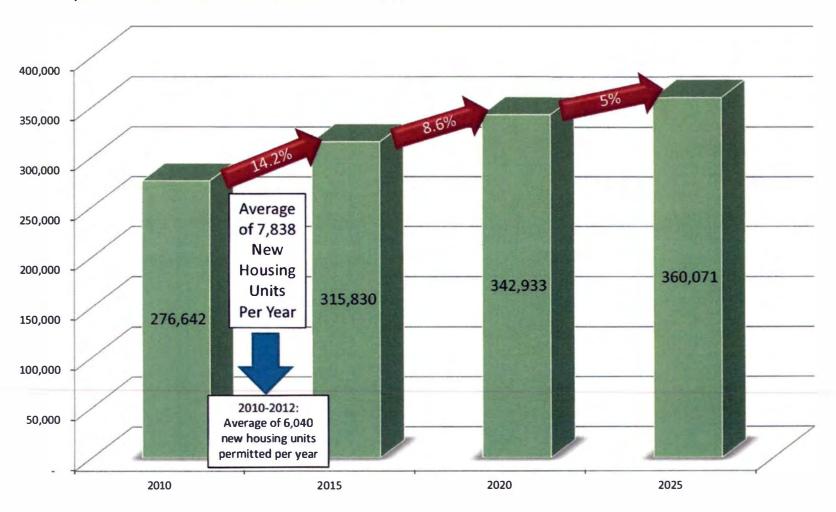


The last page charts delinquency and foreclosure statistics of the Agency loan portfolio compared to United States, North Central Region, and North Dakota statistics from the MBA National Delinquency quarterly survey. I am proud to say that the Agency's homeownership programs and North Dakota lenders did not participate in origination practices that led to the mortgage meltdown.

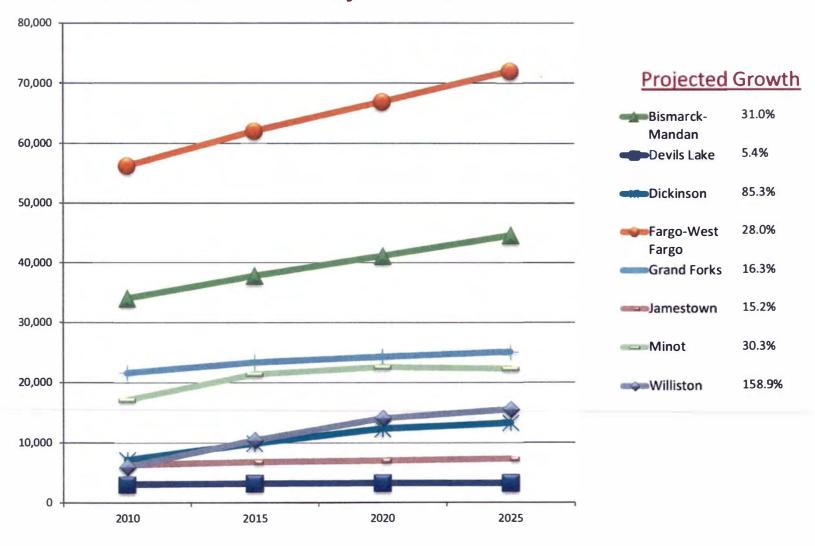
Thank you and I would be glad to answer any questions.

HOUSING DEMAND

The number of households in North Dakota is projected to increase by 83,429 or 30.2% from 2010 to 2025

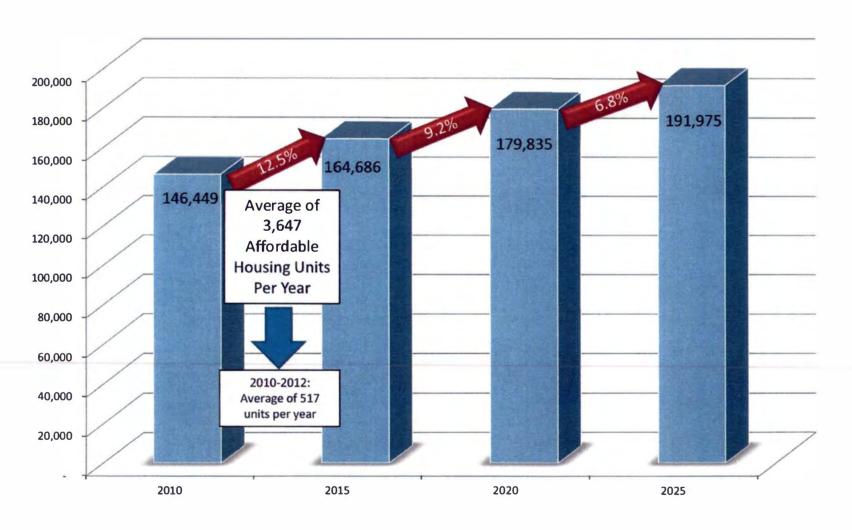


HOUSING DEMAND – Major Cities

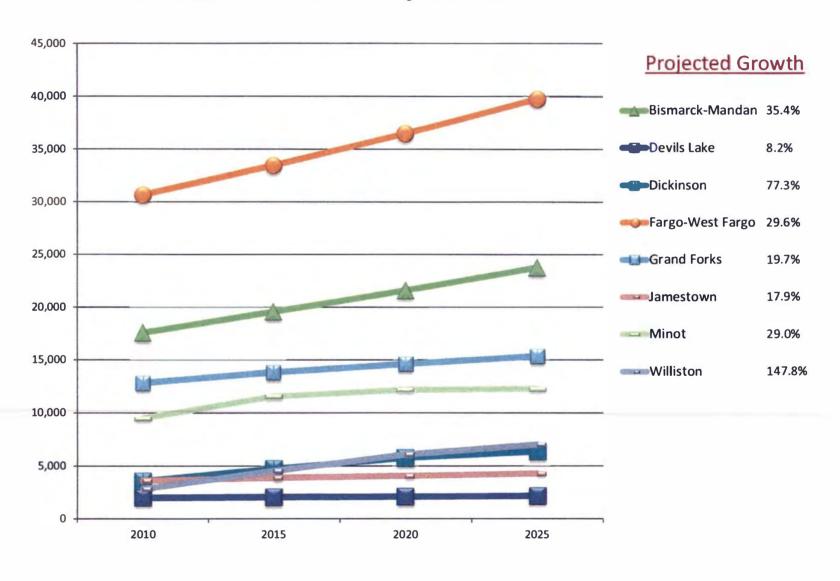


AFFORDABLE HOUSING

Low-income households are projected to increase by 45,526 or 55% of total household growth in the state from 2010 to 2025

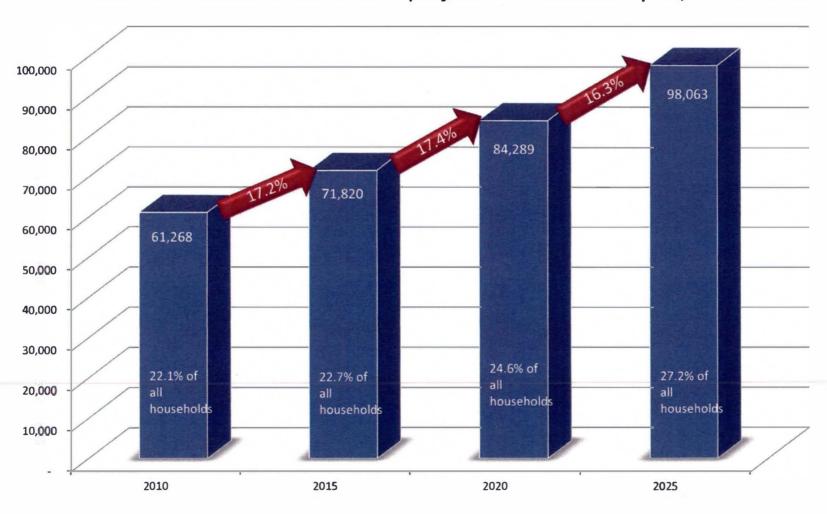


AFFORDABLE HOUSING – Major Cities



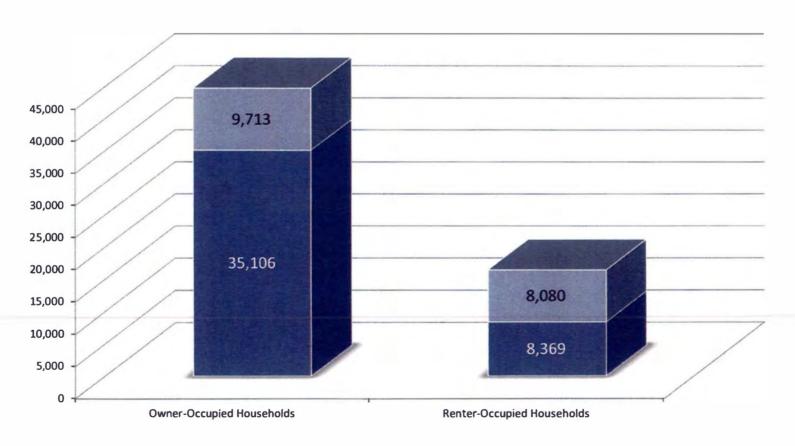
HOUSEHOLDS – 65+

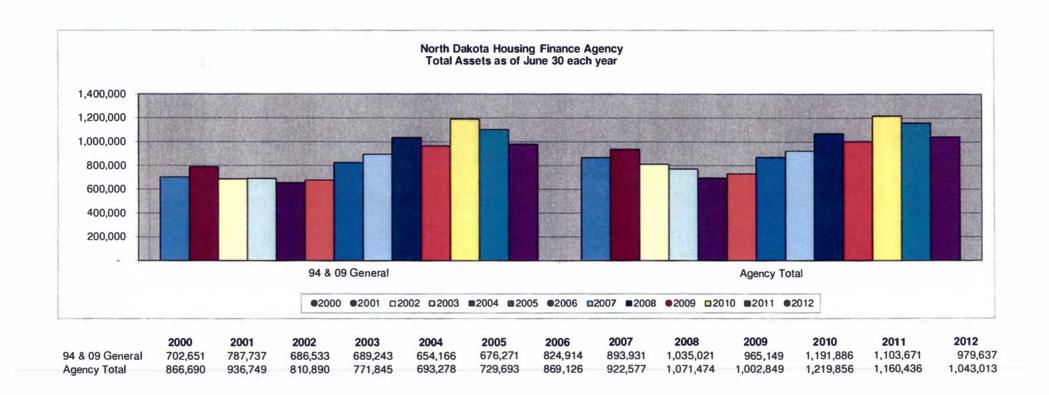
The number of senior households is projected to increase by 36,795 or 60.1%

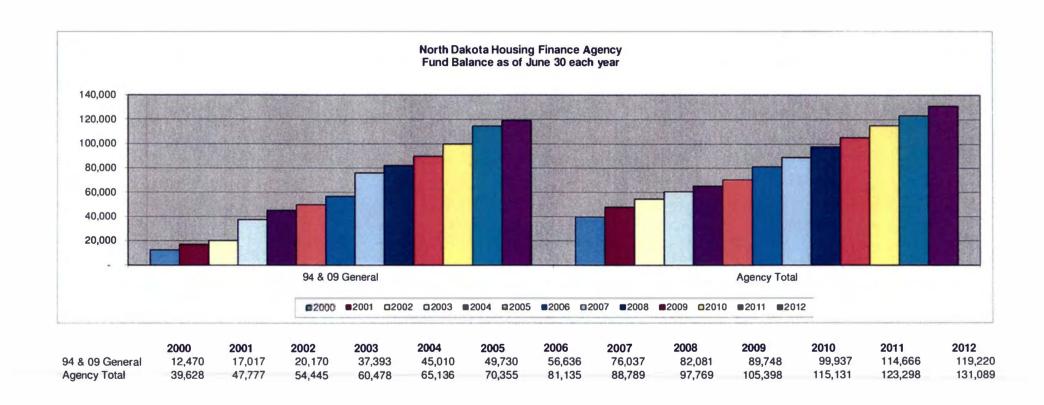


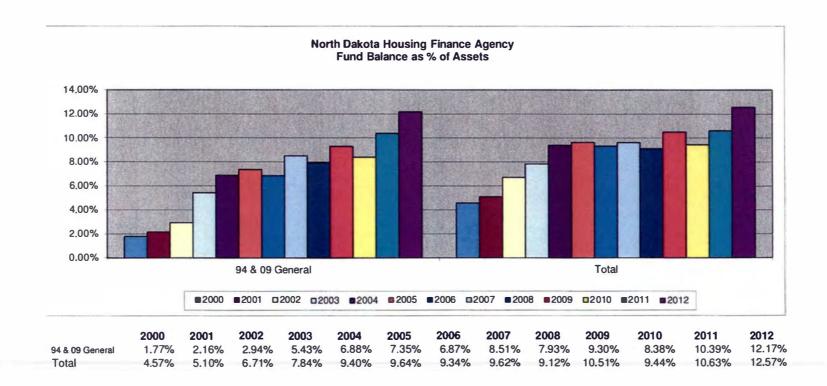
HOUSEHOLDS - 65+

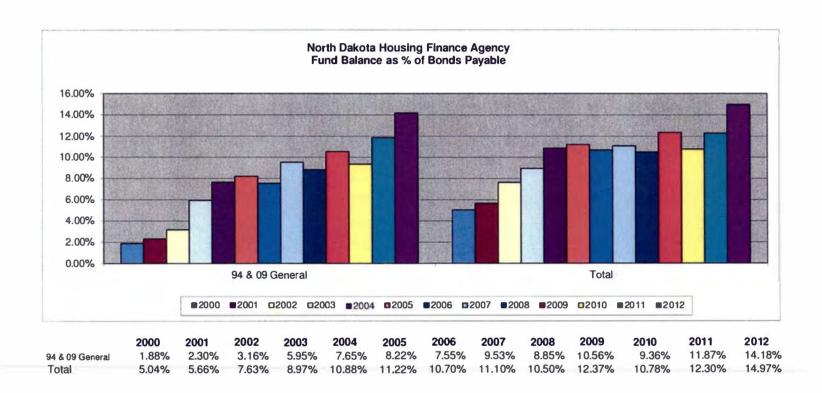
In 2010, 21.7% of senior homeowners and 49.1% of senior renter households were cost-burdened – spending more than 30 percent of their income on housing costs

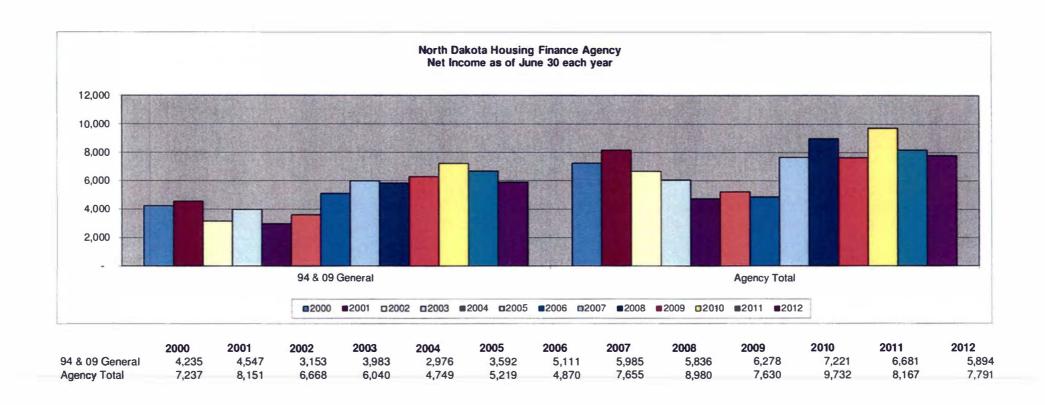


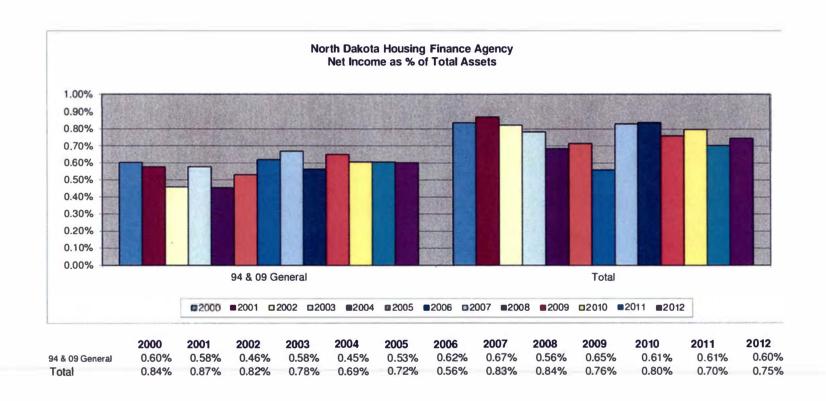


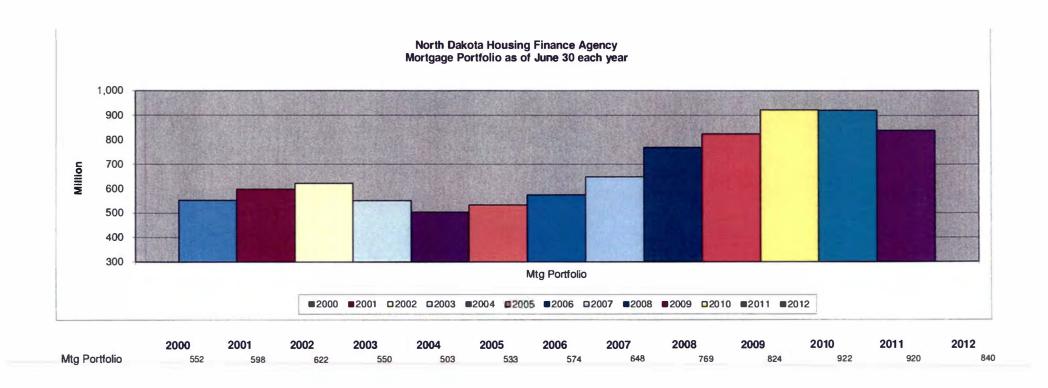


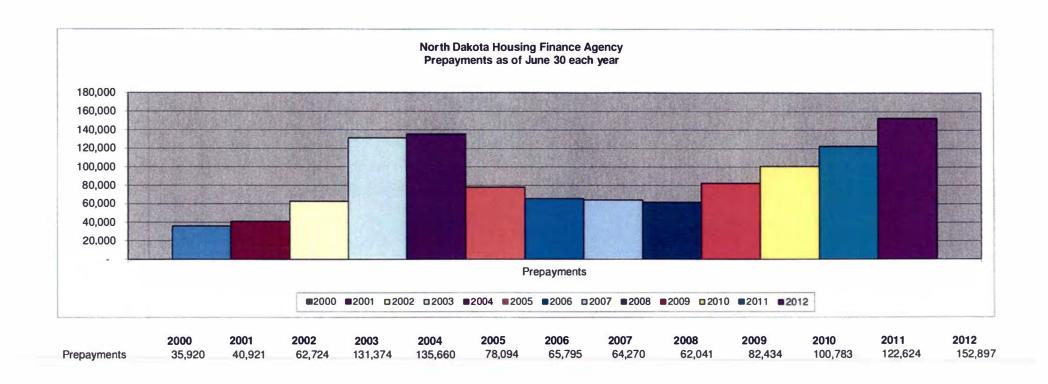


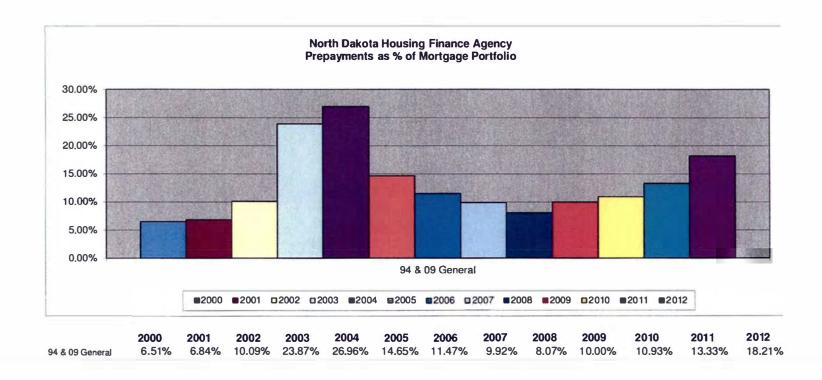




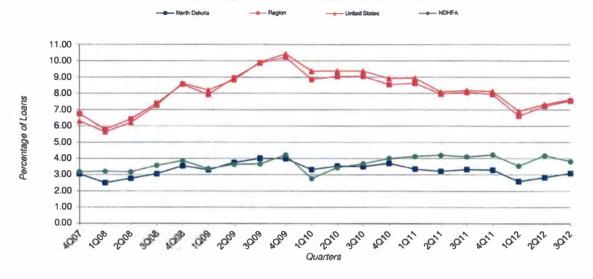




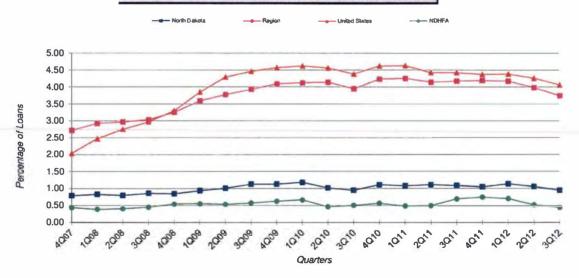




Delinquency - All Loans - NDHFA Serviced



Foreclosure - All Loans - NDHFA Serviced





House Appropriations Committee Government Operations Division

Engrossed Senate Bill No. 2014 Budget No. 475
North Dakota Mill & Elevator Association
March 7, 2013

Mr. Chairman and Representatives:

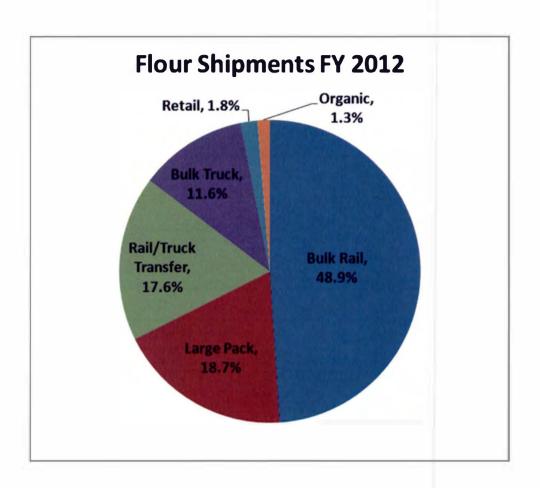
I am Vance Taylor, President and General Manager of the North Dakota Mill and Elevator. With me today is Ed Barchenger, our Controller and Finance Manager.

The North Dakota Mill and Elevator Association, located in Grand Forks, is presently the largest single site wheat flour mill and the 10th largest wheat milling company in the United States with sales of over \$300 million per year.

Our milling complex includes 7 milling units with the capacity to produce 3,700,000 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 over 80,000 bu. of top quality North Dakota spring wheat and durum per day, adding value to approximately 24,000,000 bu. per year. All facilities are located in Grand Forks.

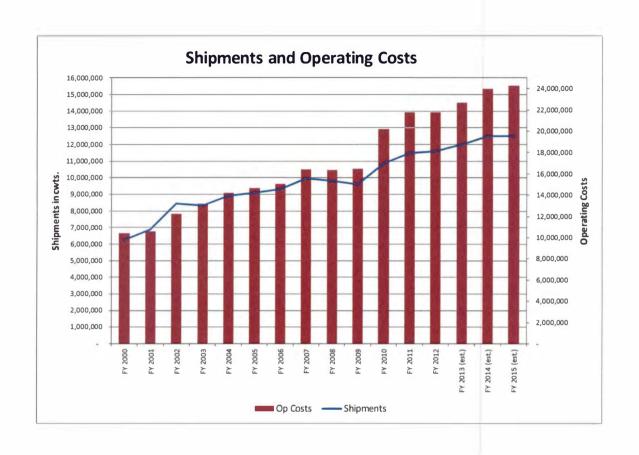
The Mill normally operates 24 hours per day, 5 to 7 days per week. Our total current staffing is 131 full time employees.

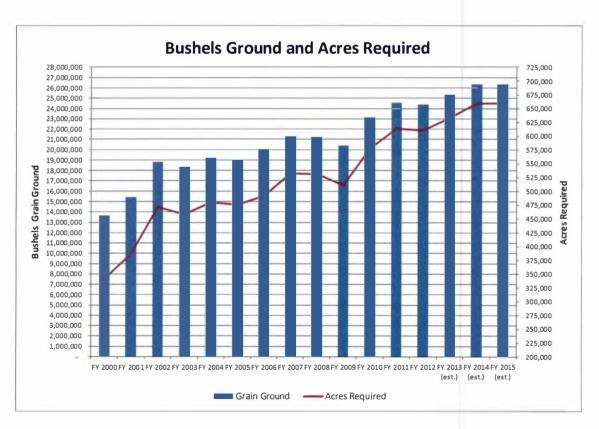
Our milling units process about 90% spring wheat and 10% durum. Approximately 80% of our products are shipped in bulk trucks or railcars and 20% is shipped in bags or totes. The Mill produces conventional and organic products. At present organic products make up about 1% of our total shipments.



Business Growth

Our Renovation and Expansion Project was completed during fiscal year 2002, at a cost of \$19.5 million. This project provided for various upgrades resulting in a production capacity increase of 4,000 cwts. per day and an increase in average milling yields. In fiscal year 2005 we replaced our whole-wheat mill with a larger, more automated milling unit. During fiscal year 2007 the K Mill was expanded and a new C Mill was completed further increasing spring wheat milling capacity and yields. In fiscal year 2009 our new E Mill was completed adding 1000 cwts. per day of spring wheat capacity and in fiscal year 2010 the D Mill was expanded adding 1000 cwts. per day of durum capacity. In fiscal year 2012 a further expansion of the K Mill increased the daily capacity of the milling complex to 3.7 million pounds of flour a day. Our need to expand has been driven by increasing demand from our current customers as well as the addition of several new customers. The high quality of our flour, as well as our service to our customers, is what has driven this increasing demand. The completion of these major projects has been vitally important for the North Dakota Mill to continue to compete effectively and provide a more significant economic impact to the State.





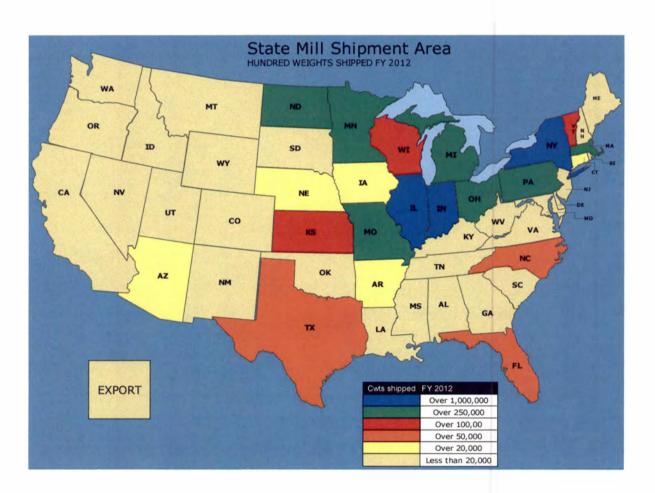
Markets and Competition

Our bulk and large package shipping area is diverse but more concentrated in the Ohio River Valley and on the East Coast. We also export product to the Caribbean Islands, and the Pacific Rim. 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 Horizon Milling, ADM, ConAgra, General Mills and others. The outstanding quality of our products is verified by our ISO 22000/PAS 220 certification.

Going forward, we intend to continue to maximize production volume; increase the percentage of bagged products sold; 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 product quality and customer service in the market place.



Economic Impact

A North Dakota State University study stated that for every dollar in direct economic activity from wheat processing, another \$2.32 was generated in secondary economic activity. During Fiscal Year 2012, the Mill generated \$252,878,000 in direct economic activity resulting in an additional \$586,677,000 in secondary economic activity. This results in a total economic impact to the region of more than \$839,555,000 during the last fiscal year.

Strategic Plan 2013

Working with the UND Office of Work Force Development, the State Mill management team has developed the following strategic objectives for fiscal year 2013:

- Promote and Support ND Agriculture, Commerce and Industry
- Identify and Respond to Emerging Issues in the Flour Milling Industry
- Increase Profitability
- Grow our Customer Base
- Invest in our Employees

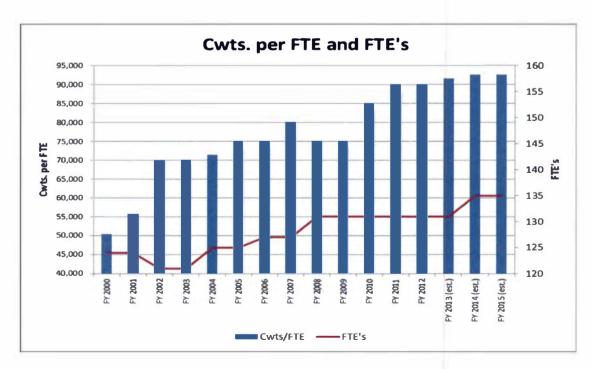
Budget Request

All operating funds are generated internally at the Mill. 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 \$52,255,124. This is a \$5,183,247 increase over the last biennium budget. This increase represents increases in both wages and benefits and other operating expenses. Included in this increase are four (4) new FTE's for the mill.

The four (4) positions we are requesting for the next biennium include two additional employees for the plant – a car checker and a second shift supervisor; and two in the office – a sales staff position and an information systems analyst position.

- One railcar checker position in order to ensure on adequate number of railcars are cleaned and available to keep up with the increased production and sales.
- One Second Shift Supervisor position. The increasing amount of work occurring in all production departments on the second and third shifts requires additional supervision to insure product quality and efficiency.
- One Sales Representative to promote continued sales growth. Currently we have three Sales Representatives and a Sales Manager producing more than \$300 million in total sales (FY 2012). The addition of one Sales Representative will allow our sales staff to efficiently increase sales to current customers and contact potential new customers.
- One information analyst position to meet the increasing workload in our Information Technology Department, due to increased production and sales.



State Mill shipment volumes have nearly doubled since FY 2000, while State Mill FTE's have increased by 7 (from 124 to 131). During the same period cwts./FTE have increased from about 50,000 to over 90,000 cwts./FTE. This increase has been made possible through several mill expansion projects. Additional FTE's are required to effectively handle the additional business and allow for further business growth.

The proposed budget includes a wages and benefits increase of \$3,831,116 or 14.7% over the current budget. That amount includes the funding of the four new FTE positions. In the first year of the current biennium, the Mill spent \$11,455,364 on wages and benefits. The Mill is in the fourth year of a five-year contract with the Local Union No. 167G, Unit 135 of the Bakery, Confectionery, Tobacco Workers and Grain Millers International. This contract expires June 30, 2014. The Union represents approximately 65% of the employees at the Mill.

The proposed budget includes an increase in the operating expenses of \$1,352,131 or 6.6%. Utilities expense increased \$645,400 over the current budget. In the first year of the current biennium, the Mill spent \$2,881,715 on utilities. The largest portion of our utility bill is the electrical expense. The Western Area Power Administration (WAPA) supplies a significant portion of our electrical power. We budgeted part of the electrical expense increase based on the historical increases received from WAPA. The remaining portion of our electrical power comes from Nodak Electric.

Repairs expense increased \$321,336 over the current budget. In the first year of the current biennium, the Mill spent \$2,458,225 on repairs. Increases in the number of rail cars leased and as the milling equipment purchased in fiscal year 2001 begins to get older higher maintenance costs will drive this expense higher.

Insurance expense increased by \$154,000. In the first year of the current biennium, the Mill spent \$806,075 on insurance. In addition to insurance rates increasing, the high wheat prices have driven up our grain and flour inventory values. Also, as we have increased cwts. of production and sales, we have increased the volume of flour inventory carried. This has resulted in an increased cost for insurance for these higher inventory values.

Four items, wages and benefits, utility expense, repair expense, and insurance expense reflect the increase of \$4,951,852 in our requested appropriations. A large share of these expenses is driven by the volume of production and sales at the Mill. The Mill set a new record of sales in cwts. of flour sold in fiscal year 2012 reaching 11,591,000 cwts., a 1% increase over the previous fiscal year. In the first six months of fiscal year 2013 we have achieved sales of 5,929,000 cwts., which is approximately the same as in the first six months of the last fiscal year.

The Mill currently transfers 5% of profits to the Agricultural Fuel Tax Fund and 50% of the remaining profits to the General Fund. In fiscal year 2012, the Mill transferred \$402,420 to the Agricultural Fuel Tax Fund and \$3,822,989 to the General Fund.

In the Governor's Executive Budget for the 2013-2015 biennium, 5% of estimated Mill profits or \$897,000 is budgeted to be transferred to the Agricultural Fuel Tax Fund and 10% of estimated remaining Mill profits or \$1,704,300 is budgeted to be transferred to the General Fund. Section 14 of Senate Bill 2014 modifies Section 54-18-19 of the North Dakota Century Code to allow for less than 50% of remaining Mill profits to be transferred to the General Fund as determined by the Industrial Commission. Reducing transfers to the General Fund will allow for the completion of several capital projects needed to improve Mill infrastructure at a lower cost.

Thank you for your time and consideration of our budget request. I will be happy to answer any questions.

Industrial Commission of North Dakota

North Dakota Public Finance Authority

ack Dalrymple OVERNOR

> Wayne Stenehjem ATTORNEY GENERAL

Doug Goehring AGRICULTURE COMMISSIONER

Senate Bill 2014 House Appropriations Government Operations Committee Testimony of DeAnn Ament North Dakota Public Finance Authority

For the record, my name is DeAnn Ament and I am the Executive Director of the Public Finance Authority (PFA). I am providing this testimony in support of the Industrial Commission's requested appropriation for the Public Finance Authority for the 2013-2015 biennium in the amount of \$699,012. The requested biennial appropriation is \$44,985 or 7% more than the current biennial appropriation of \$654,027. The 2013-2015 budget includes the recommended salary adjustments outlined in the Executive Budget. The overall budget increase is due to salary adjustments.

Expenditures for the first 18 months of the biennium total approximately \$306,087 or 47% of the 2011-2013 appropriation. It is anticipated that total 2011-2013 biennium expenditures will be approximately \$430,000 or 66% of the appropriation. Due to the Public Finance Authority's colocation at the Bank of North Dakota, the agency continues to benefit from efficiencies created.

The PFA is a state agency that operates under the supervision and authority of the Industrial Commission. It is a self-supporting state agency and receives no money from the General Fund. The staff of the Public Finance Authority currently consists of 1.75 full-time state employees (FTE's). Currently, the Executive Director is .75 FTE Public Finance Authority employee. The Public Finance Authority also employs a full time Business Manager.

The Public Finance Authority continues to develop programs as needs arise for financing municipal, economic development, agriculture, and energy projects in North Dakota. At this point, we are uncertain how the development of these programs will affect the Public Finance Authority's staffing needs. The budget for the 2011-2013 biennium includes salaries for 2.75 FTE's. The vacant FTE within the current budget is for a loan officer position that would help analyze the loan applications and financial statements of potential borrowers under all of the Public Finance Authority's programs. Therefore, I ask that you appropriate funding for this vacant position for the 2013-2015 biennium while we assess the demand for our services under existing programs as well as the potential new programs mentioned above.

Mission

To develop rural and urban North Dakota by providing political subdivisions and other qualifying organizations access to flexible and competitive financing options for their local qualifying projects.

The Public Finance Authority administers the Capital Financing Program, the financial portion of the State Revolving Fund and the Industrial Development Bond Program. Detailed activity of all programs is contained in our annual report which is attached. The State Revolving Fund was the recipient of American Recovery and Reinvestment Act (ARRA) funding. This funding required many changes for documenting, funding and reporting purposes and has resulted in an increased workload for both employees which is still ongoing. Many of these changes such as Davis Bacon, additional subsidization (loan forgiveness) and green project reserve have carried forward to the annual capitalization grants and the increased workload will continue into the foreseeable future.

On June 16, 2011, the Industrial Commission authorized the PFA to utilize the Capital Financing Program to provide loans for political subdivisions impacted by weather related events that spring. In short order, the PFA was able to establish loan parameters, construct a loan application and offer disaster assistance to political subdivisions until federal and state money was available and/or to assist in cash flowing local match requirements. The PFA has assisted 36 political subdivisions with loan approvals totaling \$70,741,546. Approximately 30 of the loan applications were processed in a six month time period.

The written testimony below describes the Public Finance Authority and its financing programs. Also, a copy of the 2012 Annual Report for the Public Finance Authority has been included in the binder for your review. This Report describes in more detail the Public Finance Authority's programs and provides a complete history of all the Public Finance Authority's loans and bond issues.

The Public Finance Authority was established to make low-cost loans to North Dakota political subdivisions at favorable interest rates. Loans are made to political subdivisions by the Public Finance Authority 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 Public Finance Authority under the programs described below. In certain instances, a direct loan may be made to a political subdivision from the Public Finance Authority's operating fund or from the federal grants or loan repayments held under the State Revolving Fund Program.

The municipal securities issued by a political subdivision to the Public Finance Authority 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 Public Finance Authority may purchase municipal securities only if the Attorney General issues an opinion that states the municipal securities are properly eligible for purchase under the North Dakota Century Code (N.D.C.C.) chapter 6-09.4, the Public Finance Authority Act.

Required Debt Service Reserve

Subsection 1 of §6-09.4-10 of the N.D.C.C. requires the Public Finance Authority 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 its outstanding bonds.

Subsection 4 of §6-09.4-10 of the N.D.C.C. of the N.D.C.C. 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 Public Finance Authority 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 Public Finance Authority's bond counsel, there is no applicable provision of state law that would prohibit a future Legislative Assembly from appropriating any sum that 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 Public Finance Authority's reserve fund is not backed by the full faith and credit of the State. All bonds issued by the Public Finance Authority under any of its programs prior to 2011 are moral obligation bonds unless the Industrial Commission approves a resolution to allow the Public Finance Authority to issue bonds under section 40-57 as a conduit issuer. The State Revolving Fund Program bonds issued in 2011 and 2012 do not contain the moral obligation provision. Under any of the Public Finance Authority programs, there has never been the need to request an appropriation to cover a shortfall in a reserve fund.

Advisory Committee

The Industrial Commission, by policy, has established a Public Finance Authority Advisory Committee. The Committee is 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 \$500,000 or less for the Capital Financing Program and \$1,000,000 or less for the State Revolving Fund Program, the Committee may authorize the approval of the loan, and then submit a report describing the loan and the action taken to the Commission at its next meeting.

At the present time, the Public Finance Authority has four loan programs: the Capital Financing Program, the State Revolving Fund Program, the School Construction Financing Loan Program, and the Industrial Development Bond Program.

Capital Financing Program

The Capital Financing Program, established in 1990, makes loans to political subdivisions for any purpose for which political subdivisions are authorized to issue municipal securities, subject to certain statutory requirements.

Through December 31, 2012, the Public Finance Authority has made \$100,028,016 of loans to political subdivisions under the Capital Financing Program. The outstanding amount of Capital Financing Program bonds is \$18,135,000. Recognizing the strength of the State's moral obligation pledge, Standard and Poor's (S&P) has assigned a rating of "A+" to the Capital Financing Program Bonds.

The Industrial Commission authorized the PFA to utilize the Capital Financing Program to provide loans for political subdivisions impacted by the weather related events of 2011. Under its Capital Financing Disaster Loan Program, the PFA made loans for the purpose of providing disaster assistance to political subdivisions affected by weather related events until federal and state money was available or to assist in cash flowing local match requirements.

During this time of crisis, the PFA was able to assist 35 political subdivisions. Loans approved under this program total \$64,304,037 and \$13,508,772 were outstanding as of December 31, 2012.

State Revolving Fund Program

Under the State Revolving Fund (SRF) Program, federal capitalization grants are received by the State through the Health Department from the Environmental Protection Agency (EPA), 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 the approval by the State Health Department under appropriate state law and the Federal Clean Water Act and the Federal Safe Drinking Water Act. The federal capitalization grants are available to states on the basis of an 80-20 federal-state match. A portion of the SRF Program bonds issued by the Public Finance Authority provides the 20% 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 SRF Program consists of a Clean Water SRF Program and a Drinking Water SRF Program. Federal capitalization grants for the Clean Water SRF Program were first appropriated to the State in 1989. Since that time, \$170,742,300 of federal capitalization grants under the Clean Water SRF Program have been appropriated and awarded to the State through federal fiscal year 201. Through December 31, 2012, 231 loans totaling \$320,510,096 have been approved under the Clean Water SRF Program. The Health Department's Clean Water Intended Use Plan for 2013 includes over \$347,000,000 of potential projects.

Federal capitalization grants for the Drinking Water SRF Program were first appropriated to the State in 1997. Since that time, \$162,151,100 of federal capitalization grants under the Drinking Water SRF Program have been appropriated and awarded to the State through federal fiscal year 2012. Through December 31, 2012, 161 loans totaling \$314,101,358 have been approved under the Drinking Water SRF Program. The Health Department's Drinking Water Intended Use Plan for 2013 includes approximately \$690,194,000 of potential projects.

A project must be on the appropriate Intended Use Plan to be able to apply for a loan under the SRF Program. The current interest rate for most loans under the SRF Program is 2% with a 0.5% annual administrative fee on the outstanding balance. Bonds issued by the Public Finance Authority under the SRF program are rated "Aaa" by Moody's Investors Service, Inc. (Moody's), which is Moody's highest possible rating.

State School Construction Financing Program

The Public Finance Authority's State School Construction Financing Program provides loans to North Dakota school districts. This program has been assigned an "A+" rating by S&P, which allows the school districts, which generally do not have a credit rating, to borrow at lower interest rates. Bonds issued under this Program 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 found in §6-09.4-23 of the N.D.C.C. A school district will be required to authorize the withholding of state school aid payments which are due and payable to the district under N.D.C.C. chapter 15-40.1 in order to participate in the Program. If a school district defaults on its loans under this Program, the Department of Public Instruction is notified by the Public Finance Authority to withhold aid payments to the defaulting school district until such time that principal and interest have been paid or satisfactory arrangements have been made to make the payment.

Industrial Development Bond Program

The Public Finance Authority's Industrial Development Bond Program provides loans to North Dakota manufacturers that meet the IRS definition for small issue manufacturers. This program has been assigned an "A+" rating by S&P, which allows those manufacturers that qualify to finance fixed assets at attractive tax-exempt rates. Bonds issued under this Program will be moral obligation bonds of the State unless the borrower has the financial strength to request that the Public Finance Authority issue the bonds on a conduit basis. The 2005 Legislature passed the legislation allowing the Public Finance Authority to issue industrial revenue bonds. Current Program limits are \$2,000,000 per project and \$20,000,000 cumulative for the program. For conduit issuance when the state's moral obligation is not used as a credit enhancement there are no project or program limits. The Public Finance Authority has made three loans under this program in the amount of \$4,860,000.

Annual Report

The Public Finance Authority submits its Annual Report to the Legislative Council each year. The Annual Report provides a complete list of all loans made and bonds issued by the Public Finance Authority since its inception in 1975.

If you have any questions, feel free to contact me at 701.426.5723 or dament@nd.gov.

NORTH DAKOTA PUBLIC FINANCE AUTHORITY

Industrial Commission of North Dakota

Jack Dalrymple Governor Chairman

Wayne Stenehjem Attorney General

Doug Goehring Agriculture Commissioner

Advisory Committee

Robert Frantsvog Minot

Wade Williams Jamestown

Keith Lund Grand Forks

Staff

DeAnn Ament Executive Director

Kylee Merkel Business Manager

NORTH DAKOTA PUBLIC FINANCE AUTHORITY

2012 Annual Report

CONTENTS

North Dakota Pub	olic Finance Authority1	1
Capital Financing	g Program2	2
Capital Financing	g Disaster Loan Program	4
State Revolving F	Fund Program	5
Industrial Develop	pment Bond Program	7
Other Bonds	8	8
Biennial Debt Ser	vice Requirements	8
Part A: 1977 (Part B: Local Part C: Govern Part D: Insure Part E: Capita Part F: Capita Part G: Clean Part H: Drinki Part I: Industr	Dans Made 1977 through 2012 General Bond Resolution 1-1 Governmental Assistance Program (1985) 1-3 nment Assistance Program (1990) 1-3 d Water System Revenue Bonds (1999) 1-3 ll Financing Program 1-4 ll Financing Disaster Loan Program 1-1 Water State Revolving Fund Program 1-1 ing Water State Revolving Fund Program 1-1 Loans 1-24	3 3 1 0 1 8 2 3
Part A: 1977 C Part B: Local Part C: Insured Part D: Govern Part E: Taxabl Part F: Capita Part G: Capita	Onds Issued 1977 through 2012 General Bond Resolution	1 1 1 1 3
	rial Development Rond Program 2-4	

NORTH DAKOTA PUBLIC FINANCE AUTHORITY

The North Dakota Public Finance Authority (PFA) was established for the purpose of making loans to political subdivisions of the State through the purchase of municipal securities which, in the opinion of the Attorney General of North Dakota, are properly eligible for purchase by the PFA. Subject to credit and program requirements, a loan can be made by the PFA to a political subdivision for any purpose for which the political subdivision has the legal authority to borrow money through the issuance of municipal securities. Certain types of municipal securities issued under N.D.C.C. ch. 40-57 (MIDA bonds) may also be purchased by the PFA.

The PFA, which is under the operation, control and management of the Industrial Commission of North Dakota, is a self-supporting state agency. The costs and expenses of operation of the PFA are financed with earnings on program assets and fees paid by participating political subdivisions.

Obligations of the PFA which are issued to provide funds to purchase municipal securities do not constitute a debt or liability of the State or a pledge of the faith or credit of the State. All obligations of the PFA are payable solely from revenues or program assets pledged or available for their payment as authorized by law. The PFA has no authority to incur any indebtedness or liability on behalf of or payable by the State.

The PFA is authorized by statute (N.D.C.C. § 6-09.4-10(1)) to establish and maintain a reserve fund for its bonds. The Legislative Assembly has made a non-binding pledge to the PFA to replenish the reserve fund if it is depleted by the default of a political subdivision. Section 6-09.4-10(4) provides that "there shall be appropriated by the legislative assembly and paid to the PFA for deposit in the reserve fund, such sum, if any, as shall be certified by the industrial commission as necessary to restore the fund to an amount equal to the required debt service reserve." Because future Legislative Assemblies are not legally obligated or required to appropriate moneys certified as necessary by the Industrial Commission, this statutory provision is referred to as a "moral obligation." There has never been the need to request an appropriation for the reserve fund.

Mission

To develop rural and urban North Dakota by providing political subdivisions and other qualifying organizations access to flexible and competitive financing options for their local qualifying projects.

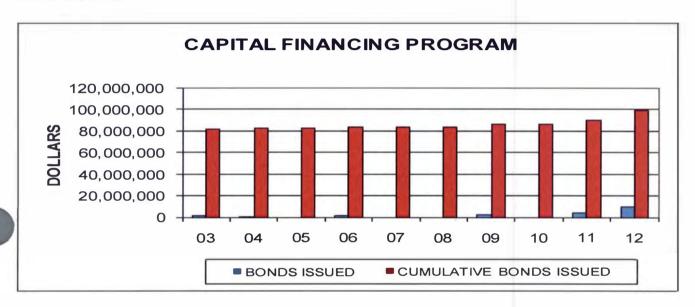
Vision Statement

A municipal bond market that realizes the competitive advantage of utilizing the North Dakota Public Finance Authority's (PFA) superior bond rating to issue municipal securities, resulting in lower interest rates to fund local projects. A PFA that enables customers to utilize on-line services, such as accessing account information or applying for additional financing. A PFA that leads a cooperative effort with other state agencies to combine available resources into programs that finance infrastructure and improvements for political subdivisions and other qualifying organizations. A State that recognizes the PFA as the leader in providing municipal financing for local projects.

CAPITAL FINANCING PROGRAM

Under its Capital Financing Program (CFP), the PFA makes loans for the purpose of financing projects or improvements for which political subdivisions are legally authorized to borrow money through the issuance of municipal securities. Subject to credit requirements and certain program requirements, financing is available in any dollar amount.

The interest rates payable by a political subdivision are market rates, which are set through a competitive bid process when the PFA issues and sells its bonds to fund a loan. The interest rates paid by the PFA on its bonds are the same rates a political subdivision will pay on its municipal securities sold to the PFA.



The Capital Financing Program has been assigned a rating of "A+" by Standard & Poor's Ratings Group.

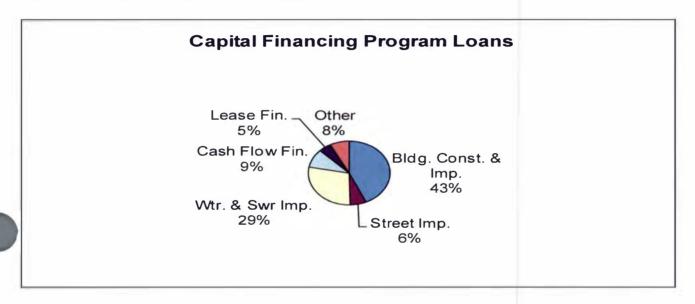
The PFA issued \$9,635,000 of CFP Bonds in 2012. The proceeds of the 2012 CFP Bonds were used to refund bonds for the City of McVille, the City of Kulm, All Seasons Water Users District, Forman Housing Authority, the City of Hankinson, the City of Mayville, Tri-County Water District, the City of Gackle, and two loans to the City of Forman.

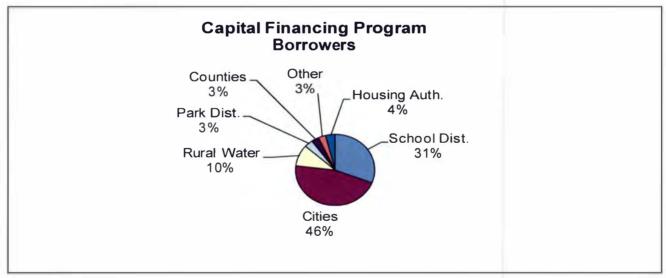
The total outstanding amount of CFP Reserve Notes at December 31, 2012, was \$1,025,524, and the total outstanding amount of CFP Reserve Fund Letters of Credit at December 31, 2012, was \$3,479,260. The CFP Reserve Notes and CFP Reserve Fund Letters of Credit are issued to meet the requirement of the CFP General Bond Resolution that the PFA maintain reserves for each series, equal to the largest aggregate amount of principal and interest due in any twenty-four consecutive month period. The CFP Reserve Notes are purchased by the Bank of North Dakota (BND) and the CFP Reserve Fund Letters of Credit are issued by BND.

As of December 31, 2012, the total cumulative amount of bonds issued under the CFP General Bond Resolution was \$99,060,000 and the total outstanding amount of bonds under the CFP General Bond Resolution was \$18,135,000.

Part E of Attachment 1 beginning on page 1-4 of this Report contains a complete list, as of December 31, 2012, of all loans made by the PFA with proceeds of CFP Bonds issued under the CFP General Bond Resolution, including the name of each political subdivision, the original amount of each loan, and the outstanding principal of each loan.

Part F of Attachment 2 on page 2-1 of this Report contains a complete list, as of December 31, 2012, of all series of Capital Financing Bonds issued under the CFP General Bond Resolution, including the original dollar amount and the outstanding principal amount of each series of CFP Bonds.





CAPITAL FINANCING DISASTER LOAN PROGRAM

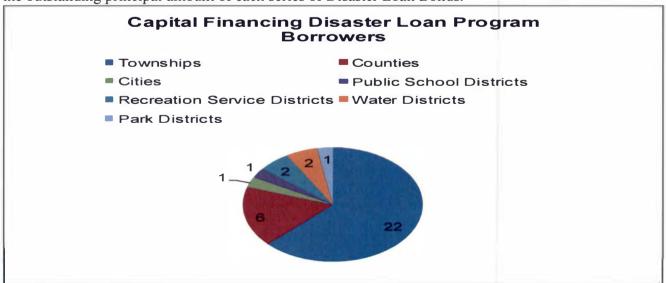
On June 16, 2011, the Industrial Commission authorized the PFA to utilize the Capital Financing Program to provide loans for political subdivisions impacted by the weather related events of 2011. Under its Capital Financing Disaster Loan Program, the PFA makes loans for the purpose of providing disaster assistance to political subdivisions affected by weather related events until federal and state money is available and/or to assist in cash flowing local match requirements.

Any North Dakota political subdivision that is within a county that has received a Presidential Public Disaster Declaration or a gubernatorial executive order or proclamation of a state disaster or emergency was eligible to apply. The political subdivision must show ability to repay the financing either from Federal or State government disaster payments or from tax receipts. The interest rate payable by a political subdivision is the 3 month LIBOR plus 1.25% adjusted monthly with a floor of 2.25%.

The PFA approved \$8,743,130 of Disaster Financing loans to 4 political subdivisions in 2012. Loans approved under this program total \$64,304,037 and \$13,508,772 were outstanding as of December 31, 2012. Part F of Attachment 1 beginning on page 1-10 of this Report contains a complete list, as of December 31, 2012, of all loans made by the PFA under the Disaster Loan Program, including the name of each political subdivision, the original amount of each loan, and the outstanding principal of each loan.

The PFA issued \$2,892,780 of CFP Disaster Bonds to Bank of North Dakota in 2012. The proceeds of the 2012 CFP Disaster Bonds were used to make loans to political subdivisions approved for financing under the Disaster Loan Program. As of December 31, 2012, the total cumulative amount of bonds issued under the Disaster Loan Program was \$12,034,612 and the total outstanding amount of bonds under the Disaster Loan Program was \$9,947,464.

Part G of Attachment 2 on page 2-3 of this Report contains a complete list, as of December 31, 2012, of all series of Capital Financing Disaster Loan Bonds issued, including the original dollar amount and the outstanding principal amount of each series of Disaster Loan Bonds.



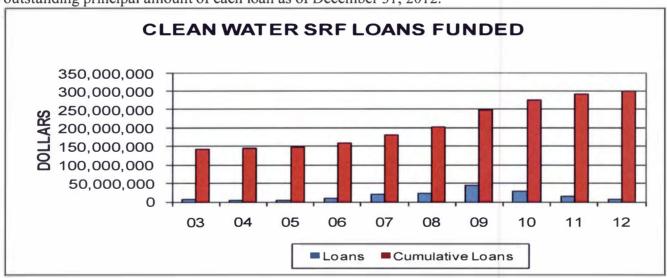
STATE REVOLVING FUND PROGRAM

The State Revolving Fund Program (SRF Program) was established in 1990 to enable North Dakota to receive federal capitalization grants as authorized under the Clean Water Act. In 1998, the SRF Program was amended to enable the State to receive capitalization grants as authorized under the Safe Drinking Water Act. The SRF Program grants, received from the United States Environmental Protection Agency, are to be used to make below-market interest rate loans to political subdivisions for the purpose of financing authorized projects, to establish reserve funds, and for other purposes under the Clean Water Act and the Safe Drinking Water Act. Authorized projects under the Clean Water Act include wastewater treatment facilities and nonpoint source pollution control projects. Authorized projects under the Safe Drinking Water Act include public water systems. The SRF Program is administered jointly by the North Dakota Department of Health and the PFA.

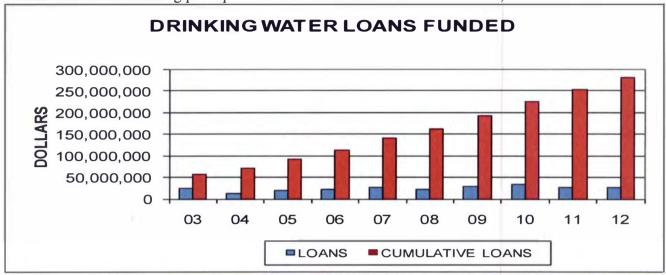
In 2001, Moody's Investors Service, Inc. upgraded the North Dakota SRF Program from "Aa2" to "Aaa", Moody's highest rating,

The interest rates on SRF Program loans are set by the Health Department in consultation with the PFA. The interest rates are fixed for the term of a loan. The interest rate for tax-exempt SRF Program loans is 2.0%. The interest rate for taxable SRF loans is 3.0%. Loans made with American Recovery and Reinvestment Act (ARRA) funds are at .5% and/or have a loan forgiveness component.

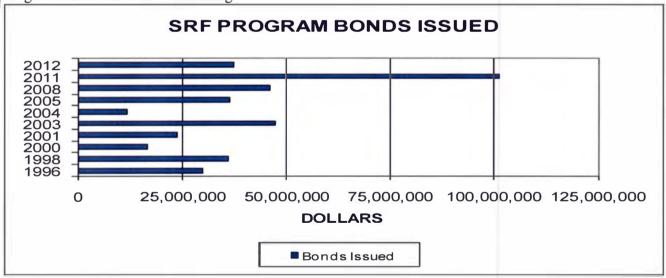
The PFA approved \$4,234,649 of Clean Water SRF Program loans to 8 political subdivisions in 2012. Subpart 21 of Part G of Attachment 1 on page 1-17 of this Report contains a list of all approved Clean Water SRF Program loans for 2012, including the approved amount, the funded amount, and the outstanding principal amount of each loan as of December 31, 2012.



The PFA approved \$16,887,054 of Drinking Water SRF Program loans to 7 political subdivisions in 2012. Subpart 14 of Part H of Attachment 1 on page 1-22 of this Report contains a list of loans made under the Drinking Water SRF Program during 2012, including the approved amount, the funded amount and the outstanding principal amount of each loan as of December 31, 2012.



The total amount of SRF Program Bonds issued under the PFA's SRF Program Master Trust Indenture is \$419,140,000. This total includes \$129,390,000 of the 1990, 1993, 1995, 1996, 1998, 2000, 2001, 2003A, 2003B, 2004 and 2005 SRF Program Bonds which have been advance refunded and are no longer considered to be outstanding.



As of December 31, 2012, the total amount of SRF Program Bonds outstanding was \$193,060,000, and the total outstanding amount of SRF Program loans was \$349,659,197. The total amount on deposit in the SRF Program Reserve Fund as of December 31, 2012, was \$11,814,823, which represents the Total Reserve Requirement under the Master Trust Indenture.

Part H of attachment 2 on page 2-4 of this Report contains a complete list of the SRF Program Bonds issued by the PFA under the Master Trust Indenture, including the original dollar amount and the outstanding principal amount of each series of SRF Program Bond.

INDUSTRIAL DEVELOPMENT BOND PROGRAM

The Public Finance Authority's Industrial Development Bond Program (IDBP) provides loans to North Dakota manufacturers that meet the IRS definition for small issue manufacturers. Bonds issued under this Program are moral obligation bonds of the State unless the borrower has the financial strength to request that the Public Finance Authority issue the bonds on a conduit basis. Public Finance Authority limits the program to \$2,000,000 per project and \$20,000,000 for the entire program. For conduit issuance when the state's moral obligation is not used as a credit enhancement there are no project or program limits.

The interest rates payable by a borrower are market rates, which are set through a competitive bid process when the PFA issues and sells its bonds to fund a loan. The interest rates paid by the PFA on its bonds are the same rates a borrower will pay on its bonds sold to the PFA.

This program has been assigned an "A+" rating by S&P, which allows those manufacturers that qualify to finance fixed assets at attractive tax-exempt rates.

The PFA did not issue IDBP Bonds in 2012.

Part I of Attachment 1 beginning on page 1-23 of this Report contains a complete list, as of December 31, 2012, of all loans made by the PFA with proceeds of IDBP Bonds issued under the IDBP General Bond Resolution, including the name of each borrower, the original amount of each loan, and the outstanding principal of each loan.

Part I of Attachment 2 on page 2-4 of this Report contains a complete list, as of December 31, 2012, of all series of Industrial Development Program Bonds issued under the IDBP General Bond Resolution, including the original dollar amount and the outstanding principal amount of each series of IDBP Bonds.

The outstanding amount of Reserve Fund Letters of Credit at December 31, 2012 was \$772,575. The IDBP Reserve Fund Letters of Credit are issued to meet the requirement of the IDBP General Bond Resolution that the PFA maintain reserves for each series, equal to the largest aggregate amount of principal and interest due in any twenty-four consecutive month periods. The IDBP Reserve Fund Letters of Credit are issued by BND.

OTHER BONDS

1977 General Bond Resolution. The PFA, pursuant to a 1977 General Bond Resolution, issued \$15,000,000 in 1977, \$16,590,000 of bonds in 1979, and \$11,600,000 of bonds in 1983, for a total principal amount of \$43,190,000. The 1977, 1979 and 1983 bonds have been retired.

1985 Local Governmental Assistance Program. In 1985, the PFA issued \$35,290,000 of bonds under a Local Governmental Assistance Program. These bonds were retired in 1986.

1990 Government Assistance Program. In 1990, pursuant to its Government Assistance Program, the PFA issued two series of bonds in the total amount of \$2,006,704. These bonds were retired in 1991.

1989 Insured Water System Revenue Bonds and 1999 Taxable Insured Water System Refunding Revenue Bonds. Pursuant to a Trust Indenture adopted in 1989, the PFA issued two series of Water System Revenue Bonds. The 1989 Series A Bonds were issued in the amount of \$11,650,000, and the 1989 Series B Bonds were issued in the amount of \$1,410,000 (the 1989 Series A Bonds and the 1989 Series B Bonds are referred to as the "1989 Bonds"). The Series B Bonds were issued to fund a reserve fund for the Series A Bonds. Proceeds of these taxable bonds were used by the PFA to make loans to certain political subdivisions to enable them to repurchase, at a discount, outstanding loans with the Farmers Home Administration. On December 21, 1995, the PFA entered into a Purchase Contract with Dain Bosworth Incorporated (now RBC Wealth Management) for the forward refunding of the 1989 Insured Water System Revenue Bonds. Under the terms of the Purchase Contract, the PFA issued and delivered \$8,875,000 of its Taxable Insured Water System Refunding Revenue Bonds, 1999 Series B to Dain Rauscher on April 1, 1999, for the purpose of refunding the 1989 Bonds. The benefits realized by the PFA through the refunding of the 1989 Bonds are being passed through to the participating political subdivisions in the form of lower interest rates and interest rate buydowns over the remaining terms of their loans. The debt service requirement for these bonds for the 2013-2015 biennium is \$236,500.

BIENNIAL DEBT SERVICE REQUIREMENTS

The debt service requirement for the outstanding CFP Bonds for the 2013-2015 biennium is \$2,924,768, and the debt service requirement for the outstanding SRF Program Bonds for the 2013-2015 biennium is \$42,618,390. The outstanding IDBP debt service requirement for 2013-2015 is \$757,325.

The aggregate debt service requirement for all outstanding PFA Bonds for the 2013-2015 biennium is \$46,536,983.

NORTH DAKOTA PUBLIC FINANCE AUTHORITY LOANS MADE 1977 THROUGH 2012

Part A

Subpart 1 \$15,000,000 1977 Series A Bonds

Borrower

Alexander PSD Kensal PSD Rock Lake PSD

Alexander Kinloss PSD Rolla Almont Kinyon PSD Rutland Kulm Sawver PSD Ashlev Scotia PSD Barney LaMoure PSD Bell PSD Scranton LaMoure Beulah Lawton Sharon **Bismarck** Leeds Sharon PSD Bismarck Park District Lehr Sherwood **Butte PSD** Leonard PSD Sheyenne PSD Solen PSD **Buxton** Leonard Carrington PSD Lidgerwood South Heart PSD Cass County Lignite South Bend PSD Lincoln PSD Casselton Southern PSD

Center Linton Southwest Fargo Courtenay Special PSD Linton PSD Stanley Drake Maddock Stanton **Edinburg PSD** Steele Mandan Edmore PSD Streeter PSD Mayville McVille Sutton PSD Elgin

Eligin McVille Sutton PSD
Ellendale PSD Michigan Thompson
Emerado Minnewauken PSD Tioga PSD
Enderlin Napoleon Tolna

Esmond Nedrose PSD Traill County District

Esmond PSD Nesson PSD Turtle Lake Fingal PSD New Salem Valley City Finley New Leipzig Fire District Velva Fordville New Rockford Verona Gackle PSD New Leipzig PSD Walcott Galt PSD New Leipzig Walhalla Garrison New Rockford Washburn Glen Ullin PSD North Sargent PSD Watford City Gwinner Park River Westhope Halliday Parshall Wildrose PSD Hampden PSD Pembina Wilton Hazelton Moffitt PSD Portland Wishek PSD Reeder PSD Wishek Hazen

Jamestown Regent PSD Woodworth PSD

Juzeler PSD Reynolds Yellowstone Irrigation District

Kathryn PSD Robinson PSD Zeeland PSD

Subpart 2

\$16,590,000 1979 Series A Bonds

Borrower

Anita Fire Protection District Richardson PSD Hazen Ashley PSD Hazen PSD Beulah Hebron Rolla Beulah PSD Hettinger Scranton

Center PSD Hope Hunter Edgeley Stanley

Edinburg Linton Edmore Lisbon Enderlin Mandan Mayville Finley Gackle Medina Mott Garrison Napoleon Glen Ullin

New Rockford Grand Forks Park District

New Rockford Park District Halliday

Harwood Park River Hazelton Portland

Rock Lake

Sherwood Fire Protection District

Stanton Strasburg Streeter Thompson West Fargo PSD Wilton

Wishek Zap

Subpart 3

\$11,600,000 1983 Series A Bonds

Borrower

Gladstone

Grafton PSD New Leipzig Anamoose Antler Gwinner Osnabrock Pembina Binford Hankinson Rural Fire District Bismarck Rural Fire District Horace Pingree PSD Bowbells PSD Killdeer Rhame Lakota PSD Richardton Carrington Cass Richland Drainage District Larimore Rolette Casselton Leonard Stanley Linton Strasburg

New England

Crosby Towner Dodge Mandan Edgeley PSD Manning PSD Velva Elgin PSD Mapleton Westhope Medina Enderlin Wildrose Michigan PSD Zap PSD Finley Flasher PSD Milnor

Part B

Local Government Assistance Program \$35,290,000 1985 Series A Bonds

Borrower

Barnes County
Bismarck PSD
Border Central PSD
Burleigh County
Cass Valley North PSD
Cass County
Crary PSD
Dakota PSD
Dickey County
Dickinson PSD

Fargo PSD
Fessenden
Fordville
Grace City PSD
Grand Forks County
Grand Forks PSD
Killdeer PSD
LaMoure PSD
Mandan PSD
Mandan
McIntosh County
Michigan PSD
Minot PSD

Morton County
Powers Lake PSD
Ramsey County
Richland County
Solen PSD
Stanton PSD
Stark County
Steele County
Stutsman County
Tolley PSD
Walsh County
West Fargo PSD

Part C

Drayton PSD

Edgeley PSD

Epping PSD

Government Assistance Program \$765,000 1990 Series A Bonds

Borrower

Cavalier Edgely PSD Eight Mile PSD Marion PSD Pembina PSD Sherwood PSD

Part D

Insured Water System Revenue Bonds \$8,875,000 1999 Series A Bonds \$1,410,000 1999 Series B Bonds

Borrower

All Season Water Users
Cass Rural Water
Dakota Water Users
Lidgerwood
North Valley Water Users Association
Richland Rural Water
Traill County Rural Water Users, Inc.
Tri-County Water Users Association

Capital Financing Program

Part E

Borrower			Original Loan <u>Amount</u>	Outstanding Loan <u>Amount</u>
Subpart 1	1990			
Morton County		\$	400,000	\$ 0
Linton			185,000	0
Mandan			95,000	0
Hankinson			155,000	0
Fargo Park District			680,000	0
Traill County Water Resource District			100,000	0
Dickinson Recreation Building Authority			250,000	0
Rolla			220,000	0
Morton County Water Resource Board			230,000	0
North Valley Rural Water Association			140,000	0
Milnor			85,000	0
Bismarck Parks & Recreation District			770,000	0
Twin Buttes School District			70,000	0
Hettinger Park District			35,000	0
Mandan Parks & Recreation District		12	335,000	0
			3,750,000	0
Subpart 2	1991			
Burleigh County Housing Authority			225,000	0
Bismarck Parks & Recreation District			1,300,000	0
Bismarck Parks & Recreation District			410,000	0
Mandan Parks & Recreation District			560,000	0
Richardton			165,000	0
Kindred			25,000	0
Montefiore PSD			75,000	0
Pembina PSD			195,000	0
Eight Mile PSD			150,000	0
Lake Agassiz Regional Council			180,000	0
North Valley Water Association			200,000	0
Finley			875,000	0
Wyndmere			65,000	0
Ward County			85,000	0
Oakes Municipal Airport Authority			45,000	0
Devils Lake PSD			1,810,000	0
Greater Richland Education Communication	ons Consortium		250,000	0
Cass County			400,000	0
			7,015,000	0

Borrower Subpart 3	1992		Original Loan <u>Amount</u>		itstanding Loan <u>Amount</u>
Mandan PSD		\$	2,500,000	\$	0
New England		Ψ	75,000	•	0
Cavalier			75,000		0
Lidgerwood			75,000		0
Kindred PSD			1,545,000		0
Edinburg			120,000		0
Milnor			205,000		0
West Fargo PSD			2,500,000		0
Lisbon PSD			800,000		0
Emerado PSD			100,000		0
Milnor			190,000		0
Pembina PSD			195,000		0
Eight Mile PSD			200,000		0
Briarwood			40,000		0
Buxton			40,000		0
Missouri Hills Interactive Consortium			455,000		0
Grand Forks PSD			2,500,000		0
Mercer County Housing Authority			435,000		0
Nelson County			100,000		0
·			12,150,000		0
Subpart 4	1993				
Lake Metigoshe Recreation Service D	istrict		150,000		0
Glenburn PSD			880,000		60,000
Fargo PSD			1,975,000		0
Fargo PSD			525,000		0
Thompson PSD			900,000		55,000
Souris			40,000		0
Marion PSD			115,000		0
Pembina PSD			180,000		0
Eight Mile PSD			150,000		0
Sims PSD			60,000		0
Oakes			120,000		0
McVille			230,000		0
Milnor			195,000		0
Emerado PSD			60,000		0
Grand Forks PSD			2,000,000		125,000
Burleigh County Housing Authority		_	325,000		0
			7,905,000		240,000

	Роммотиом			Original Loan	Outstanding Loan Amount
) :	Borrower Subpart 5	1994		Amount	Amount
,]	Mandan Airport Authority		\$	180,000	\$ 0
1	Fairmount PSD			305,500	0
(Grafton PSD			2,000,000	0
9	Sawyer PSD			450,000	0
(Glenburn PSD			592,500	0
I	Lincoln PSD			274,000	0
1	Finley-Sharon PSD			499,500	0
(Oakes PSD			1,650,000	0
1	North Sargent-Gwinner PSD			538,300	0
	Rolette PSD			461,900	0
2	Zap PSD			250,000	0
5	Stanley PSD			1,185,000	0
(Clifford-Galesburg PSD			532,669	0
1	Rhame PSD			180,000	0
1	West Fargo PSD			3,000,000	0
Ì	Manvel PSD			228,000	0
Ţ	United-Des Lacs PSD			942,647	0
5	Surrey PSD			413,000	0
(Cando PSD			50,000	0
5	Surrey PSD			325,000	0
5	Sawyer			150,000	0
	Marion PSD			105,000	0
	Pembina PSD			90,000	0
220	Eight Mile PSD			200,000	0
7 9	Sims PSD			50,000	 0
				14,653,016	0
5	Subpart 6	1995			
I	Burleigh County Housing Authority			1,600,000	0
	Fraill County Water Resource District			100,000	0
	Mooreton			170,000	0
	Milnor			160,000	0
	Ward County			95,000	0
	Marion PSD			105,000	0
	Eight Mile PSD			200,000	0
S	Sims PSD		_	75,000	 0
				2,505,000	0

Minot \$ 500,000 \$ 0 Rolette County Housing 500,000 0 Dunseith 100,000 0 Garrison 120,000 0 Walcott-Colfax District 70,000 0 Burleigh Water Users 1,585,000 0 Marion PSD 120,000 0 Garrison PSD 230,000 0 Subpart 8 1997 Cavalier 540,000 0 Burleigh Rural Water Users 3,350,000 0 New Town PSD 300,000 0 New Town PSD 300,000 0 North Valley Water Association 1,400,000 0 South Central Water Users District 350,000 0 Grarfion PSD 4,500,000 0 Aggasiz Water Users 375,000 0 Sims PSD 50,000 0 West Fargo PSD 1,000,000 0 Wathpeton 1,600,000 0 Garrison 125,000 0 McVille		<u>Borrower</u>			Original Loan <u>Amount</u>		Outstanding Loan <u>Amount</u>
Rolette County Housing		Subpart 7	1996				
Dunseith 100,000 0 Garrison 120,000 0 Hazelton 140,000 0 Walcott-Colfax District 70,000 0 Burleigh Water Users 1,885,000 0 Marion PSD 120,000 0 Garrison PSD 230,000 0 Subpart 8 1997 Cavalier 540,000 0 Burleigh Rural Water Users 3,350,000 0 New Town PSD 300,000 0 New Town PSD 300,000 0 North Valley Water Association 1,400,000 0 South Central Water Users District 350,000 0 Grafton PSD 4,500,000 0 Richardton 205,000 0 Aggasiz Water Users 375,000 0 Sims PSD 50,000 0 West Fargo PSD 1,600,000 0 Wahpeton 1,600,000 0 Garrison 125,000 0 McVille		Minot		\$	500,000	\$	0
Dunseith 100,000 0 Garrison 120,000 0 Hazelton 140,000 0 Walcott-Colfax District 70,000 0 Burleigh Water Users 1,585,000 0 Marion PSD 120,000 0 Garrison PSD 230,000 0 Subpart 8 1997 Cavalier 540,000 0 Burleigh Rural Water Users 3,350,000 0 New Town PSD 300,000 0 North Valley Water Association 1,400,000 0 South Central Water Users District 350,000 0 Grafton PSD 4,500,000 0 Richardton 205,000 0 Aggasiz Water Users 375,000 0 Sims PSD 50,000 0 West Fargo PSD 1,000,000 0 Water Grap PSD 1,600,000 0 Water Fargo PSD 1,550,000 0 McVille 1,550,000 0 Garrison <t< td=""><td></td><td>Rolette County Housing</td><td></td><td></td><td>500,000</td><td></td><td>0</td></t<>		Rolette County Housing			500,000		0
Hazelton 140,000 0 0 0 0 0 0 0 0		Dunseith			100,000		0
Walcott-Colfax District 70,000 . 0 Burleigh Water Users 1,585,000 . 0 Marion PSD 120,000 . 0 Garrison PSD 230,000 . 0 Subpart 8 1997 Cavalier 540,000 . 0 Burleigh Rural Water Users 3,350,000 . 0 Burleigh Rural Water Users 300,000 . 0 New Town PSD 300,000 . 0 North Valley Water Association 1,400,000 . 0 South Central Water Users District 350,000 . 0 Grafton PSD 4,500,000 . 0 Richardton 205,000 . 0 Agassiz Water Users 375,000 . 0 Sims PSD 50,000 . 0 West Fargo PSD 1,000,000 . 0 Wahpeton 1,600,000 . 0 Garrison 125,000 . 0 McVille 1,550,000 . 0 Subpart 9 1998 Gackle 295,		Garrison			120,000		0
Burleigh Water Users 1,585,000 0 0 0 0 0 0 0 0 0		Hazelton			140,000		0
Marion PSD 120,000 0 0 0 0 0 0 0 0		Walcott-Colfax District			-		. 0
Subpart 8 1997 1998 1998 1998 1998 1998 1998 1998 1997 1998 1998 1997 1998 1998 1998 1997 1998 1950 100,00							0
Subpart 8 1997							0
Subpart 8 1997		Garrison PSD		_			0
Cavalier 540,000 0 Burleigh Rural Water Users 3,350,000 0 New Town PSD 300,000 0 North Valley Water Association 1,400,000 0 South Central Water Users District 350,000 0 Grafton PSD 4,500,000 0 Richardton 205,000 0 Aggasiz Water Users 375,000 0 Sims PSD 50,000 0 West Fargo PSD 1,000,000 0 Wahpeton 1,600,000 0 Garrison 125,000 0 McVille 1,550,000 0 Subpart 9 1998 Gackle 295,000 0 Lidgerwood 120,000 50,000 Prairie Rose 175,000 0 Surrey 100,000 0 Hettinger Park District 250,000 0 Maple River Water Resource District 55,000 0 Milnor 400,000 35,000 Grandin <					3,365,000		0
Burleigh Rural Water Users 3,350,000 0 New Town PSD 300,000 0 North Valley Water Association 1,400,000 0 South Central Water Users District 350,000 0 Grafton PSD 4,500,000 0 Richardton 205,000 0 Aggasiz Water Users 375,000 0 Sims PSD 50,000 0 West Fargo PSD 1,000,000 0 Wahpeton 1,600,000 0 Garrison 125,000 0 McVille 1,550,000 0 Subpart 9 1998 Gackle 295,000 50,000 Frairie Rose 175,000 50,000 Prairie Rose 175,000 50,000 Maple River Water Resource District 200,000 Maple River Water Resource District 55,000 Milnor 400,000 35,000 Grandin 35,000 65,000 65,000 65,000 65,000 66,000 6		Subpart 8	1997				
New Town PSD 300,000 0 North Valley Water Association 1,400,000 0 South Central Water Users District 350,000 0 Grafton PSD 4,500,000 0 Richardton 205,000 0 Aggasiz Water Users 375,000 0 Sims PSD 50,000 0 West Fargo PSD 1,000,000 0 Wahpeton 1,600,000 0 Garrison 125,000 0 McVille 1,550,000 0 Subpart 9 1998 Gackle 295,000 50,000 Frairie Rose 175,000 50,000 Prairie Rose 175,000 50,000 Maple River Water Resource District 55,000 Maple River Water Resource District 55,000 Milnor 400,000 35,000 Grandin 35,000 65,000 65,000 65,000 65,000 665,0		Cavalier			540,000		0
North Valley Water Association 1,400,000 0 South Central Water Users District 350,000 0 Grafton PSD 4,500,000 0 Richardton 205,000 0 Aggasiz Water Users 375,000 0 Sims PSD 50,000 0 West Fargo PSD 1,000,000 0 Wahpeton 1,600,000 0 Garrison 125,000 0 McVille 1,550,000 0 Subpart 9 1998 Gackle 295,000 0 Lidgerwood 120,000 50,000 Prairie Rose 175,000 0 Surrey 100,000 0 Hettinger Park District 200,000 0 Maple River Water Resource District 55,000 0 Milnor 400,000 35,000 Grandin 165,000 65,000		Burleigh Rural Water Users			3,350,000		0
South Central Water Users District 350,000 0 Grafton PSD 4,500,000 0 Richardton 205,000 0 Aggasiz Water Users 375,000 0 Sims PSD 50,000 0 West Fargo PSD 1,000,000 0 Wahpeton 1,600,000 0 Garrison 125,000 0 McVille 1,550,000 0 Subpart 9 1998 Gackle Lidgerwood Prairie Rose 175,000 Output Surrey 100,000 Hettinger Park District 200,000 Maple River Water Resource District 55,000 Milnor 400,000 35,000 Grandin 165,000 65,000 Grandin 165,000 65,000 Control Part Park District 400,000 35,000 Grandin 165,000 65,000 Control Part Park District 50,000 Control Part Park District 60,000 Control Part Park Distric		New Town PSD			300,000		0
Grafton PSD 4,500,000 0 Richardton 205,000 0 Aggasiz Water Users 375,000 0 Sims PSD 50,000 0 West Fargo PSD 1,000,000 0 Wahpeton 1,600,000 0 Garrison 125,000 0 McVille 1,550,000 0 Subpart 9 1998 Gackle Lidgerwood Prairie Rose 175,000 Surrey 100,000 Hettinger Park District 200,000 Maple River Water Resource District 55,000 Milnor Grandin 400,000 35,000 Grandin 165,000 65,000 65,000 65,000 665,000 75 Grandin 165,000 75		North Valley Water Association					0
Richardton 205,000 0 Aggasiz Water Users 375,000 0 Sims PSD 50,000 0 West Fargo PSD 1,000,000 0 Wahpeton 1,600,000 0 Garrison 125,000 0 McVille 1,550,000 0 Subpart 9 1998 Gackle 295,000 0 Lidgerwood 120,000 50,000 Prairie Rose 175,000 0 Surrey 100,000 0 Hettinger Park District 200,000 0 Maple River Water Resource District 55,000 0 Milnor 400,000 35,000 Grandin 165,000 65,000					•		0
Aggasiz Water Users 375,000 0 Sims PSD 50,000 0 West Fargo PSD 1,000,000 0 Wahpeton 1,600,000 0 Garrison 125,000 0 McVille 1,550,000 0 Subpart 9 1998 Gackle 295,000 0 Lidgerwood 120,000 50,000 Prairie Rose 175,000 0 Surrey 100,000 0 Hettinger Park District 200,000 0 Maple River Water Resource District 55,000 0 Milnor 400,000 35,000 Grandin 165,000 65,000							0
Sims PSD							0
West Fargo PSD 1,000,000 0 Wahpeton 1,600,000 0 Garrison 125,000 0 McVille 1,550,000 0 Subpart 9 1998 Gackle 295,000 0 Lidgerwood 120,000 50,000 Prairie Rose 175,000 0 Surrey 100,000 0 Hettinger Park District 200,000 0 Maple River Water Resource District 55,000 0 Milnor 400,000 35,000 Grandin 165,000 65,000					-		0
Wahpeton 1,600,000 0 Garrison 125,000 0 McVille 1,550,000 0 Subpart 9 1998 Gackle 295,000 0 Lidgerwood 120,000 50,000 Prairie Rose 175,000 0 Surrey 100,000 0 Hettinger Park District 200,000 0 Maple River Water Resource District 55,000 0 Milnor 400,000 35,000 Grandin 165,000 65,000					-		_
Garrison McVille 125,000 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0							
McVille 1,550,000 15,345,000 0 Subpart 9 1998 Gackle 295,000 0 0 Lidgerwood 120,000 50,000 50,000 Prairie Rose 175,000 0 0 Surrey 100,000 0 0 Hettinger Park District 200,000 0 0 Maple River Water Resource District 55,000 0 0 Milnor 400,000 35,000 35,000 Grandin 165,000 65,000 65,000	Ì	-					
Subpart 9 1998 Gackle 295,000 0 Lidgerwood 120,000 50,000 Prairie Rose 175,000 0 Surrey 100,000 0 Hettinger Park District 200,000 0 Maple River Water Resource District 55,000 0 Milnor 400,000 35,000 Grandin 165,000 65,000							
Gackle 295,000 0 Lidgerwood 120,000 50,000 Prairie Rose 175,000 0 Surrey 100,000 0 Hettinger Park District 200,000 0 Maple River Water Resource District 55,000 0 Milnor 400,000 35,000 Grandin 165,000 65,000		Mcville					0
Gackle 295,000 0 Lidgerwood 120,000 50,000 Prairie Rose 175,000 0 Surrey 100,000 0 Hettinger Park District 200,000 0 Maple River Water Resource District 55,000 0 Milnor 400,000 35,000 Grandin 165,000 65,000		Subpart 9	1998				
Lidgerwood 120,000 50,000 Prairie Rose 175,000 0 Surrey 100,000 0 Hettinger Park District 200,000 0 Maple River Water Resource District 55,000 0 Milnor 400,000 35,000 Grandin 165,000 65,000		-			205.000		0
Prairie Rose 175,000 0 Surrey 100,000 0 Hettinger Park District 200,000 0 Maple River Water Resource District 55,000 0 Milnor 400,000 35,000 Grandin 165,000 65,000							
Surrey 100,000 0 Hettinger Park District 200,000 0 Maple River Water Resource District 55,000 0 Milnor 400,000 35,000 Grandin 165,000 65,000							_
Hettinger Park District 200,000 0 Maple River Water Resource District 55,000 0 Milnor 400,000 35,000 Grandin 165,000 65,000							_
Maple River Water Resource District 55,000 0 Milnor 400,000 35,000 Grandin 165,000 65,000							_
Milnor 400,000 35,000 Grandin 165,000 65,000							
Grandin 165,000 65,000		-					
West Fargo PSD 1,000,000 0					1,000,000		0
6							0
					-		210,000
						-	360,000

	Borrower			Original Loan <u>Amount</u>		Outstanding Loan <u>Amount</u>
	Subpart 10	1999				
	Lidgerwood		\$	1,075,000	\$	0
	Drayton			140,000		0
	Drayton			70,000		0
	Max			50,000		0
	Surrey			100,000		0
	West Fargo PSD			1,000,000		0
	Sims PSD			100,000		0
	Tri-County Water District			1,710,000		185,000
	Tri-County Water District		_	285,000 4,530,000	-	185,000 185,000
				4,550,000		165,000
	Subpart 11	2000				
	Lisbon			765,000		0
	Enderlin			195,000		0
	Amenia			155,000		0
	West Fargo PSD			3,000,000		0
	Sims PSD		_	100,000		0
				4,215,000		0
	Subpart 12	2001				
	Frontier		_	735,000	_	0_
	Subpart 13	2002				
y						
	McVille			215,000		0
	Southeast Water Users District			700,000		0
	Bismarck Rural Fire District Kulm			185,000 150,000		0
	Fessenden-Bowdon PSD			350,000		0
	1 essenden-bewaen 1 sb		_	1,600,000	-	0
	Subpart 14	2003				
	Langdon Rural Water District			1,495,000		1,135,000
	Subpart 15	2004			_	
	Subpart 15	2004				
	Traill Rural Water			300,000		210,000
	Surrey			500,000		115,000
	Mercer County Housing		_	80,000	_	0
				880,000		325,000
	Subpart 16	2006				
	Rolette County Housing Authority			235,000		205,000
.	Belcourt Public School District			1,045,000		470,000
	Enderlin			105,000	_	45,000
J				1,385,000	_	720,000

	Borrower Subpart 17	2009	Original Loan <u>Amount</u>		Outstanding Loan <u>Amount</u>
J	West Fargo		530,000		500,000
	Tri-County Water District		1,415,000		1,265,000
	Emerado		180,000		165,000
			2,125,000	_	1,930,000
	Subpart 18	2011			
	Drayton		405,000		390,000
	Drayton		350,000		337,000
	McVille		2,357,000		2,308,000
	McVille		618,000		570,000
			3,730,000		3,605,000
	Subpart 19	2012			
	McVille		150,000		150,000
	Kultn		85,000		85,000
	All Seasons		820,000		820,000
	Forman Housing Authority		935,000		935,000
	Forman		505,000		505,000
	Forman		1,090,000		1,090,000
	Hankinson		1,930,000		1,930,000
.	Mayville		1,430,000		1,430,000
	Tri-County Water District		1,405,000		1,405,000
	Gackle		1,285,000		1,285,000
			9,635,000		9,635,000
	Total Capital Financing Program Loans		\$ 100,028,016	\$ <u>_</u>	18,135,000

Capital Financing Disaster Loan Program

Part F

<u>Borrower</u>			Original Loan <u>Amount</u>		Outstanding Loan <u>Amount</u>
Subpart 1	2011				
Orlien Township, Ward County Lund Township, Ward County Ramsey County Anna Township, Ward County Logan County Dickey County Rolling Green Township, Ward County Cameron Township, Ward County Otis Township, McLean County Normanna Township, Cass County Casselton Township, Cass County Ward County Sargent County Stutsman County Weld Township, Stutsman County Valley Springs Township, Stutsman County Valley Springs Township, Stutsman County Wadsworth Township, Stutsman County St Paul Township, Stutsman County Ashland Township, Stutsman County Woodbury Township, Stutsman County Winclair Township, Stutsman County Sinclair Township, Stutsman County Streeter Township, Stutsman County Streeter Township, Stutsman County Griffin Township, Stutsman County Griffin Township, Stutsman County Mandan Rice Lake Recreation Service District North Prairie Rural Water District North Prairie Rural Water District Minnewaukan Public School District	ty	\$	400,000 70,000 2,000,000 800,000 6,000,000 5,000,000 460,742 495,000 35,000 40,000 10,000,000 10,000,000 2,739,859 1,321,733 1,295,017 904,483 600,000 26,000 278,500 5,741 150,000 193,000 101,000 50,000 400,000 61,832 8,000,000 400,000 700,000 450,000 255,560,907	\$	240,398 67,750 0 491,714 2,857,200 2,205,470 393,300 47,875 22,000 0 83,000 6,440,135 0 0 0 0 0 112,886 0 9,200 0 82,180 0 10,000 0 24,000 101,913 55,300 0
Subpart 2	2012				
Newman Township, Ward County Griffin Township, Stutsman County Minot Park District Rice Lake Recreation Service District		_	40,000 1,030,530 7,000,000 672,600 8,743,130		39,451 0 0 225,000 264,451
Total Capital Financing Disaster Progra	am Loans	\$ =	64,304,037	\$ _	13,508,772

Clean Water State Revolving Fund Program

Part G

Borrower		Approved Loan <u>Amount</u>	Funded Loan <u>Amount</u>	Outstanding Loan <u>Amount</u>
Subpart 1	1990			
Enderlin Fargo Minot		\$ 490,000 \$ 3,561,559 879,386 4,930,945	490,000 \$ 3,561,559 879,386 4,930,945	0 0 0
Subpart 2	1993			
Fargo Jamestown Minot Northwood Wahpeton West Fargo Lake Metigoshe New Town Jamestown Williston Subpart 3 Minot Burlington Devils Lake	1994	7,770,000 1,581,406 665,000 1,150,000 1,062,366 175,000 296,263 132,050 1,289,702 252,835 14,374,622 443,522 165,037 1,076,423	7,770,000 1,581,406 665,000 1,150,000 1,062,366 175,000 296,263 132,050 1,289,702 252,835 14,374,622 443,522 165,037 1,076,423	0 190,000 40,000 105,000 122,366 0 0 230,000 0 687,366
Grafton Casselton		410,000 112,000 2,206,982	410,000 112,000 2,206,982	0 0 215,000
Subpart 4	1995	2,200,702	2,200,702	213,000
Fargo Max Cooperstown Northwood Colfax Edmore Ellendale		2,850,429 74,912 55,000 225,837 36,297 62,256 196,826	2,850,429 74,912 55,000 225,837 36,297 62,256 196,826	0 11,250 0 30,000 0 9,357
Minot Williston		400,000 291,881	400,000 291,881	0

Borrower		Approved Loan <u>Amount</u>	Funded Loan <u>Amount</u>	Outstanding Loan <u>Amount</u>
Subpart 4 Cont.	1995			
Lisbon Napoleon Park River Carrington Mott Harvey Beach Williston Buffalo Hettinger Davenport Ellendale Cando Cooperstown		133,851 498,279 835,000 211,157 478,556 226,241 328,581 38,248 156,001 176,339 220,990 113,006 300,000	100,000 \$ 133,851 498,279 835,000 211,157 478,556 226,241 328,581 38,248 156,001 176,339 220,990 113,006 300,000	0 40,000 95,000 175,000 40,000 120,000 0 0 40,000 30,000 0 0
Subpart 5	1996	8,009,687	8,009,687	590,607
Jamestown Cooperstown Park River Portland Medina Mayville Manvel Oriska Bottineau Arthur Cando Kindred Page Argusville Bottineau Grand Forks Bank of North Dakota		16,300,000 1,174,952 72,312 82,368 67,255 105,433 478,416 21,531 100,000 132,963 254,052 124,498 47,738 213,061 104,500 13,700,000 1,101,444 34,080,523	16,300,000 1,174,952 72,312 82,368 67,255 105,433 478,416 21,531 100,000 132,963 254,052 124,498 47,738 213,061 104,500 13,700,000 1,101,444 34,080,523	3,935,000 285,000 0 16,476 0 0 120,000 0 40,000 60,000 39,498 9,548 0 0 4,840,000 17,000 9,362,522
Subpart 6	1997			
Grand Forks Casselton Christine Mapleton		3,940,000 1,589,652 385,273 152,864	3,940,000 1,589,652 385,273 152,864	1,395,000 470,000 130,000 0

	Approved Loan <u>Amount</u>	Funded Loan <u>Amount</u>	Outstanding Loan <u>Amount</u>
nt. 1997			
	\$ 225,330 \$ 805,000 5,191,929 82,875 123,067 2,277,487 1,933,969 218,000 16,925,446	225,330 \$ 805,000 5,191,929 82,875 123,067 2,277,487 1,933,969 218,000 16,925,446	75,000 240,000 2,110,000 21,375 50,000 675,000 595,000 28,000 5,789,375
1998			
S	42,000 342,373 140,704 1,482,337 258,711 214,000 108,261 76,195 98,603 300,875 97,042 59,872 10,723,277 2,650,804 16,595,054	42,000 342,373 140,704 1,482,337 258,711 214,000 108,261 76,195 98,603 300,875 97,042 59,872 10,723,277 2,650,804 16,595,054	0 100,000 0 0 105,000 74,000 40,000 5,000 30,000 105,875 30,000 4,000 4,540,000 850,000 5,883,875
1999			
	210,000 118,020 360,000 1,113,522 74,738 747,990 87,025 102,413 213,667 77,000 88,000 454,641 3,647,016	210,000 118,020 360,000 1,113,522 74,738 747,990 87,025 102,413 213,667 77,000 88,000 454,641 3,647,016	80,000 41,000 0 455,000 33,000 120,000 0 86,000 0 38,000 70,000
	1998	Loan Amount 1t. 1997 \$ 225,330 \$ 805,000 5,191,929 82,875 123,067 2,277,487 1,933,969 218,000 16,925,446 1998 42,000 342,373 140,704 1,482,337 258,711 214,000 108,261 76,195 98,603 300,875 97,042 59,872 10,723,277 2,650,804 16,595,054 1999 210,000 118,020 360,000 1,113,522 74,738 747,990 87,025 102,413 213,667 77,000 88,000 454,641	Loan Amount Amount

<u>Borrower</u>	Approved Loan <u>Amount</u>	Funded Loan <u>Amount</u>	Outstanding Loan <u>Amount</u>
Subpart 9 2000			
Abercrombie	\$ 20,064 \$	20,064 \$	0
Hankinson	84,999	84,999	39,000
Fargo	1,816,295	1,816,295	835,000
Lidgerwood	89,405	89,405	42,000
Enderlin	1,189,549	1,189,549	540,000
Hunter	158,395	158,395	65,000
Cogswell	81,960	81,960	34,000
Mayville	1,075,000	1,075,000	545,000
Ward County Water Resource District	797,375	797,375	370,000
Emerado	406,207	406,207	135,000
	5,719,249	5,719,249	2,605,000
Subpart 10 2001			
Jamestown	370,120	370,120	115,000
Mayville	1,169,393	1,169,393	600,000
Forman	135,172	135,172	64,000
Lisbon	716,436	716,436	330,000
Amenia	141,489	141,489	65,000
Grand Forks	13,781,500	13,781,500	7,050,000
Kulm	678,640	678,640	360,000
Tower City	503,123	503,123	250,000
Lake Metigoshe	485,400	485,400	185,000
Williston	1,124,000	1,124,000	575,000
Rolette	102,000	102,000	52,000
Hebron	122,890	122,890	64,000
Hankinson	1,457,760	1,457,760	740,000
Harvey	69,281	69,281	35,900
Oakes	106,076	106,076	40,000
	20,963,280	20,963,280	10,525,900
Subpart 11 2002			
Sanborn	30,694	30,694	16,600
Williston	1,190,559	1,190,559	675,000
Grand Forks	1,580,755	1,580,755	844,000
Grand Forks	2,274,164	2,274,164	1,110,000
Grand Forks	6,546,560	6,546,560	3,526,560
Linton	95,770	95,770	55,000
Mayville	3,073,811	3,073,811	1,728,000
Morton County Water Resource District	258,000	258,000	145,000

	<u>Borrower</u>		Approved Loan <u>Amount</u>	Funded Loan <u>Amount</u>	Outstanding Loan <u>Amount</u>
	Subpart 11 Cont. 2002				
	2002				
	Wildrose	\$	86,405		
	Mapleton		80,790	80,790	45,000
	Wahpeton	-	374,065	374,065	230,000
			15,731,169	15,567,320	8,350,907
	Subpart 12 2003				
	Hunter		41,930	41,930	25,600
	Oakes		746,350	746,350	435,000
	Harvey		244,615	244,615	153,000
	Hankinson		133,790	133,790	82,200
	Mantador Litchville		50,000 236,381	50,000 236,381	30,600 147,000
	Courtenay		49,444	49,444	29,000
	Jamestown		1,309,568	1,309,568	895,000
		_	2,812,078	2,812,078	1,797,400
	Subpart 13 2004				
	Oakes		601,500	601,500	400,000
	Portland		291,164	291,164	180,000
	Lidgerwood		84,416	84,416	54,000
)	Lincoln		397,944	397,944	112,000
	Hillsboro		186,336	186,336	0
	Warwick		32,775	32,775	24,000
	West River Water and Sewer	_	338,007	338,007	220,000
			1,932,142	1,932,142	990,000
	Subpart 14 2005				
	Mapleton		335,000	335,000	228,000
	Hazen		276,120	276,120	189,000
	Enderlin		184,307	184,307	122,000
	Rutland Grand Forks		180,841 4,500,000	180,841 4,500,000	127,000 3,170,000
	Grand Forks	-	5,476,268	5,476,268	
	Subpart 15 2006				
	Jamestown		1,475,346	1,475,346	1,101,000
	Rice Lake Recreation Service District		2,813,537	2,813,537	2,081,000
	Fargo		2,631,739	2,631,739	
	Gackle		77,824	77,824	58,600
	Tower City		121,502	121,502	91,000
	BND .		2,398,556	1,722,501	896,782
	Portland Wyndmere		30,236 188,146	30,236 188,146	23,500 143,000
ı	Oakes		950,000	950,000	725,000
	·	· -	10,686,886	10,010,831	6,994,882

Borrower Subpart 16 2007	Approved Loan <u>Amount</u>	Funded Loan <u>Amount</u>	Outstanding Loan <u>Amount</u>
Bismarck Southeast Cass Water Resource District Lakota Leonard Argusville Mayville McVille Jamestown Hope Portland Cass Rural Water District Willow City Oakes Nome	20,000,000 850,000 414,948 255,000 634,606 345,725 81,677 1,467,998 757,963 46,937 15,326,652 148,174 258,747 16,011 40,604,438	20,000,000 738,299 414,948 255,000 634,606 345,725 81,677 1,467,998 757,963 46,937 15,326,652 148,174 258,747 16,011 40,492,737	15,970,000 523,299 222,000 202,000 510,000 260,000 64,000 1,085,000 579,000 37,000 13,980,652 117,000 196,000 0
Subpart 17 2008	40,004,430	40,472,737	33,743,731
Lisbon Harvey Hunter Fargo Flasher Hankinson Ellendale Fargo Watford City	1,260,000 355,000 138,580 63,725,000 121,414 100,000 734,842 1,640,000 808,588 68,883,424	1,174,092 210,952 138,580 48,988,530 121,414 100,000 734,842 1,640,000 808,588 53,916,998	971,092 135,952 117,000 46,128,530 89,000 84,000 614,000 1,490,000 670,000 50,299,574
Subpart 18 2009			
Tappen Casselton Mandan Mandan Stutsman Rural Water District Lisbon Cavalier Lake Metigoshe Recreation Service District Velva Hazen Enderlin Glenburn Davenport Munich Edgeley Valley City	179,761 1,931,688 1,679,763 1,000,000 5,500,000 1,435,000 487,315 517,400 501,032 246,919 800,000 824,900 400,000 1,200,120 1,644,845 480,000	179,761 1,931,688 1,679,763 1,000,000 4,513,542 1,242,211 487,315 517,400 321,032 246,919 798,172 776,194 388,832 1,200,120 1,644,845 313,046	151,000 1,760,000 1,410,000 840,000 3,723,542 441,972 410,000 230,000 0 165,000 429,949 349,283 137,416 55,000 325,000 244,046
Strasburg	1,404,743 20,233,486	1,404,743	305,000 10,977,208

	<u>Borrower</u>		Approved Loan <u>Amount</u>	Funded Loan <u>Amount</u>	Outstanding Loan <u>Amount</u>
)	Subpart 19	2010			
	Hillsboro		134,519	123,141	108,141
	Drayton		1,677,066	1,677,066	122,000
	Michigan		1,697,336	1,548,081	400,081
	Northwood		2,363,000	2,305,303	879,701
	Fargo		822,348	822,348	699,374
	Wishek		185,547	185,547	164,000
	Mapleton		825,800	537,799	467,999
	Hankinson		569,833	569,833	515,000
	Fargo		4,071,140	3,483,226	3,228,226
	Hunter		143,032	143,032	130,000
	Dickinson		853,958	569,354	489,354
	Langdon		157,454	157,454	145,000
	Kulm		54,409	54,409	50,000
			13,555,442	12,176,593	7,398,876
	Subpart 20	2011			
	Jamestown		1,140,023	1,140,023	1,045,000
	Pembina		217,329	215,156	215,156
	Wyndmere		1,664,897	1,664,897	1,600,000
	Devils Lake		2,500,000	2,500,000	2,400,000
	Minto		1,229,000	1,042,093	1,003,093
	Fingal		715,000	510,392	362,083
,	Southeast Cass WRD		670,000	516,707	333,685
	Forman		750,935	750,935	434,337
	Hazen		178,494	178,494	171,000
			9,065,678	8,518,697	7,564,354
	Subpart 21	2012			
	Velva		282,000	183,027	173,027
	Kathryn		70,000	66,785	66,785
	Maddock		1,800,000	1,284,300	862,851
	Casselton		1,440,000	764,600	764,600
	Dunn Center		200,000	186,040	186,040
	Des Lacs		107,649	35,659	35,659
	Clifford		46,228	46,228	46,228
	Medina		270,000	21,770	21,770
			4,215,877	2,588,409	2,156,960
	Total		\$ 320,510,096 \$	299,614,713 \$	170,613,010

Drinking Water State Revolving Fund Program

Part H

<u>Borrower</u>		Approved Loan <u>Amount</u>	Funded Loan <u>Amount</u>	Outstanding Loan <u>Amount</u>
Subpart 1	1999			
Wahpeton Park River New Rockford Sawyer Walsh Rural Water District Tioga Williston St. John	\$	345,715 \$ 261,000 281,102 136,000 3,000,000 44,004 3,901,331 399,388 8,368,540	345,715 \$ 261,000 281,102 136,000 3,000,000 44,004 3,901,331 399,388 8,368,540	120,000 0 95,000 0 0 2,000,000 181,000 2,396,000
Subpart 2	2000	0,000,000	0,000,000	2,070,000
Grand Forks Lisbon Stutsman Rural Water Users State Water Commission Cooperstown Harwood Mayville	-	11,542,236 912,115 666,168 1,500,000 300,000 866,514 1,025,000 16,812,033	11,542,236 912,115 666,168 1,500,000 300,000 866,514 1,025,000 16,812,033	5,240,000 410,000 305,000 675,000 140,000 445,000 520,000 7,735,000
Subpart 3	2001			
Hankinson Finley Enderlin Valley City Grand Forks Oxbow Lisbon Nome Southeast Water Users		405,000 2,479,994 195,000 1,444,139 10,050,000 475,657 460,381 22,465 60,000	405,000 2,479,994 195,000 1,444,139 10,050,000 475,657 460,381 22,465 60,000	190,000 1,264,800 80,000 740,000 0 240,000 240,000 0 30,000
		15,592,636	15,592,636	2,784,800

<u>Borrower</u>	Approved Loan <u>Amount</u>	Funded Loan <u>Amount</u>	Outstanding Loan <u>Amount</u>
Subpart 4 2002			
Lisbon \$	•	413,522	225,000
Harvey	427,076	427,076	240,000
Grafton	285,616	285,616	160,000
Mandan	4,197,565	4,197,565	2,253,000
Ramsey County WRD	3,482,000	3,482,000	2,030,000
Enderlin	87,500	87,500	50,000
Linton	563,063	563,063	320,000
Cleveland	206,406	206,406	105,000
Langdon	522,796	522,796	291,000
Drayton	132,362	132,362	14,000
Larimore	1,991,805	1,991,805	1,100,000
Wahpeton	1,890,000	1,890,000	1,231,000
Grafton	1,130,229	1,130,229	719,000
	15,329,940	15,329,940	8,738,000
Subpart 5 2003			
Southeast Water District	1,446,906	1,446,906	815,000
Grand Forks - Traill Water District	3,991,780	3,991,780	2,245,000
North Valley Water District	4,138,000	4,138,000	0
Williston	3,693,344	3,693,344	2,255,000
Barnes Rural Water District	816,000	816,000	500,000
Argusville	360,718	360,718	230,000
Casselton	1,272,000	1,272,000	800,000
Aneta	171,340	171,340	108,500
Stutsman Rural Water District	201,651	201,651	133,000
	16,091,739	16,091,739	7,086,500
Subpart 6 2004			
Oakes	147,652	147,652	94,000
Cass Rural Water District	1,890,923	1,890,923	1,275,000
Leeds	179,000	179,000	110,000
Hazen	1,000,000	1,000,000	660,000
Tioga	418,727	418,727	254,000
Lincoln	307,681	307,681	204,000
Lincoln	447,000	447,000	145,500
Abercrombie	244,002	244,002	161,000
Lisbon	410,000	410,000	277,000
Williston	5,000,000	5,000,000	450,000
Harvey	676,556	676,556	450,000
Noonan	39,602	39,602	28,000
Williams County Rural Water	1,500,000	1,500,000	1,045,000
Williston	17,593,143	17,593,143	13,240,000
Jamestown	2,534,604 32,388,890	2,534,604	1,765,000
	JZ,J08,89U	32,388,890	19,708,500

Borrower Subpart 7 2005	Approved Loan <u>Amount</u>	Funded Loan <u>Amount</u>	Outstanding Loan <u>Amount</u>
4 '11	215 224	015.004	1 40 000
Argusville	217,304	217,304	148,000
Park River	746,100	746,100	545,000
Mapleton	83,754	83,754	56,000
Bottineau	750,000	750,000	520,000
Southeast Water Users District	808,411	808,411	575,000
	2,605,569	2,605,569	1,844,000
Subpart 8 2006			
Walcott	159,112	159,112	117,000
Stutsman Rural Water District	1,164,020	1,164,020	829,000
Wildrose	52,291	52,291	36,500
Velva	1,616,123	1,616,123	755,000
Cooperstown	309,634	309,634	210,000
Riverdale	762,138	762,138	481,000
Pick City	223,328	223,328	152,926
Braddock	16,610	16,610	0
Center	358,800	358,800	265,000
Page	95,975	95,975	72,000
Harvey	91,581	91,581	67,000
Hillsboro .	1,151,563	1,151,563	783,000
Washburn	1,977,000	1,858,802	1,352,802
Southeast Water Users District	4,655,000	4,655,000	3,492,000
Portal	50,000	50,000	0
Park River	517,600	517,600	410,000
Central Plains Water District	1,661,967	1,661,967	1,244,000
Columbus	57,000	57,000	25,000
Southeast Water Users District	186,902	186,902	138,000
	15,106,644	14,988,446	10,430,228
Subpart 9 2007			
McLean-Sheridan Rural Water	519,104	519,104	412,000
Walsh Rural Water District	1,796,902	1,796,902	0
North Prairie Water District	5,700,000	5,700,000	4,645,000
Mayville	324,341	324,341	240,000
Southeast Water Users District	5,418,000	5,418,000	2,370,000
South Central Regional Water	8,000,000	8,000,000	6,348,000
Jamestown	2,076,816	2,076,816	1,605,000
Devils Lake	3,800,000	3,800,000	3,010,000
North Valley Water District	2,617,000	2,617,000	0
Christine	219,015	219,015	180,000
Grand Forks Traill Water District	1,200,000	1,200,000	940,000
All Seasons Water Users District	211,950	211,950	167,000
·	31,883,128	31,883,128	19,917,000

<u>B</u>	orrower	Approved Loan <u>Amount</u>	Funded Loan <u>Amount</u>	Outstanding Loan <u>Amount</u>
Sub	part 10 2008			
Sout	heast Water Users District	595,000	595,000	472,000
Haze	elton	245,120	245,120	151,000
Lisb	on	1,165,000	727,979	540,979
Map	leton	1,149,088	1,149,088	967,000
Man	dan	4,511,900	4,511,900	3,782,000
Farg	go	2,500,000	2,500,000	2,060,000
Cass	s Rural Water District	1,376,605	1,376,605	1,120,000
Farg	go	29,240,000	13,443,052	12,158,052
Tri-0	County Water District	363,289	363,289	313,289
Lako		199,802	199,802	0
Cros	•	2,361,275	551,488	169,213
	kinson	95,000	95,000	79,000
	naford	53,748	53,748	45,000
	h Central Regional Water	4,000,000	4,000,000	3,365,000
Ray		1,452,760	1,452,760	455,000
Pars		2,887,500	2,767,864	2,440,364
Man		7,972,283	7,972,283	6,667,283
Leed	ls	37,076	37,076	32,000
		60,205,446	42,042,054	34,817,180
Subj	part 11 2009			
Trail	ll Rural Water District	3,396,880	3,396,880	3,381,000
Carr	ington	240,117	240,117	201,000
Lisb	on	305,787	305,787	255,000
Wat	ford City	347,464	347,464	292,000
	narck	16,320,000	11,735,806	9,750,806
Lisb	on	1,860,000	1,606,912	1,381,912
Ray		864,000	820,800	0
	heast Water Users District	1,800,000	1,126,051	998,051
	heast Water Users District	841,774	841,774	775,000
	ies Rural Water District	2,050,000	2,050,000	1,755,000
Velv		454,074	347,919	291,919
	Seasons Water Users District	206,675	154,433	128,433
	nbledon	258,353	258,353	221,000
Hop		175,000	175,000	155,000
Ende		3,000,000	2,182,408	1,822,408
Garr		158,222	158,222	0
	lrose	1,780,000	1,503,094	0 127,000
	sruhe	791,415	791,415	
Siras	sburg	2,060,678 36,910,439	2,060,678 30,103,113	315,000 21,850,529
		30,710,437	30,103,113	21,030,327

<u>Borrower</u>		Approved Loan <u>Amount</u>		Funded Loan <u>Amount</u>		Outstanding Loan <u>Amount</u>
Subpart 12 2010						
Hillsboro		299,413		265,337		228,337
Washburn		4,668,000		3,850,934		1,625,467
South Central Regional WD		4,600,000		4,600,000		4,235,000
BDW Water Systems		2,500,000		1,993,113		0
State Line Water Coop		147,781		147,781		122,000
Valley City		4,646,000		4,646,000		1,750,000
Hillsboro		1,310,679		1,310,679		965,000
Mandan		6,923,867		6,923,867		6,383,867
Kenmare		403,579		403,579		355,000
Buffalo		98,922		98,922		90,000
Jamestown		5,650,000		5,045,466		4,673,643
Kulm		25,300		25,300		23,000
		31,273,541		29,310,978	-	20,451,314
Subpart 13 2011						
Pembina		1,563,654		1,549,443		1,549,443
Linton		224,800		224,800		216,000
Page		90,597		90,597		87,000
Cooperstown		913,000		659,496		625,496
Sawyer		308,708		308,708		296,708
Bowbells		2,145,000		127,343		0
McKenzie County WRD		8,200,000		7,612,375		7,612,375
Kenmare		1,200,000		727,656		703,656
	<u></u>	14,645,759		11,300,418	_	11,090,678
Subpart 14 2012						
Ray		2,500,000		1,517,711		17,711
Minnewaukan		1,850,000		453,036		0
R & T Water Supply Commerce		10,000,000		9,349,789		9,349,789
Garrison Rural Water District		720,000		545,733		545,733
Southeast Water Users District		1,500,000		117,020		0
Sherwood		82,475		82,475		82,475
Granville		234,579		189,348		189,348
		16,887,054		12,255,112	-	10,185,056
Total	\$	314,101,358	\$ =	279,072,596	\$ _	179,046,187

Industrial Development Bond Program Loans

Part I

	Funded Loan	(Outstanding Loan
Borrower	Amount		Amount
Subpart 1 2006			
Prairie Gold Real Estate, LLC	\$ 1,360,000	\$	1,146,667
Subpart 2 2008			
ND Natural Beef, LLC	2,000,000		1,919,025
Subpart 3 2009			
Giant Snacks Inc. ND Natural Beef, LLC	1,500,000 65,269 1,565,269		1,381,667 65,269 1,446,935
Total	\$ 4,925,269	\$	4,512,627

Direct Loans

Part J

) I	Borrower			Funded Loan <u>Amount</u>	Outstanding Loan <u>Amount</u>
_	Subpart 1	1992			
	Subpart 1	1992			
F	t. Clark Irrigation		\$_	20,750	. \$0
S	Subpart 2	1993			
S	Solen		_	9,000	0
S	Subpart 3	1995			
F	Plaza PSD			16,000	0
	Mooreton			30,000	0
(Garrsion PSD			110,000	0
Ε	Beulah Airport Authority			35,000	0
			_	191,000	0
S	Subpart 4	1996			
C	Christine			27,000	0
N	McHenry			24,000	0
S	Sims PSD			17,000	0
	•			68,000	0
S	Subpart 5	1997			
,	Ward County			80,000	0
7	Traill County Rural Water Users			40,000	0
C	Christine			17,500	5,250
N	Manvel		_	28,000	0
				165,500	5,250
S	Subpart 6	1998			
E	Berthold			45,000	0
F	Page			60,000	0
F	Ransom Sargent Water Users Inc	С.		87,000	0
	Jpper Souris Water Users Assoc	iation		75,000	0
F	Hannaford		_	20,000	0
				287,000	0
S	Subpart 7	1999			
F	Forest River		_	50,000	0

Borrower Subpart 8	2000		Original Loan <u>Amount</u>		Outstanding Loan <u>Amount</u>
New Town PSD		\$	500,000	\$	0
Sanborn		•	13,500	•	0
Havana			120,000		0
		_	633,500	-	0
Subpart 9	2001				
Fort Pembina Airport Authority			117,000		27,000
Sims PSD		_	100,000		0
			217,000		27,000
Subpart 10	2002				
Kulm			21,360		0
Southeast Water Users			640,000		0
Solen PSD		_	200,000		0
			861,360		0
Subpart 11	2003				
Solen PSD			200,000		0
Traill County Rural Water Users	3		50,000		0
St. John		_	85,000 335,000		10,000
Subpart 12	2004		222,000		10,000
-	200.				
Solen PSD			200,000		0
New Town PSD			60,000		0
			260,000		0
Subpart 13	2005				
Enderlin			92,000		0
Columbus			57,000		0
Solen PSD			200,000		0
Gackle			75,000		0
Portal			185,000		0
Surrey Township		_	42,500 651,500		0 0
Subpart 14	2006				
Solen PSD		_	200,000		0
Subpart 15	2007				
Emerado		_	186,288		0

Borrower Subpart 16	2008	Original Loan Amount	Outstanding Loan <u>Amount</u>
Sterling PSD		100,000	0
Cass Rural Water District		330,000	0
Watford City		405,000	0
Casselton		685,000	0
Cussonen		 1,520,000	0
Subpart 17	2009		
Northood PSD		1,500,000	0
Hazen		215,000	0
Solen PSD		390,000	165,000
		2,105,000	165,000
Subpart 18	2010		
Drayton		405,000	0
Drayton		278,000	0
		 683,000	0
Subpart 19	2012		
Fessenden		44,000	0
Rolla		265,000	192,431
Sheldon		63,413	63,413
		 372,413	255,844
Total Direct Loans		\$ 8,816,311 \$	463,094

NORTH DAKOTA PUBLIC FINANCE AUTHORITY BONDS ISSUED 1977 THROUGH 2012

Part A 1977 General Bond Resolution

			Initial Bond <u>Amount</u>	Outstanding Bond <u>Amount</u>	
1977 Series A 1979 Series A 1983 Series A	Subtotal	\$	15,000,000 16,590,000 11,680,000 43,270,000	\$ 0 0 0)
Part B	Local Go	verr	nmental Ass	istance Program	
1985 Series A			35,290,000	0)
Part C	Insured '	Wate	er System R	evenue Bonds	
1989 Series A 1989 Series B	Subtotal	-	11,650,000 1,410,000 13,060,000	0000)
Part D	Governn	ient	Assistance l	Program	
1990 Series A 1990 Series B	Subtotal	, _	765,000 1,241,704 2,006,704	000000000000000000000000000000000000000)
Part E Taxabl	e Insured	Wat	er System R	Refunding Bonds	
1999 Series A 1999 Series B	Subtotal	-	8,875,000 1,410,000 10,285,000	410,000 1,410,000 1,820,000)
Part F	Capital I	inar	ncing Progra	am	
1990 Series A 1990 Series B 1990 Series C 1990 Series D 1990 Series E 1990 Series F 1990 Series G			400,000 185,000 95,000 155,000 680,000 100,000 250,000	0 0 0 0 0 0)

	Initial Bond	Outstanding Bond
Part F Cont.	Amount	Amount
1990 Series H	\$ 220,000	\$ 0
1990 Series I	230,000	0
1990 Series J	140,000	0
1990 Series K	85,000	0
1990 Series L	770,000	0
1990 Series M	70,000	0
1990 Series N	35,000	0
1990 Serues O	335,000	0
1991 Series A	225,000	0
1991 Series B	1,300,000	0
1991 Series C	410,000	0
1991Series D	560,000	0
1991 Series E	265,000	0
1991 Series F	345,000	0
1991 Series G	380,000	0
1991 Series H	280,000	0
1991 Series I	2,460,000	0
1992 Series A	565,000	0
1992 Series B	820,000	0
1992 Series C	2,650,000	0
1992 Series D	115,000	0
1992 Series E	1,870,000	0
1992 Series F	3,260,000	0
1992 Series G	290,000	0
1992 Series H	395,000	0
1992 Series I	535,000	0
1992 Series J	2,500,000	0
1992 Series K	535,000	0
1993 Series A	150,000	0
1993 Series B	880,000	60,000
1993 Series C	1,975,000	0
1993 Series D	1,465,000	55,000
1993 Series E	505,000	0
1993 Series F	2,930,000	125,000
1994 Series A	5,335,000	0
1994 Series B	525,000	0
1994 Series C	445,000	0
1995 Series A	1,700,000	0
1995 Series B	425,000	0
1995 Series C	380,000	0
1996 Series A	500,000	0
1996 Series B	930,000	0
1996 Series C	1,585,000	0
1996 Series D	350,000	0
1997 Series A	540,000	0

		Initial Bond	Outstanding Bond
100=0		Amount	<u>Amount</u>
1997 Series B		\$ 3,350,000 \$	0
1997 Series C		300,000	0
1997 Series D		1,750,000	0
1997 Series E		4,705,000	0
1997 Series F		375,000	0
1997 Series G		1,050,000	0
1997 Series H		3,275,000	0
1998 Series A		945,000	50,000
1998 Series B		6,685,000	0
1998 Series C		565,000	100,000
1998 Series D		1,050,000	0
1998 Series E		450,000	210,000
1999 Series A		1,075,000	0
1999 Series B		260,000	0
1999 Series C		100,000	0
1999 Series D		1,100,000	0
1999 Series E		1,710,000	0
1999 Series F		285,000	185,000
2000 Series A		1,115,000	0
2000 Series B		3,100,000	0
2001 Series A		735,000	0
2002 Series A		1,700,000	0
2003 Series A		1,495,000	1,135,000
2004 Series A		880,000	325,000
2006 Series A		1,385,000	720,000
2009 Series A		2,125,000	1,930,000
2011 Series A		3,730,000	3,605,000
2012 Series A		9,635,000	9,635,000
	Subtotal	99,060,000	18,135,000
Part G	Capital F	inancing Disaster	Loan Program
2011 Series A		9,141,832	7,278,000
2012 Series A		2,892,780	2,669,464
	Subtotal	12,034,612	9,947,464

		Bond	Bond
		Amount	Amount
Part H	State Rev	olving Fund Prog	gram
1990 Series A		5,520,000	0
1993 Series A		20,220,000	0
1995 Series A		³ 6,975,000	0
1996 Series A		³ 29,845,000	200,000
1998 Series A		^{5, 6} 35,965,000	5,425,000
2000 Series A		4 16,725,000	0
2001 Series A		⁷ 23,725,000	0
2003 Series A		^{7, 8} 26,795,000	1,210,000
2003 Series B		9 20,455,000	1,910,000
2004 Series A		⁹ 11,790,000	1,830,000
2005 Series A		8 36,210,000	9,875,000
2008 Series A		46,100,000	36,675,000
2011 Series A		101,210,000	98,685,000
2012 Series A		19,705,000	19,705,000
2012 Series B		17,900,000	17,545,000
	Subtotal	419,140,000	193,060,000

Initial

Outstanding

Part I Industrial Development Bond Program

2006 Series A 2008 Series A 2009 Series A			1,360,000 2,000,000	1,170,000 1,850,000
2009 Series A		_	1,500,000	1,405,000
	Subtotal		4,860,000	4,425,000
Total All Bonds		\$_	637,523,316 \$	225,904,464

¹ A portion of the proceeds of the 1993 Series A SRF Bonds was used to defease and refund the 1990 Series A SRF Bonds.

A portion of the proceeds of the 2001 Series A SRF Bonds was used to defease and refund the 1993 and 1995 Series A SRF Bonds.

³ The proceeds of the 2003 Series B SRF Bonds was used to defease and refund the 1996 Series A SRF Bonds.

⁴ The proceeds of the 2004 Series A SRF Bonds was used to defease and refund the 2000 Series A SRF Bonds.

⁵ A portion of the proceeds of the 2005 Series A SRF Bonds was used to defease and refund the 1993 and 1998 Series A SRF Bonds.

⁶ A portion of the proceeds of the 2008 Series A SRF Bonds was used to defease and refund 1998 Series A SRF Bonds.

⁷ A portion of the proceeds of the 2011 Series A SRF Bonds was used to defease and refund the 2001Series A and 2003 Series A SRF Bonds.

⁸ A portion of the proceeds of the 2012 Series A SRF Bonds was used to defease and refund the 2003 Series A and 2005 Series A SRF Bonds

Series A SRF Bonds.

9 A portion of the proceeds of the 2012 Series B SRF Bonds was used to defease and refund the 2003 Series B and 2004 Series A SRF Bonds.

TESTIMONY TO THE HOUSE APPROPRIATIONS COMMITTEE

MARCH 7, 2013

ENGROSSED SENATE BILL 2014

ERIC HARDMEYER – PRESIDENT & CEO BANK OF NORTH DAKOTA

The Bank of North Dakota (BND) is the only state-owned bank in the nation. Its mission, established by legislative action in 1919, is to encourage and promote agriculture, commerce and industry in North Dakota. In this role, BND acts as a funding resource in partnership with other financial institutions, economic development groups and guaranty agencies. BND also acts as a secondary market for residential loans for ND banks that choose not to hold their residential loans. BND provides cash management services to other state agencies and North Dakota financial institutions. We provide check clearing services and liquidity programs for over 100 ND financial institutions.

12-31 Year-End BND Financial Highlights (millions)

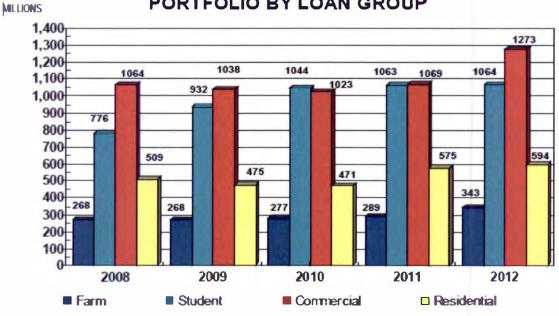
				Unaudited	Projected
	2009	2010	2011	2012	2013
Assets	\$3,960	\$4,030	\$5,375	\$6,155	\$7,135
Loans	\$2,714	\$2,815	\$2,995	\$3,280	\$3,535
Deposits	\$2,939	\$3,058	\$4,179	\$5,003	\$5,743
Capital	\$ 272	\$ 327	\$ 400	\$ 463	\$ 547
C/A Ratio	7.19%	7.96%	7.70%	7.60%	7.61%
Income	\$58.1	\$61.9	\$70.3	\$81.6	\$86.5
Transfer	\$30.0	\$ 5.0	\$ 2.8	\$29.0	\$26.3*
% transfer	25.8%	8.1%	4.0%	35.5%	30.4%
ROE	22.8%	20.8%	19.3%	19.2%	17.3%

Assets have grown 55% since year-end 2009. This growth generally can be attributed to the overall strength of North Dakota's economy. As tax and fee incomes grow, they are deposited at BND. Those deposits are then deployed into various asset types: loans, investments, or short term securities.

Total loan volume has increased each year with over a 20% increase in net loans since 2009. The \$3.2 billion loan portfolio is diversified and breaks into four main categories as shown below.

^{*}Includes projected portion of buy-down transferred to programs

PORTFOLIO BY LOAN GROUP





The Bank of North Dakota is adequately capitalized with equity of \$463 million or 7.61% of average assets. According to Federal Reserve regulations, to qualify as "Well-capitalized", a financial institution must have at least 5% capital. A nation-wide average for banks of similar size is 9.89%, while the North Dakota average for all banks is 9.13%. Our internal goal has been to have equity of 8%.

■ YTD Annual Growth

□ YE Loan Amount

For the past five years much of the country has been entrenched in a financial crisis that has brought increased attention to the financial industry. This, of course has resulted in significant scrutiny and regulatory change. While BND has performed well throughout this crisis, a result of the crisis has been to increase regulatory required capital levels. While BND is not federally regulated, we are, however, examined by state regulators and hold an independent rating from Standards & Poor's of AA-.

Earnings have been strong with BND achieving record profits the last nine years. For 2012, we had budgeted earnings to be \$75 million; however, as a result of a growing deposit base and stable loan demand, earnings were approximately \$82 million. For the 2013-15 biennium, total BND earnings will be approximately \$170 million.

The return on equity ratio, which averages 20.53% for the last four years, represents the state's return on its investment in the Bank.

Student Loans

As many of you know, effective July 1, 2010 the Federal Family Education Loan (FFEL) program was eliminated and now is delivered by the US Department of Education through the Direct Loan program. The FFEL program has been the hallmark of the Bank of North Dakota's student loan program for over 40 years with a total student loan portfolio just recently surpassing \$1 billion.

Additionally, we continue to provide the Dakota Education Alternative Loan (DEAL) Program. This is a Bank of North Dakota program that is designed to fill in gaps around the federal student loan program. As detailed in the graphs provided, this program has experienced significant growth for BND and we believe that trend will continue.

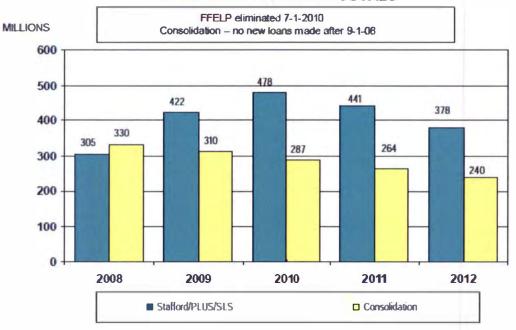
In 2010, we were designated by Governor Hoeven (continued under Governor Dalrymple) as the agency to receive the College Access Grant. This grant provides funding for education and outreach for low to moderate income areas.

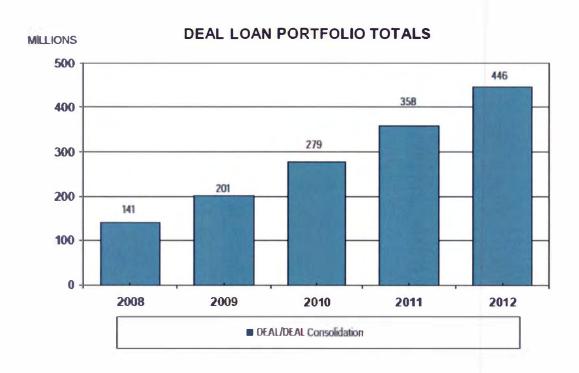
Additionally, in 2011, BND became eligible to service Direct Student loans on behalf of the Federal Government. The Department of Education (DOE) has opened up contracts to non-profit state agencies to service up to 100,000 accounts. BND elected not to directly service loans for the DOE, but rather contracted our allocation to another non-profit, Missouri Higher Education Loan Authority (MOHELA). For this, BND has received a \$1.65 million fee and an annual on-going fee of \$270,000. Through SB 2096 we are seeking authority to spend the fee on activities that further the work of the College Planning Center.

Housed within BND is the College Planning Center. Activities include the coordination of the College Access Grant, administration of the College Save Program (529 Plan), and acts as the state coordinator for the Dollars for Scholars program. We also do extensive work with educational and financial outreach to all areas of the state.

We will continue to seek new ways to engage the College Planning Center to further our educational mission.

FFELP LOAN PORTFOLIO TOTALS





BANK OF NORTH DAKOTA SENATE BILL 2014, SECTION 1 OPERATIONS

As you know, BND is a special fund agency, consequently; all appropriated expenses are funded by revenues generated through operations. Profits are available to increase capital or make transfers to the General Fund or other state programs. Our goal as we put this budget together was to provide a hold-even budget in line with the Governor's recommendation. Outside of the increase in expenditures associated with the MOHELA contract, we have achieved that goal.

The Bank of North Dakota's 2013-15 proposed operations budget is comprised of two major line items: operations and capital assets. Included in the operations line item are salaries & benefits, operating expense, and contingency.

MAJOR LINE ITEM EXPENSE CATEGORIES:

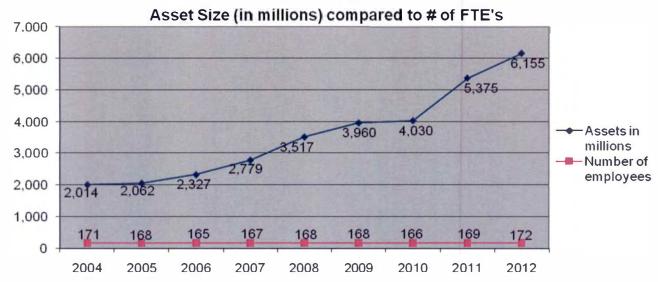
OPERATIONS

Budget 2013-2015	\$51,861,408 Appropriation
Budget 2011-2013	\$45,587,155 Base level
_	\$ 6,274,253 Enhancement
SALARIES AND BENEFITS	
Budget 2013-2015	\$27,746,287 Appropriation
Budget 2011-2013	\$25,716,399 Base level

The salaries and wages line item increase represents the salary increases as proposed in the Governor's budget. This also reflects the increase in medical insurance and other benefits as proposed in the Governor's executive budget.

\$ 2,029,888 Enhancement

Bank of North Dakota's total assets have grown from just over \$2.0 billion in 2004 to nearly \$6.2 billion for 2012, more than tripling our asset size over the past 8 years. This outstanding growth has been managed with essentially the same number of employees in 2012 as in 2004 as represented in the graph below:



Our efficient use of staff resources has enabled us to grow the bank substantially while maintaining the number of employees, and our business practice includes a diligent requisition process to evaluate every vacancy that occurs. We have gained efficiencies in some areas of the Bank by the implementation of computer processes or streamlining efforts, and have been able to deploy affected employees to other areas of need. This practice has served us well and has allowed us to become an efficient business partner. We have a proven track record of efficiently and effectively managing our staffing level and our request for 3 additional FTE's is included in the Governor's budget proposal so that we are able to continue to do so.

BND currently holds 4 vacant FTE's with plans to fill them in the following capacities:

- Compliance Officer Risk Management
- Collection Officer (2 positions) Student Loans
- Loan Officer or Loan Assistant Lending

The 3 additional FTE's that were included in the Governor's budget continue to be reevaluated so that needs are justified and filled in the order that is most impactful and necessary for BND. Although the timing in which we need to utilize the specific FTE's has changed, we are still in great need of these additional positions and our plans to fill them are noted below:

- Lending (+1 FTE) Since 2004, our lending portfolio has more than doubled primarily driven by the commercial and student loan areas. In addition to this growth, we are currently piloting a mortgage loan origination program which also adds to our overall loan portfolio. For these reasons, we believe that we will need to add at least 1 FTE to effectively manage not only these but our agriculture loan portfolio as well.
- Accounting (+1 FTE) Many changes have occurred in the regulatory
 environment related to financial institutions, some of which have not been fully
 integrated yet. The effects of Dodd Frank and BASEL III and also a review of our
 internal control environment related to SOX 404 indicate the need for additional
 staff in this area. The complexity of a financial institution of our size continues to
 expand requiring a senior level accountant so that our financial information is
 being accounted for and reported appropriately.
- Technology and Operations (+1 FTE) At the end of 2011, BND established a
 project management office (PMO) to provide guidance and expertise to a large
 number of projects at our institution. This has helped us manage our work
 projects much more effectively and has also brought forward the opportunity for
 continued process improvement and enhancement. In order to continue the
 progress that has been made, we plan to add 1 FTE to this area.

All of these areas point to our need for flexibility in managing staffing levels and we appreciate the Governor's recognition of BND's efforts and support of the State of North Dakota.

OPERATING EXPENSES

Budget 2013-2015 \$19,870,765 Appropriation Budget 2011-2013 \$16,670,756 Base level \$3,200,009 Enhancement

Operating expenses include items like data processing, training and development, supplies, postage, etc. The major increase, nearly \$1,900,000, is the authorization to spend the MOHELA monies, which was described on page three.

A key industry benchmark for gauging the efficiency of a financial institution is the efficiency ratio. This measures non-interest expense as percentage of income. Anything below 50% is considered to be excellent. BND is operating with a 20.66% efficiency ratio, which is nearly three times better the industry average of 56.14%.

CONTINGENCY

Budget 2013-2015 \$ 3,244,356 Appropriation Budget 2011-2013 \$ 3,200,000 Base level \$ 44,356 Enhancement

Of the funds requested for contingency, \$1,000,000 is earmarked for compliance testing, hedge consulting and marketing costs. The financial industry is going through dramatic changes with information security requirements, compliance and regulatory needs, etc. Since we are dealing with a two year budgetary window it is important that BND has a significant amount in contingency to deal with unforeseen events.

CAPITAL ASSETS

Moneys appropriated for capital assets consist of funds for replacement servers for core banking system, software upgrades, and hardware replacement.

BANK OF NORTH DAKOTA SENATE BILL 2014, SECTION 1 ECONOMIC DEVELOPMENT

PACE FUND

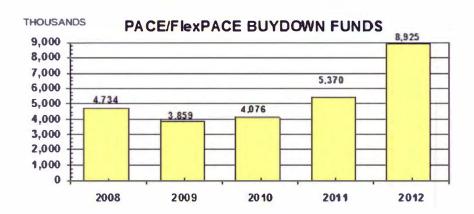
Budget 2013-2015 \$ 0 Appropriation

Budget 2011-2013 \$ 9,400,000 Base level
\$ (9,400,000) Enhancement

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. In 2005, the PACE program was expanded to include a special limited provision called Flex PACE. This special program allows local communities to set their own standards for use of the program including business retention or essential services. In the 2009-11 biennium, \$6 million of PACE funding was earmarked for Flex PACE.

The PACE Fund began in 1991. Money provided to the PACE Fund by biennium is 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	6,000,000
2003-2005	5,700,000
2005-2007	5,700,000
2007-2009	8,000,000
2009-2011	8,000,000
2011-2013	6,000,000
2013-2015	28,000,000
Total	\$92,900,000



A total of 15 PACE loans and 69 Flex PACE loans were funded in 2012 in comparison to 10 and 67 respectively for 2011.

2011-2013 Biennium Buy-down Fund

Total Available Appropriated Funds	\$12,876,667
PACE Buy-down Funds - Funded/Committed Loans	\$ 3,339,711
Flex PACE Buy-down Funds - Funded/Committed Loans	\$ 8,031,963
Remaining Buy-down Funds	\$ 1,504,993

BEGINNING FARMER REVOLVING LOAN FUND

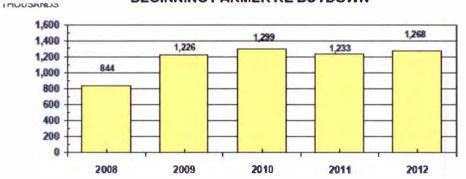
Budget 2013-2015	\$	0 Appropriation
Budget 2011-2013	1,4	00,000 Base level
-	\$(1,4	00,000) Enhancement

During the 2005-07 biennium, buydown funds for the Beginning Farmer Program were taken directly from the Beginning Farmer Revolving Loan Fund; consequently, no general fund appropriation has been needed or requested. BND has determined that the Beginning Farmer Revolving Loan (BFRL) Fund will now need to be funded through a general fund appropriation as it was from 1991 to 2005.

General Fund/Bank of North Dakota 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	1,000,000
2003-2005	950,000
2005-2007	0
2007-2009	0
2009-2011	0
2011-2013	1,400,000
2013-2015	6,000,000 Proposed
Total	\$14,221,500

BEGINNING FARMER RE BUYDOWN

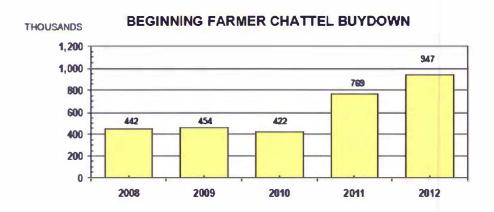


A total of 64 Beginning Farmer Real Estate Loans were funded in 2012 in comparison to 70 in 2011. The large increase in loan amounts in the past three years is a result of the increase in loan limits and due to higher land values.

2011-2011 Biennium Beginning Farmer Buy-down Fund

Total Available Cash Balance	\$5,956,229*
Buy-down - Funded/RE Committed Loans	2,490,459
Buy-down - Funded/Chattel Committed Loans	1,239,175
	\$2,226,595

^{*}As stated in statute the entire cash balance in the Beginning Farmer Revolving Fund is available for buy-down purposes.



The program's inception date was July 1, 2001. A total of 99 Beginning Farmer Chattel Loans were funded in 2012 compared to 91 in 2011.

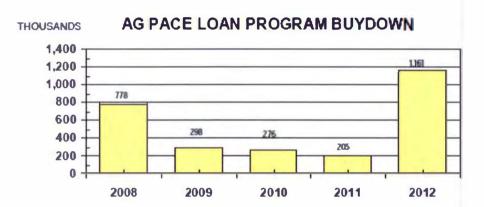
AG PACE FUND

Budget 2013-2015 \$ 0 Appropriation Budget 2009-2011 \$ 1,000,000 Base level \$ (1,000,000) Enhancement

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 is 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	1,500,000
2003-2005	1,425,000
2005-2007	0
2007-2009	1,400,000
2009-2011	1,400,000
2011-2013	1,000,000
2013-2015	1,000,000 Proposed
Total	\$11,398,100



A total of 69 Ag PACE loans were funded in 2012 compared to 12 in 2011. The majority of the loans funded in 2012 were for field tiling projects.

2011-2013 Biennium Buy-down Fund

Total Available Appropriated Funds	\$1,878,481
Buy-down Funds - Funded/Committed Loans	\$1,335,968
Remaining Buy-down Funds	\$ 542,513

BIO-FUELS PACE FUND

Budget 2013-2015	\$ 0	Appropriation
Budget 2011-2013	1,000,000	Base level
	\$(1,000,000)	Enhancement

2011-2013 Biennium Buy-down Fund

Total Available Appropriated Funds \$1,238,496
Buy-down Funds - Funded/Committed Loans
Remaining Buy-down Funds \$923,683
\$314,813

There were 7 loans funded during 2012 for the expansion of livestock operations and no loans are currently pending.

On February 14, 2012, \$5 million was transferred into the Flex PACE program from the funds as follows: \$3 million from Beginning Farmer Revolving Loan Fund, \$1 million from the Ag PACE fund and \$1 million from the Biofuels PACE Fund. On September 30, 2012 \$1 million was transferred from the Beginning Farmer Revolving Loan Fund to the Ag PACE Fund.

SENATE BILL 2014, SECTION 6 Transfer to the Industrial Commission

BND provides funding to the Industrial Commission each biennium for its operations including administrative and clerical costs.

SENATE BILL 2014, SECTIONS 7-10 Appropriation Transfer

These sections allow the Bank of North Dakota to transfer from its undivided profits up to or so much of the sum for: \$28 million for PACE/Flex PACE, \$2 million for Ag PACE, \$2 million for Biofuels PACE, and \$6 million for Beginning Farmer Revolving Loan Funds. Of the total \$38 million appropriated we have accounted for \$15 million in 2013 in our transfers listed on the front page of this testimony.

Bank of North Dakota Biennium Appropriation Report - July 1, 2011 - June 30, 2013 Eighteen months ended December 31, 2012

Line Item	Total Appropriation	Monthly Approp.	Current Months Expenditures	(Over) Under Budget	Previous Expenditures	Biennium To-Date Expenditures	Previous Available Budget to-date	Total Available To-Date	(Over) Under Budget	Balance Unexpended
Salaries and benefits	25,716,399	1,082,126	1,118,307	(36,181)	17,018,466	18,136,773	18,141,526	19,223,652	1,086,879	7,579,626
Operating Expenses	16,670,756	711,557	761,623	(50,066)	11,187,902	11,949,525	11,689,861	12,401,418	451,893	4,721,231
Capital Assets	1,266,000	52,750	0	52,750	123,690	123,690	896,750	949,500	825,810	1,142,310
Contingency	3,200,000 46,853,155	0 1,846,433	0 1,879,930	0 (33,497)	608,110 28,938,168	608,110 30,818,098	608,110 31,336,247	608,110	0 2,364,582	2,591,890 16,035,057

Salaries - 1st Year	2% Increase	1,060,908	12,730,891
- 2nd Year		1,082,126	12,985,508
Operating - 1st Year	5% Increase	677,673	8,132,076
- 2nd Year		711,557	8,538,680

Oil and Gas Research Program

North Dakota Industrial Commission

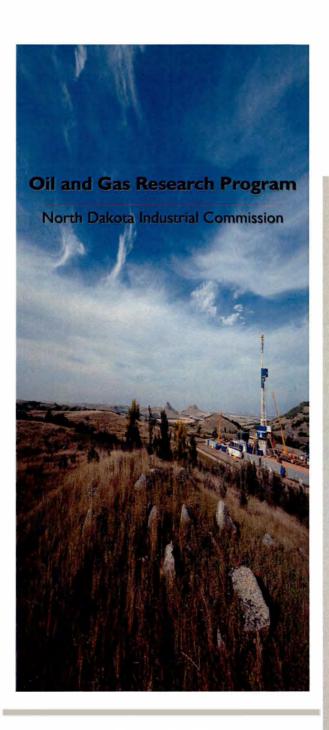
For More Information Contact:

Brent Brannan (701) 425-1237 brentbrannan@gmail.com

Karlene Fine (701) 328-3722 ndicinfo@nd.gov

Oil and Gas Research Program
State Capitol, 14th Floor
600 E. Boulevard Ave. Dept. 405
Bismarck, ND 58505-0840

www.oilresearch.nd.gov



www.oilresearch.nd.gov

Natural Gas Capture Projects

Demonstration of Gas Powered-Drilling Operations for Economically Challenged Wellhead Gas

Energy & Environmental Research Center (EERC), Grand Forks, ND

FUNDING: \$750,000 DURATION: 12 Months

The project will explore, identify, and demonstrate technologies for utilizing wellhead gas. Results will provide producers with a technical evaluation of gas -fired bi-fuel diesel power for drilling operations, a demonstration of compressed natural gas transport and delivery and expanded markets for Bakken Formation associated gas.

UPDATE:

One facet of the project was a study of alternative uses for associated gas. That portion of the study is completed and was presented in a Topical Report which stated the following:

END-USE TECHNOLOGY STUDY-AN ASSESSMENT OF ALTERNATIVE USES FOR ASSOCIATED GAS

The intent of this study is to examine technologies that can utilize the associated gas at locations upstream of traditional natural gas-processing plants, thereby extracting value from a currently un-captured resource. Economic analysis of these technologies consisted of comparing capital expense to potential revenue generation in an effort to frame the potential for more detailed economic study specific to individual technology. Technologies evaluated included 1)

natural gas liquid (NGL) recovery, 2) compressed natural gas (CNG) for vehicle fuel, 3) electrical power generations, and 4) chemical production.

Research has been completed examining the performance of Bakken gas in a full-scale diesel engine typically used to power a drilling operation.

Flare Gas - Power Generation Commercial Viability Pilot

Blaise Energy, Inc.

FUNDING: \$375,000

B laise conserves a valuable resource by transforming otherwise wasted wellhead flare gas into high quality, reliable, environmentally friendly electricity. The Blaise Solution consists of diverting the wellhead gas before it is flared and burning it more efficiently in an on-site generator, sending the electricity back into the local grid. Classified as "Recycled Energy" in North Dakota, Blaise Energy's electricity demonstrates the efficient use of resources and reduces green house gas emissions through reduced flaring.

UPDATE:

Based upon the price of electricity in North Dakota, the variable price, and interconnection costs, generation of electricity is viable, however going into the grid is not commercially viable.

Blaise Energy plans to continue operations in other avenues which include; site power, micro-grids, and natural gas to liquids utilization. Final funding for the project was \$250,000 rather than the \$375,000.

Oil and Gas Research Program

"Wellhead Gas Capture Via CNG Technologies"

Bakken Express, LLC

FUNDING: \$873,300

The purpose of this project is to evaluate compressed natural gas technologies as an economic method to capture and transport produced natural gas and gas liquids to market. Over the course of 12 months, Bakken Express will demonstrate the economic viability of capturing and transporting wellhead gas for both the producers (and mineral owners) and the companies providing this service.

FINAL RESULTS:

The project demonstrates that using CNG technologies to capture stranded associated natural gas from Bakken wells is viable both technically and economically.

Overall, this NDIC supported pilot project is a solid success, which will become an even more attractive solution to the stranded gas problem during the next iteration of loading and unloading skid designs and overall operational improvements.



Distributed Ammonia Production from Associated Gas

N-Flex

FUNDING: \$1,000,000 Duration: 18 months

This project will use the N-Flex production process to capture and convert previously flared stranded gas into a truly valuable asset - anhydrous ammonia - providing fertilizer for farmers in North Dakota and beyond.

Other Project Highlights:

Investigation of Improved Conductivity & Proppant Applications in the Bakken

Energy & Environmental Research Center (EERC), Grand Forks, ND

FUNDING: \$150,000 Duration: 12-18 months

The goal of the project is to improve the lateral and vertical drainage of hydrocarbons from the Three Forks and Bakken Formations by identifying the factors that lead to the collapse of propped fractures. Laboratory testing is proposed to determine whether more durable fracture conductivity can be achieved in the Bakken by altering the fracturing fluids, proppant types, and propant concentrations.

FINAL RESULTS:

Results indicate that fluid exposure may affect both rock and proppant strength and needs to be considered in the field. Given the importance of proppant performance on conductivity loss and, ultimately oil recovery, a better understanding of the effects of these various factors on proppant and rock strength in the field is vital for more efficient production within unconventional oil and gas reservoirs.

CO₂ Enhanced Bakken Recovery Research Program

Energy & Environmental Research Center (EERC), Grand Forks, ND

FUNDING: \$450,000 Duration: 15 months

The EERC proposes a research program to evaluate the use of CO₂ to increase the ultimate recovery of Bakken oil. The objective is to use new and existing reservoir characterization and laboratory data integrated with reservoir modeling to determine the viability of CO₂ for enhanced oil recovery (EOR) in the Bakken Formation.

The results of this work will provide insight regarding relationships between Bakken oil, key reservoir attributes, and CO₂ under reservoir conditions in order to better understand the efficient storage and use of CO₂ for EOR.

Oil Can Program!

North Dakota Petroleum Council

FUNDING: \$630,910 Duration: 24 Months

The objective of the Oil Can! Program is to open the lines of communication and improve understanding between the petroleum industry of North Dakota and key stakeholder groups such as property owners, policy makers, community leaders, media and the general public.

This grant consists of three objectives: education, outreach, marketing and promotion. Specific components of these three objectives include: ProgressZone, Town Hall Meetings, CookFest, Pick Up the Patch!, Industry and Sporting Groups

Forum, Teachers Seminar, Energy Career Awareness Partnership (ECAP), Oil Can! Power Kids' Futures program, Advertising, Branding and Promotion, Media & Policymaker Education & Outreach, and Website & Social Media. Discretionary funding is also set aside for potential hot topics or issues that may arise in the next two years.

Public-Private Partnership to Support Geology and Geological Engineering Education and Research at UND's College of Engineering and Mines

University of North Dakota

FUNDING: \$4,000,000 Duration: 36 Months

The total project of \$14,000,000 includes \$10,000,000 provided as a gift from Continental Resources, Inc. and Mr. Harold Hamm, which will establish the Harold Hamm School of Geology and Geological Engineering as a component of the College of Engineering and Mines at the University of North Dakota and the establishment of a high resolution image library enhancing the NDGS Wilson M. Laird Core and Sample Library located on the UND campus. The \$4,000,000 of funding provided by the NDIC/OGRP will match the \$10,000,000 provided by the private partners.

Oil & Gas Research Program State Capitol, 14th Floor 600 E. Boulevard Ave. Dept. 405 Bismarck, ND 58505-0840 www.oilresearch.nd.gov

Renewable Electrolytic Ammonia Production from Water and Nitrogen

Energy & Environmental Research Center (EERC)

EERC will develop and demonstrate a onestep electrolytic process for renewable ammonia production that utilizes inputs of water, air-separated nitrogen, and windgenerated electricity. A grant award of \$250,000 consisted of 42% of the total project cost.

Dakota Turbines

Posilock Puller, LLC

This project will create the most reliable, cost-effective and efficient small wind turbine on the market and is scalable from 5 - 100 kW. A grant award of \$285,373 provided 40% of the total project cost.

Statewide Ethanol Marketing Campaign

ND Ethanol Council

A marketing campaign focused on increasing the amount of higher-level ethanol blends (E15+) used in ND will be developed. All of the state's ethanol stakeholders are involved in the project, establishing a consistent statewide promotional message for higher-level blends. The REP provided \$199,600, 47% of the total project costs.

Dakota Spirit AgEnergy Cellulosic Biorefinery

Great River Energy (GRE)

Funds helped pay for the development phase of a cellulosic biorefinery, including a Pre-FEED study and financial model. The biorefinery will be located adjacent to GRE's Spiritwood Station, a combined heat and power (CHP) facility near Spiritwood, ND. Utilizing proven Danish technology, the biorefinery will convert wheat straw and/or corn stover to higher value energy products such as cellulosic ethanol, C5 molasses and purified lignin pellets. The REP provided \$500,000, 40% of the total project costs.

Developing a Biomaterials Industry in ND

North Dakota State University

Funds for this project will be used to demonstrate a new pretreatment process for densifying biomass. The pretreated biomass could feed an integrated biorefinery that would produce fuels, chemicals, and composites. The REP provided \$406,120, 50% of the total project costs.

Biobased Hybrid Resins for Pultrusion Composites

North Dakota State University

Funds for this project will be used to develop bio-based composites. If successful, the composites would be manufactured in Fargo at the Tecton facilities. The main source of feedstock for this project will be ND vegetable oils. An award of \$200,000 will provide 50% of the project cost.

Distributed Nitrogen Fertilizer Plant, Engineering and Development

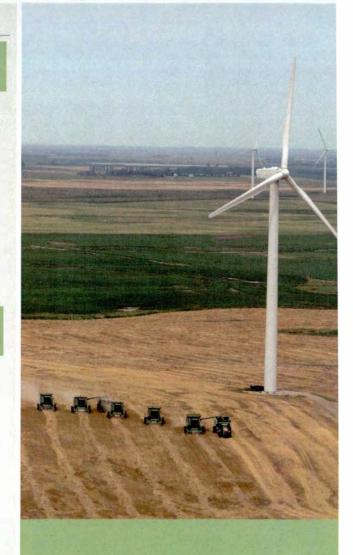
Progressive Nutrient Systems, LLC

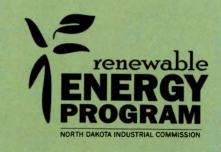
This project will develop a Basic Engineering Design Package for a small-scale, distributed nitrogen fertilizer plant that will be co-located at Tharaldson Ethanol. The REP provided \$431,000, 43% of the total project costs.

For More Information

Call the Industrial Commission at 701-328-3722 or visit us on the web:

www.nd.gov/ndic/renew-infopage.htm





Renewable Energy Program

About the Program

North Dakota's Renewable Energy Program (REP) was established by the Legislature in 2007 to promote the growth of North Dakota's renewable energy industries through research, development, marketing, and education.

The grant program is competitive and proposals go through a peer review process before being considered by the Renewable Energy Council (REC). The REC is appointed by the Governor and made up of 7 individuals including the Commerce Commissioner, who serves as chairman, and representatives from the following 6 industries: agriculture, biomass, biodiesel, wind, ethanol and sugar beet based ethanol. If a proposal receives a favorable recommendation from the REC, it is brought to the Industrial Commission for final consideration.

Eligible projects can receive up to \$500,000 and require a 50% match. There are 3 grant rounds per year. The application deadlines are January 1, May 1, and September 1.

Blue Flint Ethanol E85 Blending Facility

Blue Flint Ethanol, LLC (BFE)

BFE installed facilities that allow for in-line blending of E85. BFE is marketing E85 to retail fuel stations in the state. It is believed that consistent availability of an E85 product that is blended into the truck as opposed to splash or tank blended will grow retail market use of this product. The grant award of \$50,000 consisted of approximately 43% of the total cost of the project.

Developing a Biomaterials Industry in ND

North Agricultural Experiment Station, North Dakota State University

This project completed a front end engineering and design (FEED) study for a pilot scale plant to demonstrate the commercial potential of technology to produce materials and fuel from biomass feedstock. produce bio-based cellulose nanowhiskers. The grant award of \$800,000 consisted of approximately 45% of the total cost of the project.

Corn Oil Extraction

Headwaters Inc., & Great River Energy

Equipment to extract corn oil, a product not currently harnessed in ND, was set up at Blue Flint Ethanol. The oil provides another revenue source for ethanol plants. A grant award of \$500,000 consisted of 25% of the total project cost.

Evaluation of ND Perennial Herbaceous Biomass Crops

ND Natural Resources Trust

Phase II of a 10 year study, the project contributed to long-term data that will ultimately determine the most productive grass species, optimal harvest methods, and best practices to maintain productive perennial biomass stands in ND. A grant award of \$280,000 consisted of 67% of the total project cost.

Energy Beet Research, Phase II

Green Vision Group

This project will finalize a cost effective and energy efficient plant design and advance development of North Dakota's first 20 MGY energy beet biofuel plant. A grant of \$500,000 provided 50% of the total project cost.

Biomass Testing Laboratory

North Dakota State University

A Biomass Testing Laboratory was established to evaluate physical and thermal characteristics of diverse ND feedstock and the densified biomass products. The lab is a joint venture between NDSU and USDA-ARS in Mandan. An award of \$225,000 provided 40% of the project cost.

Renewable Energy Commodity Trading Education Program

North Dakota State University

Funds for this project will be used to develop a renewable energy commodity trading educational program for students, feedstock suppliers, and industry personnel. A grant of \$500,000 provided 50% of the total project cost.





March 2, 2013 0

1-Mar-13

<u>Dickinson</u> 2006 2012 current

Housing Cost \$75,000.00 \$150,000.00 \$150,000.00 New Construction \$170,000.00 \$177,000.00 \$222,000.00

Apt Rental \$600/mo \$3000/mo \$2400/mo

Hotel rates \$69/night \$189/night \$165/night Govt rate rarely available

Anecdotal: Hired an engineer in 2006, moved into an apt complex built in 1980 with rent at \$690/mo.

Rent currently jumped to \$1325/mo with any new renters moving in paying \$2450/mo in the same complex.

Two more employees hired in 2011, rent so high they had to purchase condos or home.

Williston	2006	2012 currer	nt
Housing Cost	\$78,000.00	\$155,000.00	\$170,000.00
New Construction	\$150,000.00	\$256,000.00	\$290,000.00
Apt Rental (old existing)	\$450.00	\$1,100.00	\$1,500.00
Apt Rental (new)	\$600.00	\$2,450.00	\$3,000.00
Hotel rates	\$65.00	\$165.00	\$132.00 Govt rate rarely available
<u>Minot</u>	2006	2012 currer	nt
Housing Cost	\$127,000.00	\$176,000.00	\$185,000.00
New Construction	\$149,860.00	\$207,680.00	\$218,300.00
Apt Rental	\$670.00	\$965.00	\$1,250.00
Hotel Rates	\$70.00	\$118.00	\$107.00 Govt rate rarely available

Anecdotal: One employee pays \$400 for a bedroom in a basement with no kitchen, shared living quarters, and shared bathrooms.

Department of Defense Housing allowances for married 2nd Lt in Minot went from \$708 in 2006 to \$1737 in 2012, and increase of 145%.



Marsh 7,2013 attachment 4

120 N. 3rd Street • Suite 200 • P.O. Box 1395 • Bismarck, ND 58502-1395 Phone: 701-223-6380 • Fax: 701-222-0006 • Email: ndpc@ndoil.org

Testimony of Ron Ness Senate Bill 2014 House Appropriations – Government Operations March 7, 2013

Chairman Thoreson and members of the House Appropriations Government Operations Committee, my name is Ron Ness, president of the North Dakota Petroleum Council. The North Dakota Petroleum Council represents more than 400 companies in all aspects of the oil and gas industry, including oil and gas production, refining, pipeline, transportation, mineral leasing, consulting, legal work, and oilfield service activities in North Dakota. Our members produced 98% of the more than 243 million barrels of oil produced in North Dakota in 2012. I appear before you today in support of all of Senate Bill 2014.

We are supportive of the increase in funding to \$10 million for the oil and gas research fund and the 23 new FTEs for the Industrial Commission. These additional staff will be critical as Bakken development continues.

We also stand in support of the \$500,000 appropriation and study of value-added opportunities. For many years, North Dakota has recognized the importance of energy research and development in creating a vibrant energy industry. The state has been a leader in fostering partnerships between private industry, higher education and research facilities. Now, North Dakota has an opportunity to ensure a bright and prosperous future through the enhanced recovery of current resources and the potential to develop new economies based on secondary, value-added industries. Research and development will play a critical role in understanding the potential of new technologies and value-added processing and manufacturing opportunities as well as water resources, solid waste, flaring, and other significant challenges. The Bakken is attracting great minds that are focusing on the Bakken and fostering these new ideas will allow us to do this right. Utilizing the research council is valuable, as many of these ideas need a real world test since the Bakken is unique.

We urge a Do Pass on SB 2014. I would be happy to answer any questions.

Ultimate Impact to North Dakota

Technologic & Economic Impact

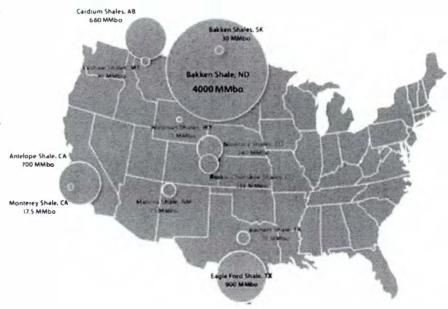
- ND Dept. of Mineral Resources estimates that OOIP for the Bakken and Three Forks combined in North Dakota is approximately 170 billion barrels (Bbbls).
- If the application of CO₂ for EOR can improve recovery by just 1.1%, that improvement would translate to an additional 1.87 Bbbls of oil production.
- Assuming an average oil price of \$80/bbl, this would equate to approximately \$150 billion worth of oil.
- CO₂ EOR could prolong the life of the Bakken oil fields by decades.
- Results may be applicable to tight oil plays across the United States in Texas, Montana, California, Mississippi, Ohio, etc.











EERC Bakken Optimization Proposal

A public-private partnership to optimize oil and gas activities and improve the efficiency of operation.

Environmental

- · Less truck traffic
 - Decreased diesel emissions
 - Decreased road damage and subsequent maintenance
 - Decreased road dust
 - Decreased incidence of spills
- Less wastewater production and reduced demand for freshwater supplies
- Less flaring/reduced emissions from flares
- Potential for smaller well pads

Economic

- Increased royalties and tax base from oil, harnessed associated gas and NGL streams
- Increased profits from added product streams, engaged earlier in the well life cycle
- Decreased road maintenance costs
- Decreased costs for water and wastewater hauling and disposal

Proposing \$1 million/yr for three years from NDIC, with a minimum of \$1 million/yr from multiple industry partners



March 7, 2013 attack 15

Testimony of Randy Schneider President North Dakota Ethanol Producers Association

In Support of SB 2014
House Appropriations Committee - Government Operations Division
March 7, 2013

Chairman Thoreson and members of the committee:

My name is Randy Schneider, and I am the President of the North Dakota Ethanol Producers Association and represent the ethanol industry on the ND EmPower Commission. I am here today to voice support for SB 2014 as it relates to establishing a permanent funding source for the North Dakota Renewable Energy Council and allocating funding for a study focused on identifying value-added market opportunities for both renewable and traditional energy.

North Dakota's ethanol industry contributes more than \$600 million to the state's economy and provides 10,000 direct and indirect jobs. Thanks to North Dakota's innovative private sector and supportive state government, the state's ethanol production capacity has increased more than tenfold from 35 million gallons per year in 2005 to 400 million gallons per year in 2012. In addition, the number of flex fuel vehicles on the state's roads has increased by 122 percent from 29,000 in 2008 to 64,500 in 2012. North Dakota is also recognized as a national leader in flex fuel pump infrastructure due to the successful ND Blender Pump Program that has placed nearly 200 flex fuel pumps in more than 40 communities statewide.

North Dakota's ethanol industry has remained strong despite numerous challenges on the federal level. However, it is essential to continue promoting the growth of North Dakota's renewable energy industries through research, development, marketing, and education, which is the mission of the North Dakota Renewable Energy Council. The Council has played an essential role in advancing the industry to date. Provisions in this bill provide a permanent funding source for the Council, thus ensuring its continued role in advancing North Dakota renewable energy into the future. Knowing there is a permanent funding source will also allow the Council to strategically prioritize projects for the future.

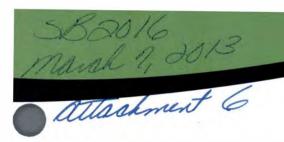
This bill also provides funding for a study to evaluate value-added market opportunities for renewable energy resources, as well as oil and gas. The results of this study will provide direction to industry stakeholders in prioritizing future research opportunities to further add value to ethanol and its co-products. North Dakota currently exports 96 percent of its ethanol. Long term, this will allow additional dollars to stay in North Dakota by increasing the amount of ethanol used in state through value-added markets and decrease the amount exported.

North Dakota's ethanol industry has a significant impact on the state's rural economies. Each of North Dakota's four ethanol plants are located in a community with a population of less than 2,500 and contribute an average of 49 jobs and an average annual payroll of \$3.3 million to their communities. In addition, the plants purchase the majority of their corn from North Dakota farmers and sell distillers grains to North Dakota livestock producers. This bill provides an investment in North Dakota's ethanol industry that will be paid back by taking the industry to the next level, thus increasing its positive impact on North Dakota.

This initiative was recommended by the North Dakota EmPower Commission, and I am honored to serve as the ethanol industry representative on the Commission. Our industry fully supports its recommendations and efforts to accomplish the mission of developing a comprehensive energy policy for the state's diverse and growing energy industry.

We thank you for your support of the state's ethanol industry in the past and urge your favorable consideration of provisions in SB 2014 that establish a permanent funding source for the North Dakota Renewable Energy Council and allocate one-time funding for a study focused on identifying value-added market opportunities.

###





Testimony of Randy Schneider President

North Dakota Ethanol Producers Association

In Support of SB 2014

House Appropriations Committee - Government Operations Division

March 7, 2013

Chairman Thoreson and members of the committee:

My name is Randy Schneider, and I am the President of the North Dakota Ethanol Producers Association and represent the ethanol industry on the ND EmPower Commission. I am here today to voice support for SB 2014 as it relates to establishing a permanent funding source for the North Dakota Renewable Energy Council and allocating funding for a study focused on identifying value-added market opportunities for both renewable and traditional energy.

North Dakota's ethanol industry contributes more than \$600 million to the state's economy and provides 10,000 direct and indirect jobs. Thanks to North Dakota's innovative private sector and supportive state government, the state's ethanol production capacity has increased more than tenfold from 35 million gallons per year in 2005 to 400 million gallons per year in 2012. In addition, the number of flex fuel vehicles on the state's roads has increased by 122 percent from 29,000 in 2008 to 64,500 in 2012. North Dakota is also recognized as a national leader in flex fuel pump infrastructure due to the successful ND Blender Pump Program that has placed nearly 200 flex fuel pumps in more than 40 communities statewide.

North Dakota's ethanol industry has remained strong despite numerous challenges on the federal level. However, it is essential to continue promoting the growth of North Dakota's renewable energy industries through research, development, marketing, and education, which is the mission of the North Dakota Renewable Energy Council. The Council has played an essential role in advancing the industry to date. Provisions in this bill provide a permanent funding source for the Council, thus ensuring its continued role in advancing North Dakota renewable energy into the future. Knowing there is a permanent funding source will also allow the Council to strategically prioritize projects for the future.

This bill also provides funding for a study to evaluate value-added market opportunities for renewable energy resources, as well as oil and gas. The results of this study will provide direction to industry stakeholders in prioritizing future research opportunities to further add value to ethanol and its co-products. North Dakota currently exports 96 percent of its ethanol. Long term, this will allow additional dollars to stay in North Dakota by increasing the amount of ethanol used in state through value-added markets and decrease the amount exported.

North Dakota's ethanol industry has a significant impact on the state's rural economies. Each of North Dakota's four ethanol plants are located in a community with a population of less than 2,500 and contribute an average of 49 jobs and an average annual payroll of \$3.3 million to their communities. In addition, the plants purchase the majority of their corn from North Dakota farmers and sell distillers grains to North Dakota livestock producers. This bill provides an investment in North Dakota's ethanol industry that will be paid back by taking the industry to the next level, thus increasing its positive impact on North Dakota.

This initiative was recommended by the North Dakota EmPower Commission, and I am honored to serve as the ethanol industry representative on the Commission. Our industry fully supports its recommendations and efforts to accomplish the mission of developing a comprehensive energy policy for the state's diverse and growing energy industry.

We thank you for your support of the state's ethanol industry in the past and urge your favorable consideration of provisions in SB 2014 that establish a permanent funding source for the North Dakota Renewable Energy Council and allocate one-time funding for a study focused on identifying value-added market opportunities.

###

100014 Marsh 7, 2013 Attackment 7

HOUSE APPROPRIATIONS Government Operations Division TESTIMONY IN SUPPORT OF SB 2014

Chairman and Committee members. I am John Phillips President of Economic Development ND and also work for Lutheran Social Services Housing as a real estate project developer.

I realize the housing needs in the oil impact counties have been studied and are well defined but the needs are broader as has been documented in a state wide study. I think you will all recognize the availability of affordable housing is a fundamental element that provides North Dakota Communities the ability to sustain the service sector, law enforcement, educators and health care professionals of the community as well stimulate economic development. With the present economic conditions in the state, a number of "Rural" communities have been able to create economic activity, thus creating jobs. But what are the limitations to further development and opportunities? Why do the rural communities so often get "passed over" by businesses relocating or expanding to the state? The primary questions "WHERE WILL WE LIVE"? Without quality "AFFORDABLE" housing our communities have limited sustainability options and no growth opportunity.

There seems to be a simple answer: Workers can't work without housing and without housing families can't relocate and make the community their home! With the economic success in the state why do we need to talk about affordable housing? Won't the market just take care of the needs? Unfortunately the market can't address affordable housing in a significant way without assistance.

Throughout the state's rural communities the existing housing inventory is aging and there is very limited new housing being constructed. In many of our meetings with economic developers, city councils and housing authorities, we continue to ask what the problems to achieve housing development are.

The recurring response seems to typically be:

- ✓ Developers typically perceive there is a greater risk building in a smaller market.
 - o Construction costs can be more costly than building in larger cities
 - o Proximity to labor and materials is somewhat limited, which can drive up costs
- ✓ Size of projects limit the economic returns
 - o Smaller projects often makes it difficult to take advantage of economies of scale
- ✓ Economic returns and economies of scale tend to be better elsewhere

- Consequently the risk/reward ratio does not entice larger developers to enter rural markets.
- ✓ Financing housing projects in rural communities typically present unique challenges
 - National secondary markets seldom understand rural real estate project value
 - o Appraisal standards make it difficult to identify "acceptable" comparable sales.
 - Lenders struggle to meet loan to value guidelines because of the appraisal valuation gaps
- ✓ State and Federal programs that might be ale to assist are often complex and developers/lenders will shy away from them

Who needs affordable housing?

The popular perception of oil country in western ND is one of instant millionaires and widespread prosperity. I suppose this is true in a limited sense. Fortunes have turned for many families because of oil revenues and energy-related employment. But for others, the rapid change in the housing market has caused financial hardship and thrown them into personal economic crisis.

- 1. Housing units that had previously been "affordable" to low and moderate income wage earners and retirees may suddenly become unavailable because they are sold to new owners and re-purposed to meet other housing needs or the owner now sees the opportunity to increase the rents to maximize profits. These families are then required to move and search for housing that often does not exist. Following the media one only gets a small perception of how many people have been displaced from the impact areas. Those are individuals that were born and raised in that community, were productive citizens and now they can't afford to live there
- 2. Even if physical displacement does not occur, economic displacement often does. Rents are rising in many housing projects that were previously affordable. While there is no doubt that some market adjustment was probably warranted (because rents were too low to be sustainable before), the extreme changes in price seen in many energy sector communities has caused significant financial hardship for low and moderate income households.
- 3. Housing demand has far outstripped housing supply in most western ND communities. As such, many families who have moved to ND to work are forced to live in marginal conditions, often homeless while waiting for suitable housing to become available.

4. This issue doesn't just affect new arrivals. Individuals who lose housing because they can no longer afford market rents can be thrown into homelessness or an otherwise precarious housing situation because they have no viable options.

The question we need to ask ourselves when making a decision whether or not to support SB 2014 (transfer from the state's General Fund onto the HIF Fund) is, if we built more market rate housing would the problem be solved? Certainly more housing takes the pressure off the supply side of the market. But since the market will only produce units it can afford to produce, can we expect this housing to serve everyone's needs? I think the answer will be no! In a market like the one we are seeing in western ND, without housing that is tied to affordability requirements, market pressure will eliminate any affordability.

Very simply the answer to the hearing today is that housing markets in North Dakota have been stressed by the economic success of the state. Increased development of affordable rental housing in North Dakota is important for continued business and community sustainability by providing for employee and most important family housing. The Housing Incentive Fund passed in the last session was a success and many individuals and families were able to secure housing in the state. A testament I can reference is what Lutheran Social Services Housing has accomplished with the Tax Credit HIF program.

- ✓ 12 Townhome 2 and 3 bedroom units that will rent under \$1,000 per month
- ✓ 44 Income based Senior living units in Williston
- ✓ 124 Affordable Units in Watford City 16 Units reserved for 50 and 60 % of median income/2 bedroom units renting under \$1,000
- ✓ 24 Unit complex will break ground this spring in Bowman w/9 Units reserved for ABLE workshop residents (Individuals with disabilities)

Even with what has been accomplished with the HIF funds (630 units w/387 rent restricted) much more is needed. We would encourage your support of SB 2014.

John Phillips Chairman EDND LSS Housing, Real Estate Project Developer ECONOMIC DEVELOPMENT ASSOCIATION OF NORTH DAKOTA

March 7,2013 attachment 8

PO BOX 2639 · BISMARCK, NORTH DAKOTA 58502

Testimony of

Economic Development Association of North Dakota

SB 2014

March 7, 2013

Chairman Thoreson and members of the committee, my name is Cal Klewin. I am representing the Economic Development Association of North Dakota (EDND).

EDND is the voice of the state's economic development community and provides networking for its 80 members, which include development organizations, communities, businesses and state agencies. Our mission is to increase economic opportunities for residents of the state by supporting primary sector growth, professionalism among economic development practitioners and cooperation among development organizations.

EDND is in full support of SB 2014, which includes a \$30 million appropriation to the Housing Incentive Fund (HIF).

HIF was first implemented in the 2011 Legislative Session with skepticism of its success. It did take time, but once the business and private taxpaying communities were educated on the benefits of the program, it was successful. Participants realized that HIF was a good financial tool to address North Dakota's lack of affordable housing across the entire state.

The HIF fund was capitalized late in this Biennium. The public is now more aware of the HIF program and HIF can be a major asset to housing development projects.

As we move forward to enhance the state's economy in all business sectors, and in all parts of the state, housing needs have become more prevalent. The funding level for HIF in SB 2014 provides a good start to developing affordable housing in the 2013-2015 Biennium.

Thank you. I would be happy to answer your questions.





Department of Mineral Resources

Lynn D. Helms - Director

North Dakota Industrial Commission

www.dmr.nd.gov

The following information is provided in response to inquiries from individual Representatives during Department testimony provided to the House Appropriations Committee, Government Operations Division, on March 7, 2013 and includes:

- 1. Information on the number of employees who will be eligible for retirement in the 2013-2015 biennium.
- 2. Information related to Oil & Gas Division rules and procedures for spills.
- 3. Expanded summary information for Department of Mineral Resources Restoration Funds: Abandoned Oil & Gas Reclamation Fund and Geo Min Coal Exploration Fund. Including an explanation of the funding cap proposed in House Bill 1333.
- 4. Expanded Executive Budget Highlights Section including; detailed explanation of individual FTE requests, manpower modeling data for the determination of field inspection staffing requirements, and detailed explanation of selected continuing appropriations including the Abandoned Oil & Gas Reservoir Data Fund.

Respectfully,

Lynn D. Helms

geli

Director



No.	Agency	Job Title	Position Title	Eligible Biennium	Role
1	NDGS	OTHER-NOT CLS-PROF	STATE PALEONTOLOGIST	2013-2015	CRITICAL
2	NDGS	OTHER-NOT CLS-PROF	SUBSURFACE GEOLOGIST\CORE LIBRARY DIRECTOR	2013-2015	CRITICAL
3	O&GD	OTHER-NOT CLS-PROF	DISTRICT SUPERVISOR	2013-2015	CRITICAL
4	NDGS	OTHER-NOT CLS-OFCL/ADMIN	STATE GEOLOGIST	2013-2015	CRITICAL
5	O&GD	OTHER-NOT CLS-OFCL/ADMIN	ASSISTANT OIL & GAS DIVISION DIRECTOR	2013-2015	CRITICAL
6	O&GD	OTHER-NOT CLS-PROF	DISTRICT SUPERVISOR	2013-2015	CRITICAL
7	O&GD	OTHER-NOT CLS-PROF	DISTRICT SUPERVISOR	2013-2015	CRITICAL
8	O&GD	OIL & GAS METER SYS SPEC	METERING SPECIALIST	2013-2015	CRITICAL
9	O&GD	OIL & GAS PROD ANALYST	OIL & GAS PRODUCTION ANALYST	2013-2015	CRITICAL
10	O&GD	OTHER-NOT CLS-PROF	FIELD SUPERVISOR	2013-2015	CRITICAL
11	O&GD	ADMIN ASSISTANT III	OIL & GAS INFORMATION PROCESSOR	2013-2015	CRITICAL
12	O&GD	OTHER-NOT CLS-PROF	FIELD INSPECTOR	2013-2015	ESSENTIAL
13	NDGS	GEOLOGIC MAP TECH II	GEOLOGIC TECHNICIAN	2013-2015	ESSENTIAL
14	NDGS	OFFICE ASSISTANT II	OFFICE ASSISTANT	2013-2015	STANDARD
15	O&GD	OTHER-NOT CLS-PROF	UIC MANAGER	2015-2017	CRITICAL
16	O&GD	OIL & GAS PROD ANALYST	OIL & GAS PRODUCTION ANALYST	2015-2017	CRITICAL
17	NDGS	GIS SPECIALIST II	GEOGRAPHIC INFORMATION SYSTEMS SPECIALIST	2015-2017	CRITICAL

Note: There are 14 positions within the DMR (19%) that would be eligible for retirement by the end of the 2013-2015 biennium (June 30, 2015) of which 11 (15%) are considered critical as they occur in senior technical and Department management roles. There are also three additional positions in critical roles that would be nearing eligibility for retirement by the end of the following (2015-2017) biennium.

Additional positions with greater than 20 years of experience

No.	Agency	Job Title	Position Title	Eligible Biennium	Role
1	O&GD	OTHER-NOT CLS-PROF	UIC MANAGER	2015-2017	CRITICAL
2	O&GD	OTHER-NOT CLS-PROF	PETROLEUM ENGINEER	2019-2021	CRITICAL
3	O&GD	OTHER-NOT CLS-PROF	MINERAL RESOURCES PERMIT MANAGER	2023-2025	CRITICAL
4	NDGS	LABORATORY TECHNICIAN III	CORE LIBRARY LAB TECHNICIAN	2019-2021	ESSENTIAL
5	O&GD	ACCOUNT/BUDGET SPEC III	ACCOUNTING/BUDGET SPECIALIST	2019-2021	ESSENTIAL
6	NDGS	OFFICE ASSISTANT III	PUBLICATIONS & MAP SALES CLERK	2017-2019	STANDARD
7	NDGS	ADMIN ASSISTANT II	ADMINISTRATIVE ASSISTANT	2021-2023	STANDARD

North Dakota Department of Mineral Resources

Spill Response Summary

N.D. Oil & Gas Division

All spills must be reported to the Oil and Gas Division and surface owner, as well as file a follow up report pursuant to North Dakota Administrative Code Section 43-02-03-30:

43-02-03-30. NOTIFICATION OF FIRES, LEAKS, SPILLS, OR BLOWOUTS. All persons controlling or operating any well, pipeline, receiving tank, storage tank, or production facility into which oil, gas, or water is produced, received, stored, processed, or through which oil, gas, or water is injected, piped, or transported, shall verbally notify the director within twenty-four hours after discovery of any fire, leak, spill, blowout, or release of fluid. If any such incident occurs or travels offsite of a facility, the persons, as named above, responsible for proper notification shall within a reasonable time also notify the surface owners upon whose land the incident occurred or traveled. Notification requirements prescribed by this section shall not apply to any leak, spill, or release of fluid that is less than one barrel total volume and remains onsite of a facility. The verbal notification must be followed by a written report within ten days after cleanup of the incident, unless deemed unnecessary by the director. Such report must include the following information: the operator and description of the facility, the legal description of the location of the incident, date of occurrence, date of cleanup, amount and type of each fluid involved, amount of each fluid recovered, steps taken to remedy the situation, cause of the accident, and action taken to prevent reoccurrence. The signature, title, and telephone number of the company representative must be included on such report. The persons, as named above, responsible for proper notification shall within a reasonable time also provide a copy of the written report to the surface owners upon whose land the incident occurred or traveled.

The commission, however, may impose more stringent spill reporting requirements if warranted by proximity to sensitive areas, past spill performance, or careless operating practices as determined by the director.

History: Amended effective April 30, 1981; January 1, 1983; May 1, 1992; July 1, 1996; January 1, 2008; April 1, 2010.

General Authority NDCC 38-08-04 Law Implemented NDCC 38-08-04

All spills must be remediated or reclaimed pursuant to North Dakota Administrative Code Section 43-02-03-30:

43-02-03-30.1. LEAK AND SPILL CLEANUP. At no time shall any spill or leak be allowed to flow over, pool, or rest on the surface of the land or infiltrate the soil. Discharged fluids must be properly removed and may not be allowed to remain standing within or outside of diked areas, although the remediation of such fluids may be allowed onsite if approved by the director. Operators must respond with appropriate resources to contain and clean up spills.

History: Effective April 1, 2012.

General Authority NDCC 38-08-04 Law Implemented NDCC 38-08-04

Spills can also result in the Oil and Gas Division filing a civil penalty or the Attorney General's office filing a criminal penalty if the spill was intentional, pursuant to North Dakota Century Code Section 38-08-16:

38-08-16. CIVIL AND CRIMINAL PENALTIES.

- 1. Any person who violates any provision of this chapter, or any rule, regulation, or order of the commission is subject to a civil penalty to be imposed by the commission not to exceed twelve thousand five hundred dollars for each offense, and each day's violation is a separate offense, unless the penalty for the violation is otherwise specifically provided for and made exclusive in this chapter. Any such civil penalty may be compromised by the commission. The penalties provided in this section, if not paid, are recoverable by suit filed by the attorney general in the name and on behalf of the commission, in the district court of the county in which the defendant resides, or in which any defendant resides, if there be more than one defendant, or in the district court of any county in which the violation occurred. The payment of the penalty may not operate to legalize any illegal oil, illegal gas, or illegal product involved in the violation for which the penalty is imposed, or to relieve a person on whom the penalty is imposed from liability to any other person for damages arising out of the violation.
- 2. Notwithstanding any of the other provisions of this section, a person who willfully violates any provision of this chapter, or any rule or order of the commission that pertains to the prevention or control of pollution or waste is guilty of a class C felony unless the penalty for the violation is otherwise specifically provided for and made exclusive in this chapter. The criminal penalty provided for in this subsection may only be imposed by a court of competent jurisdiction.

Source: N.D. Century Code.

The Oil and Gas Division responds to all spills using the following procedure:

The North Dakota Industrial Commission (NDIC) and the Department of Health (DOH) signed a Memorandum of Agreement dated 5-23-2002.

- All spills, fires, and blowouts must be reported to the NDIC
- NDIC sends spill reports to DOH through an automated email system
- NDIC oversees cleanup if under their jurisdiction
- If either NDIC or DOH identify a significant environmental threat DOH oversees cleanup

Spill Response Procedure

- NDIC receives an electronic or verbal notice of spill
- Local field inspector dispatched if warranted, otherwise reclamation supervisor responds
 - Conduct field test on fluids to determine environmental danger
 - Obtain proper fluid and soil samples for lab analysis
 - o Analysis of soil borings may be required in unaffected area for background data
- Instruct responsible party on required remedial action

Post Remedial Procedure

- Perform a follow-up inspection to insure cleanup procedure was completed
- Perform a follow-up inspection to insure proper vegetative growth
- Consider filing complaint imposing civil and /or criminal penalties

North Dakota Department of Mineral Resources

Restoration Fund Summary

N.D. Oil & Gas Division

Abandoned Oil & Gas Reclamation Fund (2300-448) (North Dakota Century Code 38-08-04.5) Monies deposited into this fund are from oil and gas operator permit fees and forfeited surety bonds paid to the North Dakota Industrial Commission Oil and Gas Division. Monies in this fund are appropriated to plug oil and gas wells and reclaim well sites, and associated facilities:

- 1) If the person or company drilling or operating the well cannot be found, has no assets with which to properly plug or replug the well or reclaim the well site, or cannot be legally required to plug or replug the well or to reclaim the well site.
- 2) If there is no surety bond covering the well to be plugged or the site to be reclaimed or there is a forfeited surety bond but the cost of plugging or re-plugging the well or reclaiming the site exceeds the amount of the bond; or
- 3) The well is leaking or likely to leak oil, gas or saltwater or is likely to cause a serious threat of pollution or injury to the public health or safety.

During the current biennium, the Oil and Gas Division plugged and abandoned two well sites. We anticipate reclaiming the two associated sites later in the current biennium. The reclamation of a well site may take several years depending on the location of the site and the weather conditions.

The methodology for arriving at the \$75 million funding cap proposed in House Bill 1333 for this fund was determined using the following factors:

- Current fund balance is \$2,019,879.91 which is about the amount spent by Petro Harvester on the Cramer salt water pipeline spill in 2011-2012. Zenergy has spent over \$5 million on the Charbonneau Creek spill since 2006.
- 2) The last two orphan wells we plugged and reclaimed cost \$100,000 each, so the fund has enough money to handle one large salt water spill or about 20 orphan wells (right now we have zero orphan wells).
- There are 194 wells in abandoned status (\$19.4 million in plugging and reclamation liability) covered by \$6.2 million in bonds and the current total well count is 11,640.
- 4) We anticipate reaching a total well count of 50,000 about 20 years from now and we expect to have about 1,000 abandoned wells with a plugging liability of \$100 million covered by \$25 million in bonds for a net liability of \$75 million (all in today's dollars).

Cash Bond Fund (2200-305) (North Dakota Century Code 38-08-04.11) Monies deposited into this fund are from a 1% yearly administrative fee on all moneys held or controlled by the Commission under subdivision d of subsection 1 of section 38-08-04 (the statute allowing a company to provide a cash bond rather than surety bond when operating in North Dakota). Monies in this fund are appropriated to the Commission to be used for:

- 1) defraying costs incurred in the plugging of abandoned oil and gas wells and related activities;
- 2) defraying costs incurred in the reclamation of abandoned oil and gas drilling and production sites, saltwater disposal pits, drilling fluid pits, and access roads, and related activities.

N.D. Geological Survey

Geo Min Coal Exploration Fund (6800-428) This fund was established by the state legislature in 2007 to assist with the plugging of problem test holes or site restoration of holes drilled under the geothermal, subsurface mineral, or coal exploration programs. Monies deposited into this fund are from administrative fees charged in the permit application process. To date, no money has been used from this fund.

march 20, 2013 attachment 2

North Dakota Department of Mineral Resources

Executive Budget Highlights

1. Provides one-time funding for potential litigation and other administrative proceedings relating to the regulation of hydraulic fracturing: \$1,000,000.

The Environmental Protection Agency (EPA) draft guidance for permitting hydraulic fracturing using diesel fuel was published May 9, 2012. The initial 60 day comment period was extended to August 23, 2012 and has now been closed. The Industrial Commission, North Dakota Petroleum Council, and many other stakeholders submitted comments that addressed a significant number of concerns with the guidance as proposed, but the major points covered in Industrial Commission comments are as follows:

- 1) This is a state's rights issue. States that have adopted hydraulic fracturing rules that include chemical disclosure, well construction, and well bore pressure testing should be explicitly exempted from the guidance.
- 2) The definition of diesel fuel is too broad because it includes six Chemical Abstract Service Registry Numbers as well as any materials referred to by one of these primary names or any associated common synonyms.
- 3) EPA made no attempt to identify dangerous concentrations of these materials. Hydraulic fracturing treatments that utilize concentrations of less than 1% of any material defined as diesel fuel should be exempt from permitting requirements.
- 4) The guidance is written for Enhanced Oil Recovery wells or disposal wells completed with tubing and packer. It shows a serious lack of understanding of the horizontal drilling-hydraulic fracturing process. Most of the requirements will not work mechanically on wells completed with swell packers and fractured down the production casing.

Contacts within EPA have informed the Industrial Commission that over 97,000 comments, the vast majority from post card campaigns with approximately 2,700 unique comments, were received on the guidance. The final guidance document is being drafted and will not be published until spring of 2013.

Attorney Generals across the country have been investigating the EPA's strategy for dealing with environmental groups and have found that agreements have led to new rules and regulations for states without allowing attorneys general to enter the process to defend the interest of states, and businesses and consumers. From the 45 settlements made public the EPA has paid nearly \$1 million in attorneys' fees to the environmental groups, while also committing to develop sweeping new regulations. None of the appropriated funds have been expended at this time. If a lawsuit is initiated by another party in this matter the State of North Dakota needs to be prepared to act immediately so that we are a party to negotiations of any consent decrees. The Industrial Commission is requesting that the 63rd Legislative Assembly consider a contingency appropriation of the sum of \$1,000,000, or so much of the sum as may be necessary, to the Industrial Commission for the purpose of defraying expenses associated with possible litigation and other administrative proceedings involving any federal agency's effort to regulate hydraulic fracturing.

Draft BLM regulations for hydraulic fracturing on federal lands were published in the Federal Register. The comment period closed at 5pm EDT on September 10, 2012. BLM received over 170,000 comments and has withdrawn the rule. A new proposed rule is expected in the second quarter of 2013.

Section 2 of the April 13, 2012 Presidential Executive Order on Supporting Safe and Responsible Development of Unconventional Domestic Natural Gas Resources, has also established an "Interagency Working Group to Support Safe and Responsible Development of Unconventional Domestic Natural Gas Resources" with a membership of deputy-level representatives or equivalent officials, designated by the head of the respective agency or office, from: the Department of Defense, Department of Interior, Department of Agriculture, Department of Commerce, Department of Health and Human Services, Department of Transportation, Department of Energy, Department of Homeland Security, Environmental Protection Agency, Council on Environmental Quality, Office of Science and Technology Policy, Office of Management and Budget, National Economic Council, and such other agencies or offices as the Chair of the working group may invite to participate.

2. Provides one-time funding for housing allowances for employees in oil-impacted areas: \$400.000.

Hiring qualified individuals into field inspection roles for the Williston District Field Office has been particularly challenging. The Division has had an open Engineering Technician position advertisement since January of 2012, with two offers made at \$45,000 per year to qualified candidates. These offers were ultimately rejected by both candidates, due to a lack of affordable housing in the area.

District Field Office Housing Survey (Completed March 1, 2013)

biotilist i lota Strice froating Sairtey (Sompletoa march in 2010)				
Dickinson	2006	2012	Current	Comments
Housing Cost	\$75,000	\$150,000	\$150,000	
New Construction	\$170,000	\$177,000	\$222,000	
Apartment Rental	\$600 per mo.	\$3,000 per mo.	\$2,400 per mo.	
Hotel Rates	\$69 per night	\$189 per night	\$165 per night	Government rates rarely available.
Anecdotal Notes: Hire	ed an engineer in 2006,	moved into apartment	complex built in 1980 w	ith rent at \$690 per
month. Rent currently	jumped to \$1,325 per	month with any new rer	nters moving in paying :	\$2,450 per month in
the same complex. To	vo more employees hir	ed in 2011, rent so high	they had to purchase c	ondos or home.
Williston	2006	2012	Current	Comments
Housing Cost	\$78,000	\$155,000	\$170,00	
New Construction	\$150,000	\$256,000	\$290,000	
Apartment Rental (old\existing)	\$450	\$1,100	\$1,500	
Apartment Rental (new)	\$600	\$2,450	\$3,000	
Hotel Rates	\$65 per night	\$165 per night	\$132 per night	Government rates rarely available.
Minot	2006	2012	Current	Comments
Housing Cost	\$127,000	\$176,000	\$185,000	
New Construction	\$149,860	\$207,680	\$218,300	
Apartment Rental	\$670	\$965	\$1,250	
Hotel Rates	\$70 per night	\$118 per night	\$107 per night	Government rates rarely available.

Anecdotal Notes: One employee pays \$400 per month for a bedroom with no kitchen, shared living quarters and bathrooms. Department of Defense housing allowances for a married Second Lieutenant in Minot increased 145% from \$708 per month in 2007 to \$1,737 per month in 2012.

3. Provides additional funding for increased State Fleet Services rates: \$244,872.

DOT motor pool rates will increase 27% from the 2011-2013 biennium resulting in an inflationary increase of \$12,940 for the Geological Survey, and \$231,932 for the Oil and Gas Division. Additional inflationary increases are hitting In-State Lodging, Utilities, Insurance, Janitorial, Data Processing, and ITD rates. To offset these increases and meet the 100% budget guideline, the number of field inspections would have to be reduced at a time when industry has a growing number of inexperienced personnel who need guidance and supervision. This could result in inadequate protection of potable waters and correlative rights.

4. Decreases funding for bond payments to reflect bonds which have matured: (\$5,579,764).

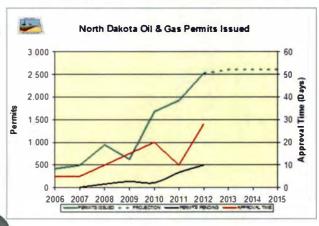
The North Dakota Building Authority accesses the national capital markets for low-cost financing of capital projects approved by the legislature. Each agency that has benefited from Building Authority financing is billed for their portion of the debt service payments. The decrease in funding for bond payments reflects bonds which have matured. The North Dakota Building Authority provided continuing disclosure for all outstanding bond issues and evaluated whether it was economic to refund any outstanding bond issues. During the 2011-2013 biennium, three bond issues were refunded and over \$2,000,000 of savings were achieved. The Building Authority has \$73,460,000 of bonds outstanding as of June 30, 2012.

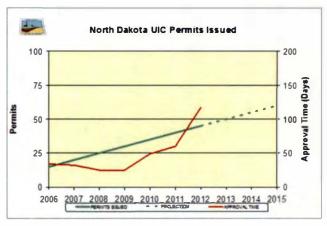
5. Adds 2 FTE engineer technician positions for field inspections which were authorized by the Emergency Commission as contingent FTE positions for the 2011-13 biennium: \$390,820.

2 FTE engineering technicians for OGD field inspection authorized 12/04/12 (After base budget submitted). Field Inspection well count increased 150% 2010-12

6. Adds 4 FTE engineering technician positions, 1 FTE geology analyst position, and 1 FTE account budget specialist position to the Bismarck office: \$930,223.

- 1 FTE engineering technician for OGD Bismarck office well log and directional survey compliance and quality control Petroleum Geology Compliance activity increased 154% 2010-12 + 150% increase expected 2013-15, temporary staff 2 > 1
- 1 FTE engineering technician for OGD Bismarck office stage 1 and 2 review of drilling permits. Note pending permits and approval time on chart. Permitting activity increased 166% 2010-12 + 105% increase expected 2013-15, temporary staff 3 > 2
- 1 FTE engineering technician for OGD Bismarck office stage 1 and 2 review of underground injection permits. Note permit number and approval time in chart. Underground injection activity increased 110% 2010-12 + 150% increase expected 2013-15, temporary staff 1 > 0

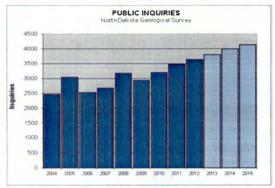


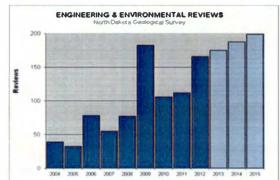


- 1 FTE engineering technician for OGD Bismarck office database and public mapping system support. Database and public map service requests increased 121% 2010-12 + 157% increase expected 2013-15, temporary staff 1 > 0
- 1 FTE petroleum geology analyst for OGD Bismarck office well cementing plus core & sample submission, wells and remedial work. Petroleum geology compliance activity increased 154% 2010-12 + 150% increase expected 2013-15, temporary staff 1 > 0
- 1 FTE accounting budget specialist DMR assist Accounting Budget Specialist III with payroll. FTE count, vehicles, and office equipment increased 125% 2010-12 + 130% increase expected 2013-15, temporary staff 1 > 0

7. Adds 1 FTE geologist position to conduct preapplication waste disposal (primarily oil field wastes) site reviews: \$215,251

1 FTE surface geologist for GSD Bismarck office – aggregate, waste permit, infrastructure siting reviews, geology inquiries, and publications. Activity increased 135% 2010-12 + 136% increase expected 2013-15

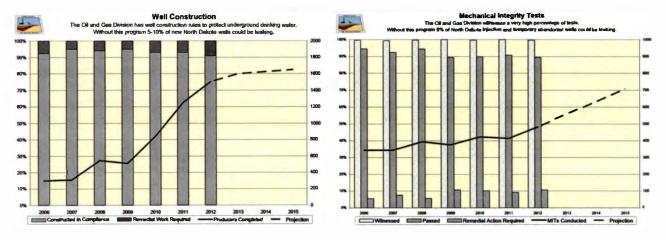




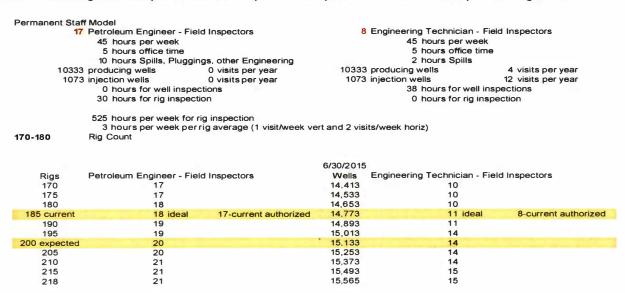
8. Adds 3 FTE petroleum engineer field inspector positions, 3 FTE engineering technician field inspector positions, and 1 FTE engineering technician position for the core library: \$1,356,581

3 FTE petroleum engineers for OGD field inspection - focusing on drilling rigs. Drilling rig field inspection activity increased 144% 2010-12 + 110% expected increase 2013-15

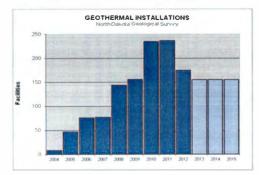
3 FTE engineering technicians OGD field inspection - focusing on injection wells and production facilities. Mechanical integrity tests, field inspection activity increased 150% 2010-12 + 120% expected increase 2013-15

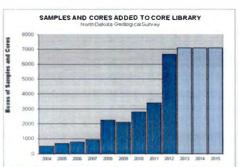


Note: Following is the output of our field inspection manpower model for various possible rig counts:

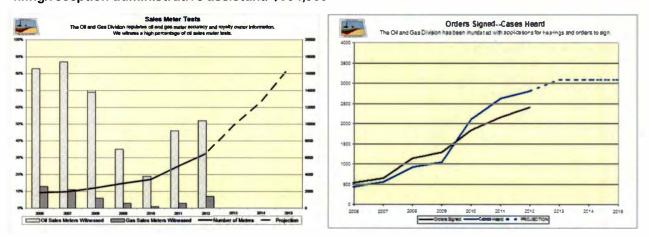


1 FTE core library technician/geothermal facility inspector - GSD Grand Forks. Record workload on charts. Core library activity increased 240% 2010-12 + 108% expected increase 2013-15, temporary staff 9 > 6 (both programs are staffed at pre-2004 levels of activity).





9. Adds 1 FTE petroleum engineer production supervisor position,1 FTE engineering technician measurement analyst position,1 FTE audit/legal administrative assistant position, and 1 FTE filing/reception administrative assistant: \$534,900



- 1 FTE petroleum engineer for OGD Bismarck office-supervise oil and gas production auditing and measurement. Production measurement and accounting activity increased 212% 2010-12 + 130% expected increase sales growth 2013-15, temporary staff 1 > 1
- 1 FTE engineering technician for OGD Bismarck office oil and gas measurement field inspection.
- 1 FTE Office assistant for OGD Bismarck-production auditing and hearing case load. Stabilizing at over 3,000/year. Hearing dockets and orders increased 130% 2010-12 + 110% expected increase 2013-15, temporary staff 4 > 2
- 1 Office assistant for OGD Bismarck-general office filing and reception.
- 10. Adds 3 contingent FTE engineering technician field inspector positions upon notification to the Office of Management and Budget (OMB) that the number of wells capable of production or injection exceed 15,000: \$586,230.

3 FTE engineering technicians contingency if well count exceeds 15,000 - OGD field inspection-focusing on wells and facilities. Well count increase **120**% expected 2013-15, on 12/31/12 Oil & Gas Wells-8,228, Enhanced Oil Recovery-717, Salt Water Disposal-488, Total-9,433

11. Adds .69 FTE administrative position to a .31 FTE position currently authorized to create a full-time position for the Industrial Commission office \$78,159.

During the 2011-2013 biennium, the funding for a .31 position was utilized for a temporary person for a period of time. This optional request is to make the .31 position that is in the base budget a full-time position. The workload of the Industrial Commission Administrative Office has continued to increase with new responsibilities given to the agencies overseen by the Industrial Commission. This has resulted in delays in responding to constituents' requests and to processing of contracts and project payments. The full-time position will assist with the operations of the Industrial Commission Administrative Office. In addition this position would have the following responsibilities: 50% - reviewing of applications and reports received for two of the three research programs overseen by the Industrial Commission. Assist in the drafting of contracts and summaries of reports as needed. 20% - maintaining and updating financial records on the various research projects that are overseen by this office. 20% - drafting of minutes from the Oil and Gas Research Council and Commission meetings as needed. 10% - general office duties.

Note: Contingent and temporary positions highlighted in red are identified as potential staff reductions in the event of unanticipated reduced activity.

12. Removes 1 FTE position and funding provided for carbon dioxide storage administration for the 2011-13 biennium: (\$532,000).

Carbon Dioxide Storage Facility Admin. Fund: Monies deposited in this fund are from the payment of fees from CO2 storage operators when submitting an application for approval. Money in the fund may be used to defray expenses for processing permit applications including public notice costs and public hearings, regulating storage facilities during their construction, operational and preclosure phases and making storage amount determinations. The fund may also be used to compensate other agencies incurring expenses to conduct regulatory responsibilities at the storage facility. It is anticipated that the operation of the storage facilities will be for multiple years. Therefore, a continuing appropriation is needed.

13. Adds funding for leasing space for the new FTE positions: \$224,868.

Lease/Rent Bldg/Land

Geological Survey rent is increasing \$5,000 in our Bismarck office building, and Oil and Gas Division rent is increasing \$137,368 in our Bismarck, Dickinson, Minot, and Williston office buildings. The field offices currently provide a location for efficient synchronization of inspector data to our main database, contact between the general public and local Oil and Gas Division employees, and for inspectors to complete written correspondence.

14. Adds one-time funding for studies on oil-bearing rocks (\$80,000) and temperature profiles: (\$50,000) \$130,000.

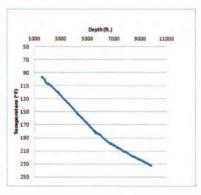
In the 2013-2015 biennium, the Geological Survey will be shifting the emphasis from rocks above the Bakken (previous work was primarily in the Tyler Formation) to rocks below the Bakken and Three Forks Formations. We plan on obtaining 1,300 rock samples from core in the Icebox, Red River, and Interlake Formations for total organic carbon and RockEval analysis. The results will significantly increase our knowledge of the maturity of the oil-bearing rocks that occur below the Bakken and outside of the Bakken mature area.





Sixty feet of core of the Ice Box Formation (Winnipeg Group) from EOG Resource's #1-01 Shell Creek well in Mountrail County. The shale in these three-foot-long boxes is gray to grayish green in color. The bright green colors are Styrofoam spacers noting where core was removed for testing.

The burial history and temperature profile of the Williston Basin are important components when calculating areas within the basin where rocks are hot enough or were hot enough at one time in geologic history to generate oil. Temperature profiles can be obtained by temperature logging oil wells that have been idle for several months thus allowing the fluid in the well to come to the same temperature as the surrounding rock. The North Dakota Petroleum Council recently donated \$140,000 towards this project. In addition to hiring a logging firm to temperature log a dozen oil wells to a depth of 10,000 feet, a trailer-mounted temperature probe will be purchased that will enable us to log a number of wells, but to a shallower depth. At least fifty additional wells will be logged using the shallow probe and the results will be matched to the deeper temperature profiles. These temperature profiles, scattered across the basin, will enable more accurate estimates of where rocks in the Williston Basin were hot enough to generate oil (mature areas).



Temperature profile of the Rauch Shapiro Fee #21-9 in Billings County.

15. Adds one-time funding for architectural services to develop a plan for expanding the core library - \$25,000

Oil companies are required by law to archive cores and samples (small pieces of rock ground up by the drill bit) in the Wilson M. Laird Core and Sample Library located on the University of North Dakota Campus in Grand Forks. The core library was constructed in 1980 and is quickly filling to capacity due to record-setting drilling activity in North Dakota. Current estimates are that the core library will be completely filled in 2016. The core library warehouse (13,200 square feet) will need to be tripled in size in order to accommodate future cores and samples. An architectural firm will need to draw up plans and cost estimates for a core library expansion during the 2013-2015 biennium so that we can bring them to the legislature in 2015 for approval.



The Wilson M. Laird Core and Sample Library on the campus of the University of North Dakota. The core library houses over 75 miles of core (133,000 boxes of core) and 38,000 boxes of samples.





Both photographs are shown looking to the east down Aisle 1 in the core and sample library. The photograph on the left was taken on July 13, 2012 after the aisle had been reboxed resulting in a space savings (open bins) of approximately 40%. The photograph on the right was taken on October 19, 2012 after all but one of the bins in Aisle 1 had been filled to capacity with new core.

16. Provides funding for state employee salary increases of which \$704,031 relates to performance increases and \$89,785 is for market equity adjustments. The Senate added \$172,713 to correct the executive compensation package. SALARIES AND BENEFITS

During the 2011-2013 biennium we experienced a significant increase in workload due to a record setting rig count and oil production. This increased workload resulted in a drilling permit back log of over 400 permits and an order back log of approximately 1,000 administrative orders. Current staffing levels are adequate to keep up with about 180 rigs and 11,000 wells. We have now exceeded that level of rigs and anticipate exceeding the well number by the end of the current biennium. Even with the additional staffing being requested in this budget, some seasonal temporary staffing will be crucial to meeting our mission both in the field and in the central office and flexibility is needed so that the personnel can be assigned to meet the most critical need. Increased interest in oil and gas and other minerals found in North Dakota is also resulting in an increased workload with the Geological Survey staff. The Department also continues to face difficulties in hiring experienced oil and gas and geological staff, therefore housing allowances and market salaries may be needed to find and retain qualified personnel.

Continuing Appropriations

Abandoned Oil & Gas Reclamation Fund (2300-448)

(North Dakota Century Code 38-08-04.5) Monies deposited into this fund are from oil and gas operator permit fees and forfeited surety bonds paid to the North Dakota Industrial Commission Oil and Gas Division. Monies in this fund are appropriated to plug oil and gas wells and reclaim well sites, and associated facilities: 1) If the person or company drilling or operating the well cannot be found, has no assets with which to properly plug or replug the well or reclaim the well site, or cannot be legally required to plug or replug the well or to reclaim the well site; 2) If there is no surety bond covering the well to be plugged or the site to be reclaimed or there is a forfeited surety bond but the cost of plugging or re-plugging the well or reclaiming the site exceeds the amount of the bond; or 3) The well is leaking or likely to leak oil, gas or saltwater or is likely to cause a serious threat of pollution or injury to the public health or safety. During the current biennium, the Oil and Gas Division plugged and abandoned two well sites. We anticipate reclaiming the two associated sites later in the current biennium. The reclamation of a well site may take several years depending on the location of the site and the weather conditions.

The methodology for arriving at the \$75 million funding cap proposed in House Bill 1333 for this fund was determined using the following factors:

- Current fund balance is \$2,019,879.91 which is about the amount spent by Petro Harvester on the Cramer salt water pipeline spill in 2011-2012. Zenergy has spent over \$5 million on the Charbonneau Creek spill since 2006.
- 2) The last two orphan wells we plugged and reclaimed cost \$100,000 each, so the fund has enough money to handle one large salt water spill or about 20 orphan wells (right now we have zero orphan wells).
- 3) There are 194 wells in abandoned status (\$19.4 million in plugging and reclamation liability) covered by \$6.2 million in bonds and the current total well count is 11,640.
- 4) We anticipate reaching a total well count of 50,000 about 20 years from now and we expect to have about 1,000 abandoned wells with a plugging liability of \$100 million covered by \$25 million in bonds for a net liability of \$75 million (all in today's dollars).

Oil & Gas Reservoir Data Fund (2250-317)

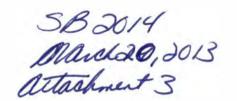
(North Dakota Century Code 38-08-04.6) Monies deposited in this fund are from the payment of fees for the actual costs of services performed to provide oil and gas reservoir data requested by industry, royalty owners, other governmental agencies and the public through the management of the Division Risk Based Data Management System (RBDMS). Monies in this fund are appropriated to the Commission to be used for purchase of equipment and supplies directly related to storage and dissemination of computerized geophysical exploration, production, and well information data to industry, royalty owners, other governmental agencies and the public.

The RBDMS has been developed in conjunction with the Ground Water Protection Council (GWPC) for regulatory agencies to use in managing and analyzing oil and gas program data and water resources management information. RBDMS consists of a Microsoft SQL Server back-end and Microsoft Access front-end/user interface and is used to manage all of the Oil & Gas Division's critical regulatory processes including: all oil and gas permitting operations, all oil and gas production tracking, all management of well related information, including; logs and survey data storage and access, generation of reports, and creation and management of custom data queries to support Division operations and assist in decision making, operation of the Field Activity System (FAS), which is used by our field inspection personnel during well site and production facility inspections, injection well tracking, DMR hearings and docket management, management of oil and gas company data, subsurface geologic data, and spill report tracking.

RBDMS is a custom built application which has been customized to best support the unique requirements of the oil and gas regulatory requirements in North Dakota for the conservation of oil and gas resources, in addition to providing timely oil and gas related data to other state entities including the North Dakota Legislature, the Tax Department, NDDOT, NDDES, ND Game and Fish, the Department of Trust Lands and the Health Department. Data managed in RBDMS is a critical factor in decisions and operations across the spectrum of North Dakota's state government. Administration of RBDMS requires database analysts and programmers who have specialized knowledge of the oil and gas industry and how North Dakota regulates the industry. The RBDMS also maintains confidential well information which reiterates the need for proper security, access, and control by the Division. There are currently as many as 3,000 individual subscribers representing industry, government, academia, and the public that are provided access (for a nominal subscriber fee) to the wealth of oil and gas data resources available for North Dakota. In addition there are thousands of users who access the free publicly available areas of our data management systems through the website on a monthly basis.

If the RBDMS were to be consolidated into a centralized IT management structure, such as has been proposed for other agencies, the NDIC would lose the license for RBDMS through the GWPC, which is authorized by the U.S. Department of Energy and the U.S. Environmental Protection Agency.

The estimated costs to recreate a similar system by the Department would be approximately \$1.5 million with an estimated increase in costs for data storage and management for the Department of \$1 million per biennium. Members of the oil and gas industry continue to report that the data management and delivery systems operated by the NDIC are the "best in the country" and are frequently enhanced and upgraded to be reflective and responsive to the continually evolving demands from industry and the needs of the public. Additional consequences include degradation of services provided by the NDIC to the public, other state agencies, and industry. The loss or disruption of RBDMS would make it impossible to issue drilling permits in a timely manner, track and report well production accurately, and provide current and accurate well data.



Information Regarding the need for Energy Conservation Fund

Listed below is information gathered regarding Energy Efficiency Projects. The following is a list of applications that weren't funded when federal dollars were available:

- Sargent County \$24,000
- Hazen \$91,400
- Ramsey County Housing Authority \$83,150
- Wahpeton Fire Dept. \$26,215
- Hankinson \$8,920

In response to questions of the Government Operations Division, the Department of Commerce did a survey with the League of Cities and those responses reflect the following:

Estimated Costs of Energy Efficiency Projects for City Facilities

City	Project	Amount
Harvey	windows	\$50,000
Cavalier	lighting	\$30,000
Park River	street lights	\$75,000
Park River	furnaces	\$20,000
Grand Forks	various	\$2,000,000
Fargo	street lights	\$75,000
Mandan	various	\$1,000,000
Bismarck	various	\$8,500,000
Minot	various	\$3,000,000
Grafton	various	\$750,000
Adams County	windows/lighting	?
Total		\$15,500,000

^{*}Hazelton - we do not have any energy efficiency retrofits planned in the next year or so due to budget constraints. But we would take advantage of funding available.

^{**}Several cities indicated that energy audits had already been done, but projects were not completed due to lack of funding.

5152014 March 20, 2013 attachne + 4

TESTIMONY ON SB 2014 NORTH DAKOTA ALLIANCE FOR RENEWABLE ENERGY

The North Dakota Alliance for Renewable Energy (NDARE) is pleased to testify in support of Section 18 of this bill, which amends ND Century Code Section 57-51.1-07 to provide ongoing funding from the Resources Trust Fund for both the existing Renewable Energy Development Fund, and the proposed energy conservation grant fund. NDARE is a diverse member organization that fosters the development and use of renewable energy and energy efficiency through education, outreach and public policy advocacy. Our members include utility companies, city and county economic development corporations, commodity groups, state and federal agencies involved with agriculture and energy, environmental organizations, and others.

The proposed amendment in Section 18 closely mirrors the Governor's budget proposal to provide one-half of one percent of the Resources Trust Fund revenues to the Renewable Energy Development Fund, and an additional one-half of one percent to the energy conservation grant fund for the purpose of providing funding assistance for energy efficiency projects in non-federal public buildings.

NDARE has for many years advocated the use of Resources Trust Fund (RTF) dollars for renewable energy and energy efficiency purposes. In 1990, North Dakota voters approved the Resources Trust Fund as a constitutional trust fund, with the provision that the legislature could allocate RTF revenues to the State Water Commission for water projects and/or to the State Industrial Commission for energy conservation projects. It can reasonably be assumed that the measure passed in 1990 because voters supported the funding of both types of projects, water and energy.

According to the Office of Management and Budget, since 1994 through the remainder of the current biennium, the Resources Trust Fund will have generated approximately \$719,117,000. Essentially, all \$719 million has been allocated to the State Water Commission for water projects, none has been allocated to the State Industrial Commission for energy activities. In the coming biennium, OMB estimates that an additional \$557 million in total revenues will be credited to the Resources Trust Fund, increasing the grand total since 1994 to \$1,276,000,000. If approved, this bill's proposed \$5,700,000 for energy activities represents 0.4 percent of the RTF revenues through FY 2015.

While NDARE supports the use of RTF revenues for energy efficiency and renewable energy because we believe that's what North Dakota voters supported in the 1990 primary election, we also believe that these investments provide a good return on investment to the public. Our organization very recently released a new study which shows that the state's renewable energy industry, such as wind and biofuels, generates more than \$1.2 billion in annual economic activity in North Dakota. The study was conducted by NDSU's Agribusiness and Applied Economics Department on behalf of NDARE, and was made possible through a grant from the ND Dept. of Commerce State Energy Program.

NDARE believes that the projects funded through the Renewable Energy Development Fund and the energy efficiency projects in public buildings that will be made possible through the energy conservation grant fund will both contribute to a more robust energy sector in North Dakota and will create new jobs, wealth, and tax revenue for the state.

Thank you for the opportunity to testify today.

SB 2014 March 20, 2013 Ottockment 5



House Appropriations Committee Engrossed Senate Bill No. 2014 Budget No. 475 North Dakota Mill & Elevator Association March 20, 2013

Green Sheet Items

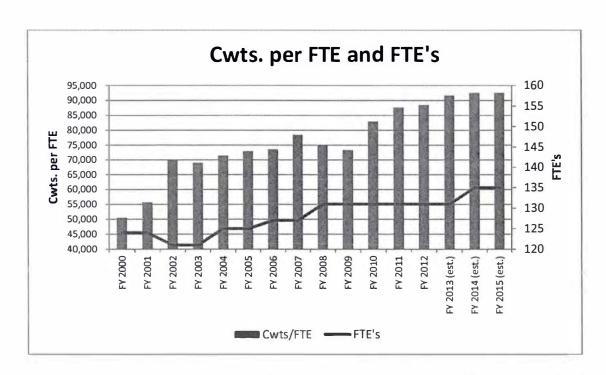
FTE Positions

Below is the information presented in my written testimony to the House Appropriations - Government Operations Committee on March 7, 2013 on four requested FTE positions potentially needed at the State Mill. As the accompanying graph illustrates our business has grown significantly and at the same time has become markedly more efficient. We will continue to operate the facility with the fewest possible number of employees to control costs. It is critical for us, however, to have the flexibility to add positions, when required, to service our customers. The four requested positions require skilled, trained employees to fill them. Additional funds for temporary employees, or additional overtime, will not offset the requirement for filling these positions, if we continue to grow as planned. The Mill does hire temporary employees during summer months to assist during vacations, paint, clean and reduce overtime. Funds have been included in our budget for this temporary help. Again, these positions will not be filled unless doing so is absolutely necessary for us to provide top quality flour with a high level of customer service.

[The four (4) positions we are requesting for the next biennium include two additional employees for the plant – a car checker and a second shift supervisor; and two in the office – a sales staff position and an information systems analyst position.

One railcar checker position in order to ensure an adequate number of railcars are cleaned and available to keep up with the increased production and sales. All bulk rail cars must be cleaned prior to loading to insure product purity. Eight to twelve railcars are normally loaded each day. As our business grows the number of railcars cleaned and loaded each day increases.

- ➤ One Second Shift Supervisor position. The increasing amount of work occurring in the packing, loading, warehouse and milling departments on the second (14 employees) and third (11 employees) shifts requires additional supervision to insure product quality and efficiency. This supervisor would oversee and direct all staffing decisions, department coordination and work issues occurring on the night shifts.
- One Sales Representative to promote continued sales growth. Currently we have three Sales Representatives and a Sales Manager producing more than \$300 million in total sales (FY 2012). The addition of one Sales Representative will allow our sales staff to efficiently increase sales to current customers and contact potential new customers. Customers range in size from \$50 thousand to over \$40 million in annual shipments. Sales representatives are responsible for maintaining a close relationship with customers, and working with them on pricing, specification, delivery and credit issues.
- One information analyst position to meet the increasing workload in our Information Technology Department, due to increased production and sales. Presently the Mill has two employees in the IT department who handle and maintain all desktop computers, servers, and warehouse, mill and elevator inventory systems. Our IT employees also work with enterprise resource planning software, website, billing, payables and logistics issues. As our facility becomes more integrated and as we move closer to operating with paperless systems the workload in our IT department has significantly increased.



State Mill shipment volumes have nearly doubled since FY 2000, while State Mill FTE's have increased by 7 (from 124 to 131). During the same period cwts./FTE have increased from about 50,000 to over 90,000 cwts./FTE. This increase has been made possible through several mill expansion projects. Additional FTE's are required to effectively handle the additional business and allow for further business growth.]

Transfer to General Fund

Below is the information presented in my written testimony on March 7, 2013 on the transfers outlined in the Governor's Executive Budget. Attached is a list of large capital projects that will provide needed improvements to Mill infrastructure. These improvements, when completed over the next few years, will reduce cost, allow for continued business growth and are necessary to insure reliable mill operations.

[The Mill currently transfers 5% of profits to the Agricultural Fuel Tax Fund and 50% of the remaining profits to the General Fund. In fiscal year 2012, the Mill transferred \$402,420 to the Agricultural Fuel Tax Fund and \$3,822,989 to the General Fund.

In the Governor's Executive Budget for the 2013-2015 biennium, 5% of estimated Mill profits or \$897,000 is budgeted to be transferred to the Agricultural Fuel Tax Fund and 10% of estimated remaining Mill profits or \$1,704,300 is budgeted to be transferred to the General Fund. Section 14 of Senate Bill 2014 modifies Section 54-18-19 of the North Dakota Century Code to allow for less than 50% of remaining Mill profits to be transferred to the General Fund as determined by the Industrial Commission. Reducing transfers to the General Fund will allow for the completion of several capital projects needed to improve Mill infrastructure at a lower cost.]



March 20, 2013

Large Capital Projects Under Consideration at the North Dakota Mill

- To be completed over the next few years

1. K Mill Renovation and Expansion Phase 3 (final phase).

Estimated cost: \$3,000,000

- Replace outdated purifiers, purifier filters, related spouting and air make up system with new automated equipment.
- Overall capacity increase of 1000 cwts. per day. Improved yields and flour quality.

2. Electrical Infrastructure Upgrades

Estimated cost: \$4,500,000

- Install a new transformer and main service electrical switch gear.
- Provide increased electrical load capacity for future capacity increases and terminal elevator upgrades. Improve reliability of operations back up.

3. Terminal Elevator Grain Unloading Upgrade and Automation

Estimated cost: \$5,000,000

- Replace present belt conveyors and elevator legs with automated, higher capacity automated equipment. Install two truck scales.
- Increases unloading capacity to decrease truck waiting time to allow for the delivery of more grain by truck eliminating rail freight costs.

4. Terminal Elevator Storage Capacity Increase

Estimated cost: \$9,000,000

- Add two million bushels of grain storage capacity to our terminal elevator in Grand Forks.
- Allow for the storage of larger grain inventories to insure that properly blended grain is available to match our higher capacity milling production requirements.

5. Bulk Flour Conveying System Automation

Estimated cost: \$2,500,000

- Replace existing manually operated equipment with a fully automated flour conveying system operated with Programmable Logic Controllers.
- Will interface controls with existing Programmable Logic Controlled mill systems to insure that flour is conveyed, stored and blended properly to insure product integrity.



Michael A. Anderson Executive Director
Attackment
UNDUSTRIAL COMMISSION

Wayne Stenehjem Attorney General Doug Goehring Agriculture Commissioner

Jack Dairymple Governor

March 20, 2013

SB 2014
North Dakota Housing Finance Agency
Division of the State Industrial Commission
Budget No. 473.0
Testimony of Michael Anderson, Executive Director
House Appropriations Committee

Chairman Thoreson and members of the Government Operations Division of the House Appropriations Committee thank you for inviting us back to discuss our budget. My name is Mike Anderson, executive director of the North Dakota Housing Finance Agency.

The budget proposes a decrease in federal funds received from HUD by \$2,701,120. This result comes from adjusting out the one-time funding from Neighborhood Stabilization Program (NSP) grant of \$5,124,000, increases in HUD Section 8 grants by \$2,427,880, an increase in the HOME program grant by \$5,000, and a decrease in the HUD Housing Counseling grant by \$18,000.

The budget reflects an increase for program outreach which consists of Agency-funded grants. This includes increasing Helping HAND grants by \$52,000, Rehab Accessibility Program grants by \$28,000, increasing the Housing Market Survey Grant program by \$14,000, increasing the Other Grants line item by \$38,000, and decreasing Home Smart grants by \$1,000.

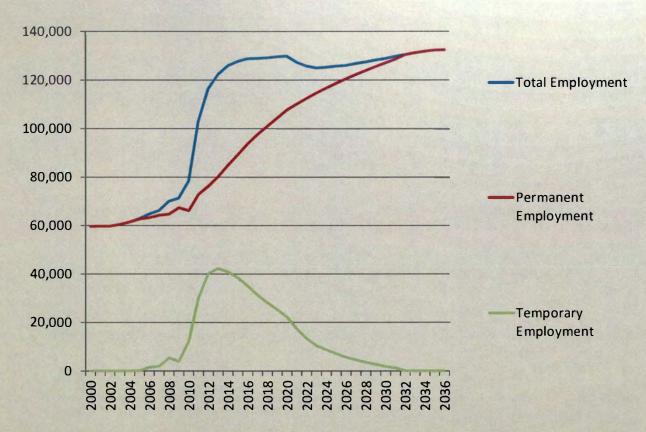
The Law Enforcement Pilot Program (LEPP) was funded utilizing the state's share of the Mortgage Servicer Settlement lawsuit proceeds of \$2,950,000. This was a one-time spending item, and thus it was removed from the proposed budget.

The budget proposes a decrease in costs associated with Agency loans. During the upcoming biennium, we are anticipating purchasing 30 percent fewer loans than projected for the current biennium. Projected cost reductions include Operating Fees and Services provisions for Servicing Release Premium (\$729,300), Loan Loss Reserve (\$140,000), Interest Expense (\$300,000) and Servicing Fees Expense (\$124,245).

Section 11 proposes a \$30 million transfer of general funds to the Housing Incentive Fund (HIF). The transfer is subject to the emergency clause contained in Section 22. This will allow the Agency to begin allocating funds to projects as soon as HIF is reauthorized under HB1029. Without the emergency clause we would only conditionally committing funding to projects forcing the developer to delay construction until contributions from tax payers are received.

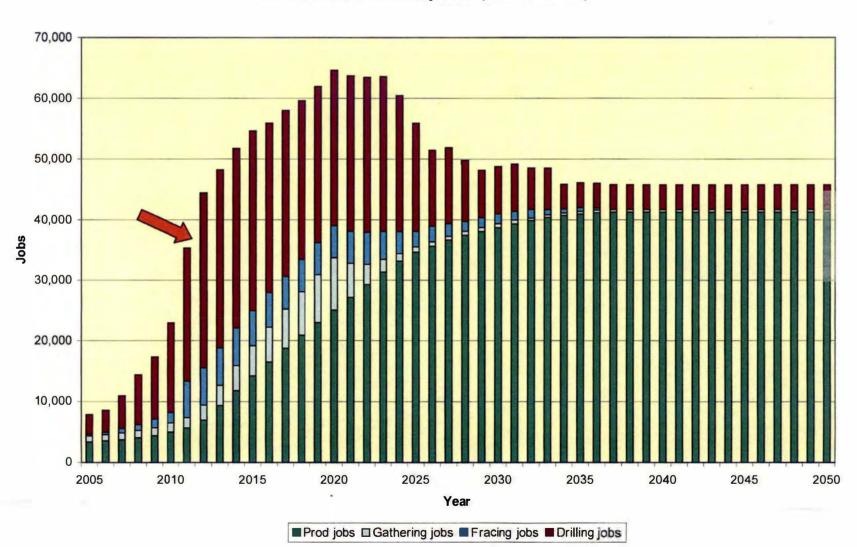
HB 1029 was introduced by the Legislative Management's Energy Development and Transmission Committee. It initially proposed reauthorizing the program at an amount not to exceed \$50 million with income tax credits of \$20 million – the difference coming from the \$30 million transfer.

Employment Projections for Oil-Impacted Counties in North Dakota: 2000 to 2036



Source: North Dakota State University, Department of Agribusiness and Applied Economics

North Dakota Oil Industry Jobs (Ph2=80% Ph1)



SS 2014 april 3, 2013 attachment 1

North Dakota Department of Mineral Resources

Executive Budget Highlights

1. Provides one-time funding for potential litigation and other administrative proceedings relating to the regulation of hydraulic fracturing: \$1,000,000.

The Environmental Protection Agency (EPA) draft guidance for permitting hydraulic fracturing using diesel fuel was published May 9, 2012. The initial 60 day comment period was extended to August 23, 2012 and has now been closed. The Industrial Commission, North Dakota Petroleum Council, and many other stakeholders submitted comments that addressed a significant number of concerns with the guidance as proposed, but the major points covered in Industrial Commission comments are as follows:

- 1) This is a state's rights issue. States that have adopted hydraulic fracturing rules that include chemical disclosure, well construction, and well bore pressure testing should be explicitly exempted from the guidance.
- 2) The definition of diesel fuel is too broad because it includes six Chemical Abstract Service Registry Numbers as well as any materials referred to by one of these primary names or any associated common synonyms.
- 3) EPA made no attempt to identify dangerous concentrations of these materials. Hydraulic fracturing treatments that utilize concentrations of less than 1% of any material defined as diesel fuel should be exempt from permitting requirements.
- 4) The guidance is written for Enhanced Oil Recovery wells or disposal wells completed with tubing and packer. It shows a serious lack of understanding of the horizontal drilling-hydraulic fracturing process. Most of the requirements will not work mechanically on wells completed with swell packers and fractured down the production casing.

Contacts within EPA have informed the Industrial Commission that over 97,000 comments, the vast majority from post card campaigns with approximately 2,700 unique comments, were received on the guidance. The final guidance document is being drafted and will not be published until spring of 2013.

Attorney Generals across the country have been investigating the EPA's strategy for dealing with environmental groups and have found that agreements have led to new rules and regulations for states without allowing attorneys general to enter the process to defend the interest of states, and businesses and consumers. From the 45 settlements made public the EPA has paid nearly \$1 million in attorneys' fees to the environmental groups, while also committing to develop sweeping new regulations. None of the appropriated funds have been expended at this time. If a lawsuit is initiated by another party in this matter the State of North Dakota needs to be prepared to act immediately so that we are a party to negotiations of any consent decrees. The Industrial Commission is requesting that the 63rd Legislative Assembly consider a contingency appropriation of the sum of \$1,000,000, or so much of the sum as may be necessary, to the Industrial Commission for the purpose of defraying expenses associated with possible litigation and other administrative proceedings involving any federal agency's effort to regulate hydraulic fracturing.

Draft BLM regulations for hydraulic fracturing on federal lands were published in the Federal Register. The comment period closed at 5pm EDT on September 10, 2012. BLM received over 170,000 comments and has withdrawn the rule. A new proposed rule is expected in the second quarter of 2013.

Section 2 of the April 13, 2012 Presidential Executive Order on Supporting Safe and Responsible Development of Unconventional Domestic Natural Gas Resources, has also established an "Interagency Working Group to Support Safe and Responsible Development of Unconventional Domestic Natural Gas Resources" with a membership of deputy-level representatives or equivalent officials, designated by the head of the respective agency or office, from: the Department of Defense, Department of Interior, Department of Agriculture, Department of Commerce, Department of Health and Human Services, Department of Transportation, Department of Energy, Department of Homeland Security, Environmental Protection Agency, Council on Environmental Quality, Office of Science and Technology Policy, Office of Management and Budget, National Economic Council, and such other agencies or offices as the Chair of the working group may invite to participate.

2. Provides one-time funding for housing allowances for employees in oil-impacted areas: \$400,000.

Hiring qualified individuals into field inspection roles for the Williston District Field Office has been particularly challenging. The Division has had an open Engineering Technician position advertisement since January of 2012, with two offers made at \$45,000 per year to qualified candidates. These offers were ultimately rejected by both candidates, due to a lack of affordable housing in the area.

District Field Office Housing Survey (Completed March 1, 2013)

Dickinson	2006	2012	Current	Comments
Housing Cost	\$75,000	\$150,000	\$150,000	
New Construction	\$170,000	\$177,000	\$222,000	
Apartment Rental	\$600 per mo.	\$3,000 per mo.	\$2,400 per mo.	
Hotel Rates	\$69 per night	\$189 per night	\$165 per night	Government rates rarely available.
month. Rent currently	jumped to \$1,325 per	moved into apartment month with any new re- ed in 2011, rent so high	nters moving in paying	\$2,450 per month in
Williston	2006	2012	Current	Comments
Housing Cost	\$78,000	\$155,000	\$170,000	
New Construction	\$150,000	\$256,000	\$290,000	
Apartment Rental (old\existing)	\$450	\$1,100	\$1,500	
Apartment Rental (new)	\$600	\$2,450	\$3,000	
Hotel Rates	\$65 per night	\$165 per night	\$132 per night	Government rates rarely available.
Minot	2006	2012	Current	Comments
Housing Cost	\$127,000	\$176,000	\$185,000	
New Construction	\$149,860	\$207,680	\$218,300	
Apartment Rental	\$670	\$965	\$1,250	
Hotel Rates	\$70 per night	\$118 per night	\$107 per night	Government rates

Anecdotal Notes: One employee pays \$400 per month for a bedroom with no kitchen, shared living quarters and bathrooms. Department of Defense housing allowances for a married Second Lieutenant in Minot increased 145% from \$708 per month in 2007 to \$1,737 per month in 2012.

3. Provides additional funding for increased State Fleet Services rates: \$244,872.

DOT motor pool rates will increase 27% from the 2011-2013 biennium resulting in an inflationary increase of \$12,940 for the Geological Survey, and \$231,932 for the Oil and Gas Division. Additional inflationary increases are hitting In-State Lodging, Utilities, Insurance, Janitorial, Data Processing, and ITD rates. To offset these increases and meet the 100% budget guideline, the number of field inspections would have to be reduced at a time when industry has a growing number of inexperienced personnel who need guidance and supervision. This could result in inadequate protection of potable waters and correlative rights.

4. Decreases funding for bond payments to reflect bonds which have matured: (\$5,579,764).

The North Dakota Building Authority accesses the national capital markets for low-cost financing of capital projects approved by the legislature. Each agency that has benefited from Building Authority financing is billed for their portion of the debt service payments. The decrease in funding for bond payments reflects bonds which have matured. The North Dakota Building Authority provided continuing disclosure for all outstanding bond issues and evaluated whether it was economic to refund any outstanding bond issues. During the 2011-2013 biennium, three bond issues were refunded and over \$2,000,000 of savings were achieved. The Building Authority has \$73,460,000 of bonds outstanding as of June 30, 2012.

5. Adds 2 FTE engineer technician positions for field inspections which were authorized by the Emergency Commission as contingent FTE positions for the 2011-13 biennium: \$390,820.

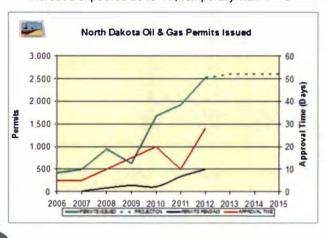
2 FTE engineering technicians for OGD field inspection authorized 12/04/12 (After base budget submitted). Field Inspection well count increased **150%** 2010-12

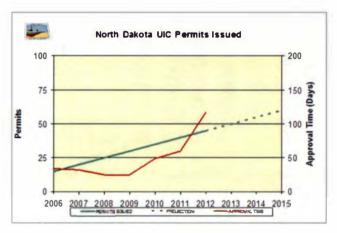
6. Adds 4 FTE engineering technician positions, 1 FTE geology analyst position, and 1 FTE account budget specialist position to the Bismarck office: \$930,223.

1 FTE engineering technician for OGD Bismarck office - well log and directional survey compliance and quality control Petroleum Geology Compliance activity increased 154% 2010-12 + 150% increase expected 2013-15, temporary staff 2 > 1

1 FTE engineering technician for OGD Bismarck office - stage 1 and 2 review of drilling permits. Note pending permits and approval time on chart. Permitting activity increased 166% 2010-12 + 105% increase expected 2013-15, temporary staff 3 > 2

1 FTE engineering technician for OGD Bismarck office - stage 1 and 2 review of underground injection permits. Note permit number and approval time in chart. Underground injection activity increased 110% 2010-12 + 150% increase expected 2013-15, temporary staff 1 > 0





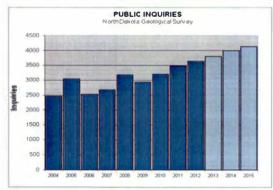
1 FTE engineering technician for OGD Bismarck office - database and public mapping system support. Database and public map service requests increased 121% 2010-12 + 157% increase expected 2013-15, temporary staff 1 > 0

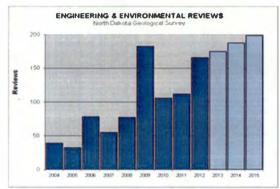
1 FTE petroleum geology analyst for OGD Bismarck office - well cementing plus core & sample submission, wells and remedial work. Petroleum geology compliance activity increased **154%** 2010-12 + **150%** increase expected 2013-15, temporary staff 1 > 0

1 FTE accounting budget specialist DMR - assist Accounting Budget Specialist III with payroll. FTE count, vehicles, and office equipment increased 125% 2010-12 + 130% increase expected 2013-15, temporary staff 1 > 0

7. Adds 1 FTE geologist position to conduct preapplication waste disposal (primarily oil field wastes) site reviews: \$215,251

1 FTE surface geologist for GSD Bismarck office – aggregate, waste permit, infrastructure siting reviews, geology inquiries, and publications. Activity increased 135% 2010-12 + 136% increase expected 2013-15

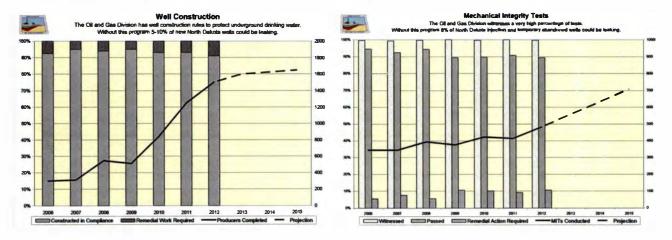




8. Adds 3 FTE petroleum engineer field inspector positions, 3 FTE engineering technician field inspector positions, and 1 FTE engineering technician position for the core library: \$1,356,581

3 FTE petroleum engineers for OGD field inspection - focusing on drilling rigs. Drilling rig field inspection activity increased 144% 2010-12 + 110% expected increase 2013-15

3 FTE engineering technicians OGD field inspection - focusing on injection wells and production facilities. Mechanical integrity tests, field inspection activity increased 150% 2010-12 + 120% expected increase 2013-15



Note: Following is the output of our field inspection manpower model for various possible rig counts:

Permanent Staff Model

17 Petroleum Engineer - Field Inspectors

45 hours per week

5 hours office time

10 hours Spills, Pluggings, other Engineering

10333 producing wells

0 visits per year

1073 injection wells

0 visits per year

0 hours for well inspections

30 hours for rig inspection

8 Engineering Technician - Field Inspectors

45 hours per week

5 hours office time

2 hours Spills

10333 producing wells

4 visits per year

1073 injection wells

12 visits per year

38 hours for well inspections

0 hours for rig inspection

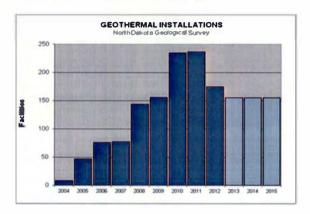
525 hours per week for rig inspection

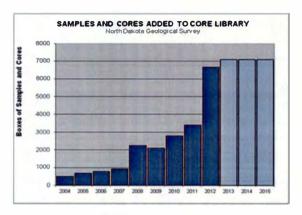
3 hours per week per rig average (1 visit/week vert and 2 visits/week horiz)

170-180 Rig Count

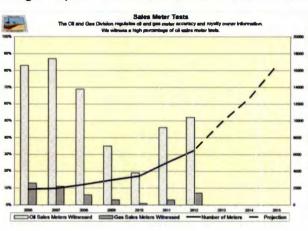
		6/30/2019	5		
Rigs	Rigs Petroleum Engineer - Field Inspectors		Engineering Technician - Fie	eld Inspectors	
170	17	14,413	10		
175	17	14,533	10		
180	18	14,653	10		
185 current	18 ideal 17-current authorized	14,773	11 ideal	8-current authorized	
190	19	14,893	11		
195	19	15,013	14		
200 expected	20	15,133	14		
205	20	15,253	14		
210	21	15,373	14		
215	21	15,493	15		
218	21	15,565	15		

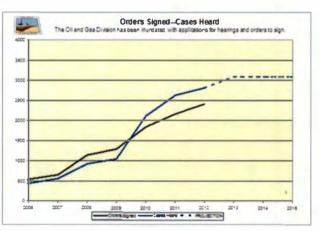
1 FTE core library technician/geothermal facility inspector - GSD Grand Forks. Record workload on charts. Core library activity increased 240% 2010-12 + 108% expected increase 2013-15, temporary staff 9 > 6 (both programs are staffed at pre-2004 levels of activity).





9. Adds 1 FTE petroleum engineer production supervisor position,1 FTE engineering technician measurement analyst position,1 FTE audit/legal administrative assistant position, and 1 FTE filing/reception administrative assistant: \$534,900





1 FTE petroleum engineer for OGD Bismarck office-supervise oil and gas production auditing and measurement. Production measurement and accounting activity increased 212% 2010-12 + 130% expected increase sales growth 2013-15, temporary staff 1 > 1

1 FTE engineering technician for OGD Bismarck office - oil and gas measurement field inspection.

1 FTE Office assistant for OGD Bismarck-production auditing and hearing case load. Stabilizing at over 3,000/year. Hearing dockets and orders increased 130% 2010-12 + 110% expected increase 2013-15, temporary staff 4 > 2

1 Office assistant for OGD Bismarck-general office filing and reception.

10. Adds 3 contingent FTE engineering technician field inspector positions upon notification to the Office of Management and Budget (OMB) that the number of wells capable of production or injection exceed 15,000: \$586,230.

3 FTE engineering technicians contingency if well count exceeds 15,000 - OGD field inspection-focusing on wells and facilities. Well count increase **120%** expected 2013-15, on 12/31/12 Oil & Gas Wells-8,228, Enhanced Oil Recovery-717, Salt Water Disposal-488, Total-9,433



11. Adds .69 FTE administrative position to a .31 FTE position currently authorized to create a full-time position for the Industrial Commission office \$78,159.

During the 2011-2013 biennium, the funding for a .31 position was utilized for a temporary person for a period of time. This optional request is to make the .31 position that is in the base budget a full-time position. The workload of the Industrial Commission Administrative Office has continued to increase with new responsibilities given to the agencies overseen by the Industrial Commission. This has resulted in delays in responding to constituents' requests and to processing of contracts and project payments. The full-time position will assist with the operations of the Industrial Commission Administrative Office. In addition this position would have the following responsibilities: 50% - reviewing of applications and reports received for two of the three research programs overseen by the Industrial Commission. Assist in the drafting of contracts and summaries of reports as needed. 20% - maintaining and updating financial records on the various research projects that are overseen by this office. 20% - drafting of minutes from the Oil and Gas Research Council and Commission meetings as needed. 10% - general office duties.

12. Removes 1 FTE position and funding provided for carbon dioxide storage administration for the 2011-13 biennium: (\$532,000).

Carbon Dioxide Storage Facility Admin. Fund: Monies deposited in this fund are from the payment of fees from CO2 storage operators when submitting an application for approval. Money in the fund may be used to defray expenses for processing permit applications including public notice costs and public hearings, regulating storage facilities during their construction, operational and preclosure phases and making storage amount determinations. The fund may also be used to compensate other agencies incurring expenses to conduct regulatory responsibilities at the storage facility. It is anticipated that the operation of the storage facilities will be for multiple years. Therefore, a continuing appropriation is needed.

13. Adds funding for leasing space for the new FTE positions: \$224,868.

Lease/Rent Bldg/Land

Geological Survey rent is increasing \$5,000 in our Bismarck office building, and Oil and Gas Division rent is increasing \$137,368 in our Bismarck, Dickinson, Minot, and Williston office buildings. The field offices currently provide a location for efficient synchronization of inspector data to our main database, contact between the general public and local Oil and Gas Division employees, and for inspectors to complete written correspondence.

14. Adds one-time funding for studies on oil-bearing rocks (\$80,000) and temperature profiles: (\$50,000) \$130,000.

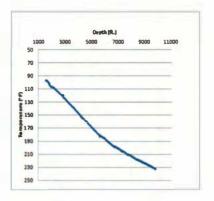
In the 2013-2015 biennium, the Geological Survey will be shifting the emphasis from rocks above the Bakken (previous work was primarily in the Tyler Formation) to rocks below the Bakken and Three Forks Formations. We plan on obtaining 1,300 rock samples from core in the Icebox, Red River, and Interlake Formations for total organic carbon and RockEval analysis. The results will significantly increase our knowledge of the maturity of the oil-bearing rocks that occur below the Bakken and outside of the Bakken mature area.





Sixty feet of core of the Ice Box Formation (Winnipeg Group) from EOG Resource's #1-01 Shell Creek well in Mountrail County. The shale in these three-foot-long boxes is gray to grayish green in color. The bright green colors are Styrofoam spacers noting where core was removed for testing.

The burial history and temperature profile of the Williston Basin are important components when calculating areas within the basin where rocks are hot enough or were hot enough at one time in geologic history to generate oil. Temperature profiles can be obtained by temperature logging oil wells that have been idle for several months thus allowing the fluid in the well to come to the same temperature as the surrounding rock. The North Dakota Petroleum Council recently donated \$140,000 towards this project. In addition to hiring a logging firm to temperature log a dozen oil wells to a depth of 10,000 feet, a trailer-mounted temperature probe will be purchased that will enable us to log a number of wells, but to a shallower depth. At least fifty additional wells will be logged using the shallow probe and the results will be matched to the deeper temperature profiles. These temperature profiles, scattered across the basin, will enable more accurate estimates of where rocks in the Williston Basin were hot enough to generate oil (mature areas).



Temperature profile of the Rauch Shapiro Fee #21-9 in Billings County.

15. Adds one-time funding for architectural services to develop a plan for expanding the core library - \$25,000

Oil companies are required by law to archive cores and samples (small pieces of rock ground up by the drill bit) in the Wilson M. Laird Core and Sample Library located on the University of North Dakota Campus in Grand Forks. The core library was constructed in 1980 and is quickly filling to capacity due to record-setting drilling activity in North Dakota. Current estimates are that the core library will be completely filled in 2016. The core library warehouse (13,200 square feet) will need to be tripled in size in order to accommodate future cores and samples. An architectural firm will need to draw up plans and cost estimates for a core library expansion during the 2013-2015 biennium so that we can bring them to the legislature in 2015 for approval.



The Wilson M. Laird Core and Sample Library on the campus of the University of North Dakota. The core library houses over 75 miles of core (133,000 boxes of core) and 38,000 boxes of samples.





Both photographs are shown looking to the east down Aisle 1 in the core and sample library. The photograph on the left was taken on July 13, 2012 after the aisle had been reboxed resulting in a space savings (open bins) of approximately 40%. The photograph on the right was taken on October 19, 2012 after all but one of the bins in Aisle 1 had been filled to capacity with new core.

16. Provides funding for state employee salary increases of which \$704,031 relates to performance increases and \$89,785 is for market equity adjustments. The Senate added \$172,713 to correct the executive compensation package. SALARIES AND BENEFITS

During the 2011-2013 biennium we experienced a significant increase in workload due to a record setting rig count and oil production. This increased workload resulted in a drilling permit back log of over 400 permits and an order back log of approximately 1,000 administrative orders. Current staffing levels are adequate to keep up with about 180 rigs and 11,000 wells. We have now exceeded that level of rigs and anticipate exceeding the well number by the end of the current biennium. Even with the additional staffing being requested in this budget, some seasonal temporary staffing will be crucial to meeting our mission both in the field and in the central office and flexibility is needed so that the personnel can be assigned to meet the most critical need. Increased interest in oil and gas and other minerals found in North Dakota is also resulting in an increased workload with the Geological Survey staff. The Department also continues to face difficulties in hiring experienced oil and gas and geological staff, therefore housing allowances and market salaries may be needed to find and retain qualified personnel.

Continuing Appropriations

Oil & Gas Reservoir Data Fund (2250-317)

(North Dakota Century Code 38-08-04.6) Monies deposited in this fund are from the payment of fees for the actual costs of services performed to provide oil and gas reservoir data requested by industry, royalty owners, other governmental agencies and the public through the management of the Division Risk Based Data Management System (RBDMS). Monies in this fund are appropriated to the Commission to be used for purchase of equipment and supplies directly related to storage and dissemination of computerized geophysical exploration, production, and well information data to industry, royalty owners, other governmental agencies and the public.

The RBDMS has been developed in conjunction with the Ground Water Protection Council (GWPC) for regulatory agencies to use in managing and analyzing oil and gas program data and water resources management information. RBDMS consists of a Microsoft SQL Server back-end and Microsoft Access front-end/user interface and is used to manage all of the Oil & Gas Division's critical regulatory processes including: all oil and gas permitting operations, all oil and gas production tracking, all management of well related information, including; logs and survey data storage and access, generation of reports, and creation and management of custom data queries to support Division operations and assist in decision making, operation of the Field Activity System (FAS), which is used by our field inspection personnel during well site and production facility inspections, injection well tracking, DMR hearings and docket management, management of oil and gas company data, subsurface geologic data, and spill report tracking.

RBDMS is a custom built application which has been customized to best support the unique requirements of the oil and gas regulatory requirements in North Dakota for the conservation of oil and gas resources, in addition to providing timely oil and gas related data to other state entities including the North Dakota Legislature, the Tax Department, NDDOT, NDDES, ND Game and Fish, the Department of Trust Lands and the Health Department. Data managed in RBDMS is a critical factor in decisions and operations across the spectrum of North Dakota's state government. Administration of RBDMS requires database analysts and programmers who have specialized knowledge of the oil and gas industry and how North Dakota regulates the industry. The RBDMS also maintains confidential well information which reiterates the need for proper security, access, and control by the Division. There are currently as many as 3,000 individual subscribers representing industry, government, academia, and the public that are provided access (for a nominal subscriber fee) to the wealth of oil and gas data resources available for North Dakota. In addition there are thousands of users who access the free publicly available areas of our data management systems through the website on a monthly basis.

If the RBDMS were to be consolidated into a centralized IT management structure, such as has been proposed for other agencies, the NDIC would lose the license for RBDMS through the GWPC, which is authorized by the U.S. Department of Energy and the U.S. Environmental Protection Agency.

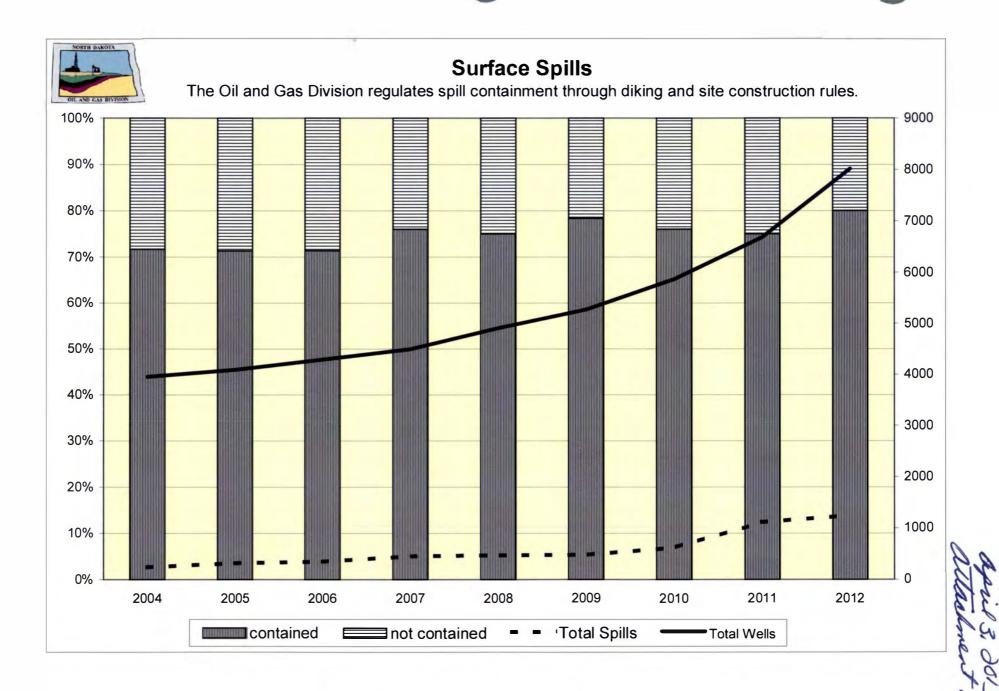
The estimated costs to recreate a similar system by the Department would be approximately \$1.5 million with an estimated increase in costs for data storage and management for the Department of \$1 million per biennium. Members of the oil and gas industry continue to report that the data management and delivery systems operated by the NDIC are the "best in the country" and are frequently enhanced and upgraded to be reflective and responsive to the continually evolving demands from industry and the needs of the public. Additional consequences include degradation of services provided by the NDIC to the public, other state agencies, and industry. The loss or disruption of RBDMS would make it impossible to issue drilling permits in a timely manner, track and report well production accurately, and provide current and accurate well data.

Abandoned Oil & Gas Reclamation Fund (2300-448)

(North Dakota Century Code 38-08-04.5) Monies deposited into this fund are from oil and gas operator permit fees and forfeited surety bonds paid to the North Dakota Industrial Commission Oil and Gas Division. Monies in this fund are appropriated to plug oil and gas wells and reclaim well sites, and associated facilities: 1) If the person or company drilling or operating the well cannot be found, has no assets with which to properly plug or replug the well or reclaim the well site, or cannot be legally required to plug or replug the well or to reclaim the well site; 2) If there is no surety bond covering the well to be plugged or the site to be reclaimed or there is a forfeited surety bond but the cost of plugging or re-plugging the well or reclaiming the site exceeds the amount of the bond; or 3) The well is leaking or likely to leak oil, gas or saltwater or is likely to cause a serious threat of pollution or injury to the public health or safety. During the current biennium, the Oil and Gas Division plugged and abandoned two well sites. We anticipate reclaiming the two associated sites later in the current biennium. The reclamation of a well site may take several

years depending on the location of the site and the weather conditions. The methodology for arriving at the \$75 million funding cap proposed in House Bill 1333 for this fund was determined using the following factors:

- Current fund balance is \$2,019,879.91 which is about the amount spent by Petro Harvester on the Cramer salt water pipeline spill in 2011-2012. Zenergy has spent over \$5 million on the Charbonneau Creek spill since 2006.
- 2) The last two orphan wells we plugged and reclaimed cost \$100,000 each, so the fund has enough money to handle one large salt water spill or about 20 orphan wells (right now we have zero orphan wells).
- 3) There are 194 wells in abandoned status (\$19.4 million in plugging and reclamation liability) covered by \$6.2 million in bonds and the current total well count is 11,640.
- 4) We anticipate reaching a total well count of 50,000 about 20 years from now and we expect to have about 1,000 abandoned wells with a plugging liability of \$100 million covered by \$25 million in bonds for a net liability of \$75 million (all in today's dollars).



SB2014 April 3, 2013 Attachment 3

N	DIC - DMR - OGD	SB2014 - OGD Emergency Requests							
ACCOUNT CODE		Bis Office (1 PE 1 FTE ET f/prepping O&G permits Bis Off		(3 ETs) General Fund Bis Office (1 PE) Tifprepping O&G permits Bis Office ET fiprepping UIC permits Supervise Prod Dept		General Fund (1 FTE) Bis Office Prod Audit/Legal Adm Asst		General Fund (5 FTEs) Bis Office 3 ET 1 PE 1 Legal Asst	
		'11-'13 Bien May+Jun	'13-'15 Bien 24 months	'11-'13 Bien May+Jun	'13-'15 Bien 24 months	'11-'13 Bien May+Jun	'13-'15 Bien 24 months	'11-'13 Bien May+Jun	'13-'15 Bie
510000	Salaries	25.494	305,926	11,800	141,600	5,750	69,000	43,044	
516000	Fringe Benefits	11,218	134,618	4,356	52,268	3,134	37,602	18,707	224,48
TOTAL	SALARIES AND BENEFITS	36,712	440,544	16,156	193,868	8,884	106,602	61,751	741,01
551000	IT Equip Under \$5000		5,400		1,800	1	1,800	0	9,00
553000	Office Equip/Furn Under \$5000		5,865		1,955		1,955	0	9,77
601000	IT Data Processing		4,899		1,633		1,633	0	8,16
602000	IT Communications		3,048		1,018		1,016	0	5,08
TOTAL	OPERATING EXPENSES	0	19,212	0	6,404	0	6,404	0	32,020
	SUBTOTAL	36,712	459,756	16,156	200,272	8,884	113,006	81,751	773,034
	TOTAL	496,468 216,428 121,890		0	834.78				
	GRAND TOTAL	834,785				834,78	9		

Spil 3, 2013 Attachment 4

Green Sheet Other Sections in Bill

Contingency funding – Department of Mineral Resources – Provides that \$430,518 included in the salaries and wages line item and \$155,712 in the operating lie item in Section 1 of the bill may be used by the oil and gas division to hire three full-time equivalent positions upon certification to OMB that the total number of wells in the state capable of production or injection exceeds 15,000.

See information Lynn Helms provided under number 10 in his green sheet information.

Transfer of funds in Resources Trust Fund – Amends North Dakota Century Code Section 57-51.1-07 to provide for a transfer of one-half of 1 percent of the oil extraction tax deposited in the resources trust fund to the renewable energy development fund and one-half of 1 percent to the energy conservation fund.

This was amended by the Senate – see discussion below under Renewable Energy Development Fund. In regards to the Energy Conservation Fund, it is estimated that the one-half of 1 percent would result in \$2,734,767 being available during the 2013-2015 biennium. The Energy Conservation Fund is created in the Department of Commerce's appropriation bill (SB 2018). The monies in this Fund would be used to provide energy efficiency grants for public buildings throughout the State. The Department of Commerce provided information showing that there is a significant need for these dollars – over \$15 million in projects. Should these grants be awarded and the work completed in the long term there will be cash savings for the State and political subdivisions.

Oil and Gas Research Fund – The Senate added a section to amend Section 57-51.1-07.3 to increase the amount allocated to the oil and gas research fund from \$4 million to \$10 million per biennium.

The EmPower Commission and the Energy Development and Transmission interim Committee – supported increases to this funding. Testimony was presented showing the need for additional dollars in this fund. It was pointed out that only 5% to 8% of the oil in the Bakken and Three Forks is currently being produced and that research is needed to develop methods to enhance oil production from the Bakken/Three Forks. In addition research is needed to find ways to economically capture and utilize the natural gas currently being produced and flared – see Legislative Intent section discussed below.

Renewable energy development fund – The Senate added a section to amend Section 57-51.1-07 to provide for 5 percent of the amount of oil extraction tax revenue allocated to the resources trust fund, not to exceed \$3 million per biennium, to be transferred to the renewable energy development fund. The executive recommendation provided for an allocation of one-half of 1 percent with no maximum.

The EmPower Commission proposed and the Energy Development and Transmission interim committee supported identifying a continuing source of funding for the renewable energy development fund. The resources trust fund was identified as the source and the Water Coalition passed a resolution in support of that funding being made available for this fund. This would provide a continuing source of funding similar to what the Lignite Research and Oil and Gas Research Funds have. The "continuing appropriation" will allow this program to do more long term research and development projects,

Oil and Gas Research Council – The Senate added a section to reduce the size of the Oil and Gas Research Council from eight to seven members by removing the representative from an organization that is no longer active – the Northern Alliance of Independent Producers.

The Oil and Gas Research Council –appointed by the Governor--currently is made up of 10 members – 8 that are voting (the 2 State members are not allowed to vote). The 8 voting members represent the oil and gas industry (4), oil and gas producing counties (1), the Petroleum Council President or designee (1), a county commissioner from an oil and gas producing county (1), and the president of the Northern Alliance of Independent Producers. The Northern Alliance of Independent Producers is no longer an active organization and, therefore, the reason for the removal of that position from the Council.

Legislative Intent – The Senate added two sections of legislative intent relating to the oil and gas research fund and administrative rules surrounding reserve pits.

Section 20 of the Engrossed bill –Legislative Intent -- provides that the Oil and Gas Research Council give special emphasis to value-added processing of oil and gas projects in the awarding of funds. The Energy Development and Transmission interim legislative committee proposed this provision to indicate that these dollars should be focused on research that would find ways to improve the processing of oil and gas and result in a reduction of gas flaring.

Section 21 of the Engrossed bill – Legislative Intent –A directive to the Department of Mineral Resources to include in their next administrative rule review process an analysis of the effects of the Department's rules regarding reserve pits for drilling mud and drill cuttings from shallow wells drilled and completed outside the Bakken and Three Forks formations. This does not require the Industrial Commission to change the rule but rather take a specific look at whether there should be a revision to the rule for wells producing outside of the Bakken and Three Forks formations.

Department of Commerce – The Senate added two sections to provide a general fund appropriation of \$500,000 to the Department of Commerce and to require the Department of Commerce to conduct a study on value-added market opportunities for renewable energy resources and oil and gas.

The EmPower Commission had identified a need for the State to contract for a study to identify opportunities the State, through the Department of Commerce, should focus its attention on in the area of value-added market opportunities. The committee heard testimony from Randy Schneider on potential opportunities for manufacturing and processing of value added products—his suggestion was that North Dakota not miss the opportunity of utilizing our natural resources in North Dakota rather than shipping these resources out of state. This study would be overseen by the Department of Commerce with input from the EmPower Commission.

13.8093.01000

Sixty-third Legislative Assembly of North Dakota

SENATE BILL NO. 2096

SB2096 april 3, 2013 attachment 5

Introduced by

Education Committee

(At the request of the Bank of North Dakota)

- 1 A BILL for an Act to create and enact a new section to chapter 6-09 of the North Dakota Century
- 2 Code, relating to funds received by the Bank of North Dakota in relation to the federal student
- 3 loan program; to provide a continuing appropriation; and to declare an emergency.

4 BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

5 SECTION 1. A new section to chapter 6-09 of the North Dakota Century Code is created 6 and enacted as follows: 7 Funds received in relation to federal student loan program - Administration -8 Continuing appropriation. 9 The Bank of North Dakota shall administer and manage the funds received in relation 10 to the federal student loan program under section 2212 of the Health Care and 11 Education Reconciliation Act of 2010 [Pub. L. 111-152]. 12 The funds shall be used to support the functions of the Bank related to higher 13 education. 14 The funds received by the Bank under subsection 1 are appropriated on a continuing 15 basis to be used as provided in this section. 16 These funds are not subject to section 54-44.1-11. 17 SECTION 2. EMERGENCY. This Act is declared to be an emergency measure.

SEO014 april 3,0013 attachment 6

TESTIMONY TO THE

HOUSE EDUCATION COMMITTEE

MARCH 13, 2013

SENATE BILL 2096

ERIC HARDMEYER – PRESIDENT AND CEO

BANK OF NORTH DAKOTA

I am here today to testify in support of Senate Bill 2096. This bill provides the authority for the Bank of North Dakota (BND) to spend funds received in relation to the federal student loan program.

With the passage on March 30, 2010 of the Health Care and Education Reconciliation Act of 2010 [Pub L. 111-152], a provision under Section 2201 called for the termination of appropriations for the Federal Family Education Loan Program (FFELP). This termination ended the origination of all new federal student loans, including Stafford, PLUS, and Consolidation loans, by Bank of North Dakota and guaranteed through Student Loans of North Dakota after June 30, 2010.

Also included in the passage of the Health Care and Education Reconciliation Act of 2010, was a provision under Section 2212 which provided for the Secretary of the U.S. Department of Education to contract with eligible not-for-profit servicers to service loans originated directly by the U.S. Government. Under this section of the law, BND qualifies as an eligible not-for-profit servicer and was entitled to receive and service loan accounts for up to 100,000 borrowers.

BND conducted an analysis of service fee revenue and related expenses for the servicing of loan accounts for 100,000 borrowers and determined that it would not be profitable to enter into a contract with the U.S. Department of Education based on this loan volume.

However, also allowable under the Act was the ability of non-profits to subcontract their account servicing allocation to another non-profit entity.

In an effort to reach economies of scale, several not-for profit organizations contacted BND to determine if we were interested in subcontracting our loan account allocation. A number of proposals were received, and BND made the decision November 29, 2011 to enter into a contract with the Missouri Higher Education Loan Authority (MOHELA).

Since entering into that contract, BND has received \$1.65 million from MOHELA and will receive approximately \$270,000 per year on an on-going basis. This contract does not have a specific end date, but funding for the program runs through 2019. BND anticipates minimal internal expenses in the administration of these funds.

We are operating with the understanding that we have no authority to spend this money as it was not contemplated nor appropriated by the 2011-13 legislature. Consequently, the full amount is available. We have discussed conceptual spending options with both the Industrial Commission and our Advisory Board. It is our collective opinion that we should treat this as a windfall and to use it to promote activity that relates to our educational mission.

As you may know, housed within BND is the College Planning Center. As part of our work there we coordinate the College Access Grant (Federal funds), deliver the College Save Program (529 Plan), and act as the state coordinator for the Dollars for Scholars program. We also do extensive work with educational and financial outreach to all areas of the state.

Our plans are to use these funds in the promotion of the activities of the College Planning Center. We support the proposed legislation.

April 3, 2013 attachment 7

Mike, below are the highlights from the green sheets and my response to them:

- Removes 2011-13 one time funding for a loan to the WAWS.
 The \$25 and \$10 million listed were funds that were provided by the general fund and the resources trust fund that flowed through the BND to the Western Area Water Supply project. These were not BND funds we just administered the disbursements of them.
- 2. Provides for transfers to PACE, AG PACE, Biofuels PACE, and Beginning Farmer program
 This provides \$28 million for PACE of which \$12 million is designated for FLEX pace for affordable
 housing (this will be used for multi-family construction). \$2 million for both AG PACE and Biofuels
 PACE. We are providing this funding \$38 million in total from BND capital. There is no general fund
 money necessary. We believe we can handle this with no problem. The growth in needs is based on
 current and projected needs. If we don't need all the funds it will stay as BND capital.
- 3. Removes \$9.4 million in funding from the General fund.

 This is because BND is funding the PACE programs from BND capital as noted above rather than getting a general fund appropriation. There is a significant growth in needs based on current use.
- 4. Provides additional funding (\$1,931,000) for increased operating expenses.

 This additional funding is all due to the contract we signed with the Missouri Higher Education Loan Authority (MOHELA) to subcontract our federal student loan servicing rights SB 2096. This is gives us the authority to spend this on things that promote our activity associated with the college planning center Student loans, College Save, Dollars for Scholars and educational outreach for those going to a high education institution. This money is really a windfall for BND in that we have no offsetting expense, so we thought we would use it to help students.
- 5. Adds funding to replace information technology equipment and software. *No comment, speaks for itself.*
- 6. Adds funding to replace equipment over \$5,000 *No comment, speaks for itself.*
- 7-9. Adds 3 FTEs to BND.

This is important! BND has grown by over 50% from \$4 billion in assets in 2010 to \$6.5 billion today. We have operated within our existing FTE count of 176.5 for many years and in fact have reduced it from 181.5 to 178.5 to now 176.5. However with the growth of the bank plus expanded services, compliance and regulatory issues we find that we are now up against the authorized number. We have needs in lending, accounting, and collections.

- 10. Provides for state employee salary increases.

 No comment formula driven by legislative increase.
- 11. Removes one-time funding (\$20 million) for the rebuilders loan program.

 This is money from the general fund that was added to the \$30 million from BND capital to fund the \$50 million Rebuilders program. (You may want to look at \$B 2132 as it adds \$5 million from BND capital to fund more money for the Rebuilders program. There is no new money coming from the general fund.

Eric Hardmeyer President Bank of North Dakota ehardmeyer@nd.gov

SB3014 april 3, 2013 Markout 8

Follow-up Studies on Impacts of Oil and Gas Development

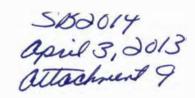
1. Employment Model Refinements

Objective: To provide updates and refinements to employment models used to track and forecast changes in the oil and gas industry workforce and estimate housing and population in the Williston Basin. Well servicing employment coefficients will be refined as will employment projections related to residential and commercial infrastructure growth and secondary job creation. Employment, housing and population projections provide policy makers, community leaders, planner and other with critical information to guide decision making and response to issues related to development in the Williston Basin. Due to the rapid rate of change in the Williston Basins projections and models require timely updates. Without regular model updates, projections of employment, housing demand and population quickly become outdated and not reflective of current conditions.

2. Oil and Gas Industry Workforce Assessment

Objective: To make a comprehensive assessment of the demographic makeup of the current and expected oil and gas industry workforce in the Williston Basin. The study would entail a comprehensive primary data collection effort to elicit demographic and other pertinent information from workers in the oil and gas industry. Lack of data on the current workforce is hindering efforts to measure existing population and limits ability to describe and predict the composition of future populations. Lack of information about the characteristics of current and future workforces also affects planning for delivery of private and public services (e.g., day care, school) and infrastructure (e.g., quantity and type of housing).

Total Cost: \$150,000





Software Development Division Budget Estimate

To: Jeb Oehlke – State Treasurer Dept.	Date Issued: 3/22/2013 Prior Est. Date:
-	From: Della Thorsness
	Prepared By: Josh Ridl
Project Description: Modify Oil & Gas Journal	Vouchers to allocate a part of the resource trust
fund to the Renewable Energy Development Fu	and and the Energy Conservation Grant Fund.
WMS Work Order Number: 207309	WMS Service Request: 1441922

ITD is recommending your agency budget \$13,247 for this project. This amount includes an estimated \$12,042 based on requirements we received during the interview process plus an additional \$1,205 for scope changes. The additional 10% is based on ITD's experience with scope changes in projects this size. Including this additional amount will give your agency the flexibility to cover typical scope changes, and remain within your budgeted amount. A more accurate estimate will be prepared once this project has started and the analysis phase is completed. The cost to complete the analysis phase is estimated to be approximately \$3,567.

What you get for your money from ITD

ITD estimates this project to take 1 month. This timeframe is a projected timeframe based on typical project staffing levels. The actual timeframe will be determined during the Planning Phase and will be based on the availability of customer and ITD resources at that time.

Should you decide to proceed with this project, please approve the cost estimate via the online Work Management System. Upon your approval, you will be prompted to submit a service request under the existing work order. All ITD services relating to this project will be billed to your department monthly at actual cost.

At the start of the project ITD will review any estimate over 90 days old. If necessary a revised estimate will be issued.

'ITD - Software that works'

Fiscal No. 1

April 10, 2013

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2014

Page 1, replace line 21 with:			
"Salaries and wages Accrued leave payments	\$12,059,220 0	\$5,092,992 347,696	\$17,152,212 347,696"
Page 2, replace lines 4 through 7 with:			
"Total all funds Less estimated income Total general fund Full-time equivalent positions	\$61,542,969 46,766,756 \$14,776,213 76.06	\$1,603,284 (5,850,935) \$7,454,219 22.69	\$63,146,253 <u>40,915,821</u> \$22,230,432 98.75"
Page 2, replace lines 12 through 15 with	th:		
"Bank of North Dakota operations Accrued leave payments Capital assets Total special funds Full-time equivalent positions	\$45,587,155 0 <u>1,266,000</u> \$46,853,155 176.50	\$4,469,582 881,231 (521,000) \$4,829,813 3.00	\$50,056,737 881,231 <u>745,000</u> \$51,682,968 179.50"
Page 3, replace lines 1 through 6 with:			
"Salaries and wages Accrued leave payments Operating expenses Contingencies Agriculture promotion Total from mill and elevator fund Full-time equivalent positions	\$26,018,008 0 20,443,869 400,000 210,000 \$47,071,877 131.00	\$3,119,404 575,807 1,352,131 0 0 0 \$5,047,342 4.00	\$29,137,412 575,807 21,796,000 400,000 210,000 \$52,119,219 135.00"
Page 3, replace lines 11 through 16 wit	h:		
"Salaries and wages Accrued leave payments Operating expenses Grants Housing finance agency contingencies Total special funds Full-time equivalent positions	\$6,516,277 0 5,114,849 26,858,920 100,000 \$38,590,046 46.00	\$541,513 147,806 (1,323,091) 2,674,130 <u>0</u> \$2,040,358 0.00	\$7,057,790 147,806 3,791,758 29,533,050 100,000 \$40,630,404 46.00"
Page 3, replace lines 21 through 23 with	th:		
"Grand total general fund Grand total special funds Grand total all funds	\$24,176,213 <u>179,281,834</u> \$203,458,047	(\$1,432,534) <u>6,066,578</u> \$4,634,044	\$22,743,679 <u>185,348,412</u> \$208,092,091"

Page 4, remove line 8

Page 4, replace lines 14 through 16 with:

"Total all funds	\$38,299,400	\$1,560,800
Total special funds	<u>10,000,000</u>	<u>0</u>
Total general fund	\$28,299,400	\$1,560,800"

Page 6, replace lines 13 through 18 with:

"SECTION 11. APPROPRIATION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$13,247, or so much of the sum as may be necessary, to the state treasurer for the purpose of defraying operating expenses relating to computer programming changes, for the biennium beginning July 1, 2013, and ending June 30, 2015."

Page 7, after line 21, insert:

"SECTION 15. OIL AND GAS RESEARCH PROGRAM - OIL AND GAS DEVELOPMENT IMPACT STUDIES. The industrial commission may use the sum of \$150,000, or so much of the sum as may be necessary from the oil and gas research fund for nonmatching follow-up studies to provide updates and refinements to employment models used to track and forecast changes in the oil and gas industry workforce and estimate housing and population in the Williston basin and to make a comprehensive assessment of the demographic makeup of the current and expected oil and gas industry workforce."

Page 9, line 7, after "transferred" insert "no less than"

Page 9, line 10, after "transferred" insert "no less than"

Page 10, line 21, replace "Sections" with "The amount of \$61,751 and five full-time equivalent positions included in subdivision 1 of section 1 and sections"

Page 10, line 21, replace "11" with "10"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2014 - Summary of House Action

	Executive Budget	Senate Version	House Changes	House Version
State Treasurer				
Total all funds	\$0	\$0	\$13,247	\$13,247
Less estimated income	0	0	0	0
General fund	\$0	\$0	\$13,247	\$13,247
Industrial Commission				
Total all funds	\$63,356,975	\$63,529,688	(\$383,435)	\$63,146,253
Less estimated income	40,937,857	40,951,674	(35,853)	40,915,821
General fund	\$22,419,118	\$22,578,014	(\$347,582)	\$22,230,432
Bank of North Dakota				
Total all funds	\$52,452,928	\$52,606,408	(\$923,440)	\$51,682,968
Less estimated income	52,452,928	52,606,408	(923,440)	51,682,968
General fund	\$0	\$0	\$0	\$0
Housing Finance Agency				
Total all funds	\$40,862,039	\$70,869,907	(\$30,239,503)	\$40,630,404
Less estimated income	40,862,039	40,869,907	(239,503)	40,630,404
General fund	\$0	\$30,000,000	(\$30,000,000)	\$0
Mill and Elevator				
Total all funds	\$52,255,124	\$52,255,124	(\$135,905)	\$52,119,219
Less estimated income	52,255,124	52,255,124	(135,905)	52,119,219
General fund	\$0	\$0	\$0	\$0

Department of Commerce Total all funds Less estimated income General fund	\$0 0 \$0	\$500,000 0 \$500,000	\$0 0	\$500,000 0 \$500.000
Bill total Total all funds Less estimated income General fund	\$208,927,066 	\$239,761,127 186,683,113 \$53,078,014	(\$31,669,036) (1,334,701) (\$30,334,335)	\$208,092,091 185,348,412 \$22,743,679

Senate Bill No. 2014 - State Treasurer - House Action

	Executive Budget	Senate Version	House Changes	House Version
State Treasurer's office			\$13,247	\$13,247
Total all funds Less estimated income	\$0 0	\$0 0	\$13,247 0	\$13,247 0
General fund	\$0	\$0	\$13,247	\$13,247
FTE	0.00	0.00	0.00	0.00

Department No. 120 - State Treasurer - Detail of House Changes

	Adds Funding for Infonnation Technology Costs¹	Total House Changes
State Treasurer's office	<u>\$13,247</u>	\$13,247
Total all funds Less estimated income	\$13,247 0	\$13,247 0
General fund	\$13,247	\$13,247
FTE	0.00	0.00

¹ Funding is appropriated to the State Treasurer's office for additional information technology costs relating to computer programming changes.

Senate Bill No. 2014 - Industrial Commission - House Action

	Executive Budget	Senate Version	House Changes	House Version
Salaries and wages	\$17,710,630	\$17,883,343	(\$731,131)	\$17,152,212
Operating expenses	6,330,576	6,330,576		6,330,576
Capital assets	5,800	5,800		5,800
Grants - Lignite research	19,500,000	19,500,000		19,500,000
Grants - Bond payments	19,809,969	19,809,969		19,809,969
Accrued leave payments			347,696	347,696
Total all funds	\$63,356,975	\$63,529,688	(\$383,435)	\$63,146,253
Less estimated income	40,937,857	40,951,674	(35,853)	40,915,821
General fund	\$22,419,118	\$22,578,014	(\$347,582)	\$22,230,432
FTE	98.75	98.75	0.00	98.75

Department No. 405 - Industrial Commission - Detail of House Changes

	Adjusts State Employee Compensation and Benefits Package ¹	Provides Separate Line Item for Accrued Leave Payments ²	Adds Funding for Hiring FTE Early ³	Total House Changes
Salaries and wages Operating expenses	(\$445, 186)	(\$347,696)	\$61,751	(\$731,131)

Capital assets Grants - Lignite research Grants - Bond payments				
Accrued leave payments		347,696		347,696
Total all funds Less estimated income	(\$445, 186) (35, 853)	\$0 0	\$61,751 <u>0</u>	(\$383,435) (35,853)
General fund	(\$409,333)	\$0	\$61,751	(\$347,582)
FTE	0.00	0.00	0.00	0.00

¹ This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 2 to 4 percent per year.
- Reduces the market equity component from 2 to 4 percent per year for employees below the midpoint of their salary range to up to 2 percent for employees in the first quartile of their salary range for the first year of the biennium only.
- Removes funding for additional retirement contribution increases.

A section is added to provide an emergency clause for five new FTE positions.

A section is added relating to the oil and gas research program.

A section is added to provide an appropriation to the State Treasurer's office for additional information technology costs.

Senate Bill No. 2014 - Bank of North Dakota - House Action

	Executive Budget	Senate Version	House Changes	House Version
Capital assets	\$745,000	\$745,000		\$745,000
BND operations	51,707,928	51,861,408	(1,804,671)	50,056,737
Accrued leave payments			881,231	881,231
Total all funds	\$52,452,928	\$52,606,408	(\$923,440)	\$51,682,968
Less estimated income	52,452,928	52,606,408	(923,440)	51,682,968
General fund	\$0	\$0	\$0	\$0
FTE	179.50	179.50	0.00	179.50

Department No. 471 - Bank of North Dakota - Detail of House Changes

	Adjusts State Employee Compensation and Benefits Package ¹	Provides Separate Line Item for Accrued Leave Payments ²	Total House Changes
Capital assets BND operations Accrued leave payments	(923,440)	(881,231) 881,231	(1,804,671) 881,231
Total all funds Less estimated income	(\$923,440) (923,440)	\$0 0	(\$923,440) (923,440)
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

² A portion of salaries and wages funding from the general fund (\$323,357) and from other funds (\$24,339) for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

³ Funding is added to allow the Department of Mineral Resources to hire five of its new FTE positions during the 2011-13 biennium.

- ¹ This amendment adjusts the state employee compensation and benefits package as follows:
 - Reduces the performance component from 3 to 5 percent per year to 2 to 4 percent per year.
 - Reduces the market equity component from 2 to 4 percent per year for employees below the midpoint of their salary range to up to 2 percent for employees in the first quartile of their salary range for the first year of the biennium only.
 - Removes funding for additional retirement contribution increases.

Senate Bill No. 2014 - Housing Finance Agency - House Action

	Executive Budget	Senate Version	House Changes	House Version
Salaries and wages	\$7,437,231	\$7,445,099	(\$387,309)	\$7,057,790
Operating expenses	3,791,758	3,791,758		3,791,758
Grants	29,533,050	29,533,050		29,533,050
HFA contingencies	100,000	100,000		100,000
Housing incentive fund30		30,000,000	(30,000,000)	
Accrued leave payments			147,806	147,806
Total all funds	\$40,862,039	\$70,869,907	(\$30,239,503)	\$40,630,404
Less estimated income	40,862,039	40,869,907	(239,503)	40,630,404
General fund	\$0	\$30,000,000	(\$30,000,000)	\$0
FTE	46.00	46.00	0.00	46.00

Department No. 473 - Housing Finance Agency - Detail of House Changes

	Adjusts State Employee Compensation and Benefits Package ¹	Provides Separate Line Item for Accrued Leave Payments ²	Removes Transfer to Housing Incentive Fund ³	Total House Changes
Salaries and wages Operating expenses Grants HFA contingencies	(\$239,503)	(\$147,806)		(\$387,309)
Housing incentive fund30 Accrued leave payments		147,806	(30,000,000)	(30,000,000)
Total all funds Less estimated income	(\$239,503) (239,503)	\$0 0	(\$30,000,000) 0	(\$30,239,503) (239,503)
General fund	\$0	\$0	(\$30,000,000)	(\$30,000,000)
FTE	0.00	0.00	0.00	0.00

¹ This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 2 to 4 percent per year.
- Reduces the market equity component from 2 to 4 percent per year for employees below the midpoint of their salary range to up to 2 percent for employees in the first quartile of their salary range for the first year of the biennium only.
- Removes funding for additional retirement contribution increases.

² A portion of salaries and wages funding for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

² A portion of salaries and wages funding for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

³ Funding included by the Senate for a \$30 million transfer from the general fund to the housing incentive fund is removed.

Senate Bill No. 2014 - Mill and Elevator - House Action

	Executive Budget	Senate Version	House Changes	House Version
Salaries and wages	\$29,849,124	\$29,849,124	(\$711,712)	\$29,137,412
Operating expenses	21,796,000	21,796,000		21,796,000
Contingencies	400,000	400,000		400,000
Agriculture promotion	210,000	210,000		210,000
Accrued leave payments			575,807	575,807
Total all funds	\$52,255,124	\$52,255,124	(\$135,905)	\$52,119,219
Less estimated income	52,255,124	52,255,124	(135,905)	52,119,219
General fund	\$0	\$0	\$0	\$0
FTE	135.00	135.00	0.00	135.00

Department No. 475 - Mill and Elevator - Detail of House Changes

	Adjusts State Employee Compensation and Benefits Package ¹	Provides Separate Line Item for Accrued Leave Payments ²	Total House Changes
Salaries and wages Operating expenses Contingencies Agriculture promotion	(\$135,905)	(\$575,807)	(\$711,712)
Accrued leave payments		575,807	575,807
Total all funds Less estimated income	(\$135,905) (135,905)	\$0 0	(\$135,905) (135,905)
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

¹ This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 2 to 4 percent per year.
- Reduces the market equity component from 2 to 4 percent per year for employees below the midpoint of their salary range to up to 2 percent for employees in the first quartile of their salary range for the first year of the biennium only.
- Removes funding for additional retirement contribution increases.

² A portion of salaries and wages funding for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2014

Page 3, replace lines 11 through 16 with:

"Salaries and wages	\$6,516,277	\$928,822	\$7,445,099
Operating expenses	5,114,849	(1,323,091)	3,791,758
Grants	26,858,920	7,674,130	34,533,050
Housing finance agency contingencies	<u>100,000</u>	<u>0</u>	<u>100,000</u>
Total all funds	\$38,590,046	\$7,279,861	\$45,869,907
Less estimated income	<u>38,592,046</u>	<u>2,279,861</u>	<u>40,869,907</u>
Total general fund	\$0	\$5,000,000	\$5,000,000
Full-time equivalent positions	46.00	0.00	46.00"

Page 3, replace lines 21 through 23 with:

"Grand total general fund	\$24,176,213	\$33,901,801	\$58,078,014
Grand total special funds	<u>179,281,834</u>	<u>7,401,279</u>	<u> 186,683,113</u>
Grand total all funds	\$203,458,047	\$41,303,080	\$244,761,127"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2014 - Summary of House Action

	Executive Budget	Senate Version	House Changes	House Version
Industrial Commission				
Total all funds	\$63,356,975	\$63,529,688	\$0	\$63,529,688
Less estimated income	40,937,857	40,951,674	0	40,951,674
General fund	\$22,419,118	\$22,578,014	\$0	\$22,578,014
Bank of North Dakota				
Total all funds	\$52,452,928	\$52,606,408	\$0	\$52,606,408
Less estimated income	52,452,928	52,606,408	0	52,606,408
General fund	\$0	\$0	\$0	\$0
Housing Finance Agency				
Total all funds	\$40,862,039	\$70,869,907	\$5,000,000	\$75,869,907
Less estimated income	40,862,039	40,869,907	0	40,869,907
General fund	\$0	\$30,000,000	\$5,000,000	\$35,000,000
Mill and Elevator				
Total all funds	\$52,255,124	\$52,255,124	\$0	\$52,255,124
Less estimated income	52,255,124	52,255,124	0	52,255,124
General fund	\$0	\$0	\$0	\$0
Department of Commerce				
Total all funds	\$0	\$500,000	\$0	\$500,000
Less estimated income	0	0	0	0
General fund	\$0	\$500,000	\$0	\$500,000
Bill total				
Total all funds	\$208,927,066	\$239,761,127	\$5,000,000	\$244,761,127
Less estimated income	186,507,948	186,683,113	0	186,683,113
General fund	\$22,419,118	\$53,078,014	\$5,000,000	\$58,078,014

Senate Bill No. 2014 - Housing Finance Agency - House Action

	Executive Budget	Senate Version	House Changes	House Version
Salaries and wages	\$7,437,231	\$7,445,099		\$7,445,099
Operating expenses	3,791,758	3,791,758		3,791,758
Grants	29,533,050	29,533,050	5,000,000	34,533,050
HFA contingencies	100,000	100,000		100,000
Housing incentive fund30		30,000,000		30,000,000
Total all funds	\$40,862,039	\$70,869,907	\$5,000,000	\$75,869,907
Less estimated income	40,862,039	40,869,907	0	40,869,907
General fund	\$0	\$30,000,000	\$5,000,000	\$35,000,000
FTE	46.00	46.00	0.00	46.00

Department No. 473 - Housing Finance Agency - Detail of House Changes

	Provides Funding for Homeless Shelters ¹	Total House Changes
Salaries and wages Operating expenses Grants HFA contingencies Housing incentive fund30	5,000,000	5,000,000
Total all funds Less estimated income	\$5,000,000 0	\$5,000,000 0
General fund	\$5,000,000	\$5,000,000
FTE	0.00	0.00

¹ Funding is added to provide grants to homeless shelters across the state.

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2014 - Funding Summary

Bill No. 2014 - Funding Su	Executive Budget	Senate Version	House Changes	House Version
Industrial Commission	J		-	
Salaries and wages	\$17,710,630	\$17,883,343	(\$731,131)	\$17,152,212
Operating expenses	6,330,576	6,330,576	(400,000)	5,930,576
Capital assets	5,800	5,800		5,800
Grants - Lignite research	19,500,000	19,500,000		19,500,000
Grants - Bond payments	19,809,969	19,809,969		19,809,969
Accrued leave payments			347,696	347,696
Total all funds	\$63,356,975	\$63,529,688	(\$783,435)	\$62,746,253
Less estimated income	40,937,857	40,951,674	(35,853)	40,915,821
General fund	\$22,419,118	\$22,578,014	(\$747,582)	\$21,830,432
FTE	98.75	98.75	0.00	98.75
Bank of North Dakota				
Capital assets	\$745,000	\$745,000		\$745,000
BND operations	51,707,928	51,861,408	(1,804,671)	50,056,737
Accrued leave payments			881,231	881,231
Total all funds	\$52,452,928	\$52,606,408	(\$923,440)	\$51,682,968
Less estimated income	52,452,928	52,606,408	(923,440)	51,682,968
General fund	\$0	\$0	\$0	\$0
FTE	179.50	179.50	0.00	179.50
Housing Finance Agency				
Salaries and wages	\$7,437,231	\$7,445,099	(\$387,309)	\$7,057,790
Operating expenses	3,791,758	3,791,758		3,791,758
Grants	29,533,050	29,533,050		29,533,050
HFA contingencies	100,000	100,000	(20,000,000)	100,000
Housing incentive fund Accrued leave payments		30,000,000	(30,000,000) 147,806	147,806
Total all funds	\$40,862,039	\$70,869,907	(\$30,239,503)	\$40,630,404
Less estimated income	40,862,039	40,869,907	(239,503)	40,630,404
General fund	\$0	\$30,000,000	(\$30,000,000)	\$0
FTE	46.00	46.00	0.00	46.00
Mill and Elevator				
Salaries and wages	\$29,849,124	\$29,849,124	(\$1,177,073)	\$28,672,051
Operating expenses	21,796,000	21,796,000		21,796,000
Contingencies	400,000	400,000		400,000
Agriculture promotion	210,000	210,000		210,000
Accrued leave payments			575,807	575,807
Total all funds	\$52,255,124	\$52,255,124	(\$601,266)	\$51,653,858
Less estimated income	52,255,124	52,255,124	(601,266)	51,653,858
General fund	\$0	\$0	\$0	\$0
FTE	135.00	135.00	0.00	135.00
Department of Commerce				
Market Study		\$500,000		\$500,000
Homeless shelter grants			2,000,000	2,000,000
Total all funds	\$0	\$500,000	\$2,000,000	\$2,500,000
Less estimated income General fund	0	\$500,000	\$2,000,000	\$2,500,000
FTE	0.00	0.00	0.00	0.00
Bill Total Total all funds	\$208,927,066	\$239,761,127	(\$30,547,644)	\$209,213,483
. com un tallab	Ψ200,727,000	Ψ237,101,121	(\$30,577,077)	Ψ207,213,403

Less estimated income	186,507,948	186,683,113	(1,800,062)	184,883,051
General fund	\$22,419,118	\$53,078,014	(\$28,747,582)	\$24,330,432
FTE	459.25	459.25	0.00	459.25

Senate Bill No. 2014 - Industrial Commission - Senate Action

	Executive	Senate	Senate
	Budget	Changes	Version
Salaries and wages	\$17,710,630	\$172,713	\$17,883,343
Operating expenses	6,330,576		6,330,576
Capital assets	5,800		5,800
Grants - Lignite research	19,500,000		19,500,000
Grants - Bond payments	19,809,969		19,809,969
Total all funds	\$63,356,975	\$172,713	\$63,529,688
Less estimated income	40,937,857	13,817	40,951,674
General fund	\$22,419,118	\$158,896	\$22,578,014
FTE	98.75	0.00	98.75

Department 405 - Industrial Commission - Detail of Senate Changes

	Corrects Executive Compensation Package ¹	Total Senate Changes
Salaries and wages Operating expenses Capital assets Grants - Lignite research Grants - Bond payments	172,713	172,713
Total all funds Less estimated income	\$172,713 13,817	\$172,713 13,817
General fund FTE	\$158,896 0.00	\$158,896 0.00

¹ Funding is added due to a calculation error in the executive compensation package.

This amendment provides for the following:

- Amends Section 57-51.1-07.3 to increase the amount allocated to the oil and gas research fund from \$4 million to \$10 million per biennium.
- Amends Section 57-51.1-07 to provide for 5 percent of the amount of oil extraction tax revenue allocated to the resources trust fund, not to exceed \$3 million per biennium, to be transferred to the renewable energy development fund. The executive recommendation provided for an allocation of one-half of 1 percent with no maximum.
- Amends Section 54-17.6-05 to reduce the size of the Oil and Gas Research Council from eight to seven members by removing the representative from an organization that is no longer active--the Northern Alliance of Independent Producers.
- Provides legislative intent relating to the oil and gas research fund and administrative rules for reserve pits.

Senate Bill No. 2014 - Industrial Commission - House Action

	Executive Budget	Senate Version	House Changes	House Version
Salaries and wages Operating expenses Capital assets Grants - Lignite research Grants - Bond payments	\$17,710,630 6,330,576 5,800 19,500,000 19,809,969	\$17,883,343 6,330,576 5,800 19,500,000 19,809,969	(\$731,131) (400,000)	\$17,152,212 5,930,576 5,800 19,500,000 19,809,969
Accrued leave payments			347,696	347,696
Total all funds Less estimated income General fund	\$63,356,975 40,937,857 \$22,419,118	\$63,529,688 40,951,674 \$22,578,014	(\$783,435) (35,853) (\$747,582)	\$62,746,253 40,915,821 \$21,830,432
FTE	98.75	98.75	0.00	98.75

Department 405 - Industrial Commission - Detail of House Changes

	Adjusts State Employee Compensation and Benefits Package ¹	Provides Separate Line Item for Accrued Leave Payments ²	Adds Funding for Hiring FTE Early ³	Removes Funding for Oil Impact ⁴	Total House Changes
Salaries and wages Operating expenses Capital assets Grants - Lignite research Grants - Bond payments	(445,186)	(347,696)	61,751	(400,000)	(731,131) (400,000)
Accrued leave payments	1-17-0-1	347,696			347,696
Total all funds Less estimated income	(\$445,186) (35,853)	\$0 0	\$61,751 0	(\$400,000)	(\$783,435) (35,853)
General fund	(\$409,333)	\$0	\$61,751	(\$400,000)	(\$747,582)
FTE	0.00	0.00	0.00	0.00	0.00

¹ This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 2 to 4 percent per year.
- Reduces the market equity component from 2 to 4 percent per year for employees below the midpoint of their salary range to up to 2 percent for employees in the first quartile of their salary range for the first year of the biennium only.
- Removes funding for additional retirement contribution increases.

A section is added to provide an emergency clause for five new FTE positions.

A section is added relating to the oil and gas research program.

A section is added to unclassify engineering technicians of the Department of Mineral Resources.

A section added by the Senate relating to distribution of the resources trust fund is removed.

² A portion of salaries and wages funding from the general fund (\$323,357) and from other funds (\$24,339) for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

³ Funding is added to allow the Department of Mineral Resources to hire five of its new FTE positions during the 2011-13 biennium.

⁴ Funding included in the executive budget recommendation for housing allowances for employees in oil-impacted areas is removed.

Senate Bill No. 2014 - Bank of North Dakota - Senate Action

	Executive Budget	Senate Changes	Senate Version
Capital assets	\$745,000		\$745,000
BND operations	51,707,928	153,480	51,861,408
Total all funds	\$52,452,928	\$153,480	\$52,606,408
Less estimated income	52,452,928	153,480	52,606,408
General fund	\$0	\$0	\$0
FTE	179.50	0.00	179.50

Department 471 - Bank of North Dakota - Detail of Senate Changes

	Corrects Executive Compensation Package ¹	Total Senate Changes
Capital assets		
BND operations	153,480	153,480
Total all funds	\$153,480	\$153,480
Less estimated income	153,480	153,480
General fund	\$0	\$0
FTE	0.00	0.00

¹ Funding is added due to a calculation error in the executive compensation package.

Senate Bill No. 2014 - Bank of North Dakota - House Action

	Executive Budget	Senate Version	House Changes	House Version
Capital assets	\$745,000	\$745,000		\$745,000
BND operations	51,707,928	51,861,408	(1,804,671)	50,056,737
Accrued leave payments			881,231	881,231
Total all funds	\$52,452,928	\$52,606,408	(\$923,440)	\$51,682,968
Less estimated income	52,452,928	52,606,408	(923,440)	51,682,968
General fund	\$0	\$0	\$0	\$0
FTE	179.50	179.50	0.00	179.50

Department 471 - Bank of North Dakota - Detail of House Changes

	Adjusts State Employee Compensation and Benefits Package ¹	Provides Separate Line Item for Accrued Leave Payments ²	Total House Changes
Capital assets BND operations Accrued leave payments	(923,440)	(881,231) 881,231	(1,804,671) 881,231
Total all funds Less estimated income General fund	(\$923,440) (923,440) \$0	\$0 0 \$0	(\$923,440) (923,440) \$0
FTE	0.00	0.00	0.00

¹ This amendment adjusts the state employee compensation and benefits package as follows:

[•] Reduces the performance component from 3 to 5 percent per year to 2 to 4 percent per year.

- Reduces the market equity component from 2 to 4 percent per year for employees below the midpoint of their salary range to up to 2 percent for employees in the first quartile of their salary range for the first year of the biennium only.
- Removes funding for additional retirement contribution increases.

Senate Bill No. 2014 - Housing Finance Agency - Senate Action

	Executive Budget	Senate Changes	Senate Version
Salaries and wages	\$7,437,231	\$7,868	\$7,445,099
Operating expenses	3,791,758		3,791,758
Grants	29,533,050		29,533,050
HFA contingencies	100,000		100,000
Housing incentive fund		30,000,000	30,000,000
Total all funds	\$40,862,039	\$30,007,868	\$70,869,907
Less estimated income	40,862,039	7,868	40,869,907
General fund	\$0	\$30,000,000	\$30,000,000
FTE	46.00	0.00	46.00

Department 473 - Housing Finance Agency - Detail of Senate Changes

	Corrects Executive Compensation Package ¹	Provides Transfer to Housing Incentive Fund ²	Total Senate Changes
Salaries and wages Operating expenses Grants HFA contingencies	7,868		7,868
Housing incentive fund30		30,000,000	30,000,000
Total all funds Less estimated income General fund	\$7,868 	\$30,000,000 0 \$30,000,000	\$30,007,868 7,868 \$30,000,000
FTE	0.00	0.00	0.00

¹ Funding is added due to a calculation error in the executive compensation package.

This amendment amends Section 11 of the bill to provide that the transfer of \$30 million from the general fund to the housing incentive fund be made during the period beginning with the effective date of the Act and ending June 30, 2015. The executive budget provided for the transfer to be made in the 2011-13 biennium.

² A portion of salaries and wages funding for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

² This amendment provides for a transfer of \$30 million from the general fund to the housing incentive fund during the 2013-15 biennium. The executive budget provided for the transfer to occur during the 2011-13 biennium.

Senate Bill No. 2014 - Housing Finance Agency - House Action

	Executive	Senate	House	House
	Budget	Version	Changes	Version
Salaries and wages	\$7,437,231	\$7,445,099	(\$387,309)	\$7,057,790
Operating expenses	3,791,758	3,791,758		3,791,758
Grants	29,533,050	29,533,050		29,533,050
HFA contingencies	100,000	100,000		100,000
Housing incentive fund30 Accrued leave payments		30,000,000	(30,000,000) 147,806	147,806
Total all funds	\$40,862,039	\$70,869,907	(\$30,239,503)	\$40,630,404
Less estimated income	40,862,039	40,869,907	(239,503)	40,630,404
General fund	\$0	\$30,000,000	(\$30,000,000)	\$0
FTE	46.00	46.00	0.00	46.00

Department 473 - Housing Finance Agency - Detail of House Changes

	Adjusts State Employee Compensation and Benefits Package ¹	Provides Separate Line Item for Accrued Leave Payments ²	Removes Transfer to Housing Incentive Fund ³	Total House Changes
Salaries and wages Operating expenses Grants HFA contingencies	(239,503)	(147,806)		(387,309)
Housing incentive fund30 Accrued leave payments		147,806	(30,000,000)	(30,000,000) 147,806
Total all funds	(\$239,503)	\$0	(\$30,000,000)	(\$30,239,503)
Less estimated income	(239,503)	0	0	(239,503)
General fund	\$0	\$0	(\$30,000,000)	(\$30,000,000)
FTE	0.00	0.00	0.00	0.00

¹ This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 2 to 4 percent per year.
- Reduces the market equity component from 2 to 4 percent per year for employees below the midpoint of their salary range to up to 2 percent for employees in the first quartile of their salary range for the first year of the biennium only.
- Removes funding for additional retirement contribution increases.

Senate Bill No. 2014 - Mill and Elevator - Senate Action

The Senate did not change the executive recommendation for the Mill and Elevator.

² A portion of salaries and wages funding for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

³ Funding included by the Senate for a \$30 million transfer from the general fund to the housing incentive fund is removed.

Senate Bill No. 2014 - Mill and Elevator - House Action

	Executive Budget	Senate Version	House Changes	House Version
Salaries and wages Operating expenses Contingencies Agriculture promotion	\$29,849,124 21,796,000 400,000 210,000	\$29,849,124 21,796,000 400,000 210,000	(\$1,177,073)	\$28,672,051 21,796,000 400,000 210,000
Accrued leave payments	210,000	210,000	575,807	575,807
Total all funds Less estimated income General fund	\$52,255,124 52,255,124 \$0	\$52,255,124 52,255,124 \$0	(\$601,266) (601,266) \$0	\$51,653,858 51,653,858 \$0
FTE	135.00	135.00	0.00	135.00

Department 475 - Mill and Elevator - Detail of House Changes

	Adjusts State Employee Compensation and Benefits Package ¹	Provides Separate Line Item for Accrued Leave Payments ²	Removes Funding for Overtime ³	Total House Changes
Salaries and wages Operating expenses Contingencies Agriculture promotion Accrued leave payments	(135,905)	575,807	(465,361)	575,807
Total all funds Less estimated income General fund	(\$135,905) (135,905) \$0	\$0 0 \$0	(\$465,361) (465,361) \$0	(\$601,266) (601,266) \$0
FTE	0.00	0.00	0.00	0.00

¹ This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 2 to 4 percent per year.
- Reduces the market equity component from 2 to 4 percent per year for employees below the midpoint of their salary range to up to 2 percent for employees in the first quartile of their salary range for the first year of the biennium only.
- Removes funding for additional retirement contribution increases.

A section included in the executive budget recommendation relating to reducing the transfer of mill profits to the general fund is removed resulting in an additional \$4,297,200 of projected general fund revenue for the 2013-15 biennium.

Senate Bill No. 2014 - Department of Commerce - Senate Action

	Executive	Senate	Senate
	Budget	Changes	Version
Market Study		\$500,000	\$500,000
Total all funds	\$0	\$500,000	\$500,000
Less estimated income	0	0	0
General fund	\$0	\$500,000	\$500,000
FTE	0.00	0.00	0.00

² A portion of salaries and wages funding for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

³ Funding included in the executive budget recommendation for overtime pay is removed.

Department 601 - Department of Commerce - Detail of Senate Changes

	Adds Funding for a Value- Added Market Study'	Total Senate Changes
Market Study	500,000	500,000
Total all funds Less estimated income General fund	\$500,000 0 \$500,000	\$500,000 0 \$500,000
FTE	0.00	0.00

¹ This amendment adds an appropriation for the Department of Commerce to provide for a value-added market study on renewable energy resources and oil and gas.

Senate Bill No. 2014 - Department of Commerce - House Action

	Executive	Senate	House	House
	Budget	Version	Changes	Version
Market Study Homeless shelter grants		\$500,000	2,000,000	\$500,000 2,000,000
Total all funds	\$0	\$500,000	\$2,000,000	\$2,500,000
Less estimated income	0	0	0	0
General fund	\$0	\$500,000	\$2,000,000	\$2,500,000
FTE	0.00	0.00	0.00	0.00

Department 601 - Department of Commerce - Detail of House Changes

	Adds Funding for Grants to Homeless Shelters ¹	Total House Changes
Market Study Homeless shelter grants	2,000,000	2,000,000
Total all funds Less estimated income General fund	\$2,000,000 0 \$2,000,000	\$2,000,000 0 \$2,000,000
FTE	0.00	0.00

¹ Funding is added for grants to homeless shelters.

SB 2014 - Previous Section 18 information

Fine, Karlene K.

Sent:

Saturday, April 20, 2013 1:03 PM

Го:

Carlisle, Ron; Erbele, Robert S.; Warner, John M.; Hawken, Kathy K.; Thoreson, Blair; Glassheim, Eliot A.

Cc: Keller, Becky

Importance: High

B2019 4.22.13

Thank you for your work on Senate Bill 2014. As per your request here is some background information on the Renewable Energy Program and the Energy Conservation Program. The funding source for these two programs-transfers from the Resources Trust Fund--was in Section 18 of the Senate version. As the bill came from the Senate the new language in Section 18 stated the following:

"Five percent of the amount credited to the resources trust fund must be transferred quarterly into the renewable energy development fund, not to exceed three million dollars per biennium. One-half of one percent of the amount credited to the resources trust fund must be transferred quarterly into the energy conservation grant fund."

The Industrial Commission currently oversees 3 energy research programs:

- Lignite Research Program (established in 1987, receives approximately \$8 million per biennium in funding from coal taxes)
- Oil & Gas Research Program (established in 2003, is to receive \$10 million per biennium from oil taxes as proposed in SB 2014)
- Renewable Energy Program (established in 2007, was proposed to receive \$3 million per biennium from the Resources Trust Fund as outlined in section 18 of Senate version. Previously funding has come from the General Fund.)

The Senate incorporated Senate Bills 2027 and 2029 into SB 2014. Both bills were proposed by the EmPower ND Commission and introduced by the interim Energy Development & Transmission Committee. These changes include:

- Oil & Gas Research fund increased from \$4 million to \$10 million per biennium
- Renewable Energy Research fund at 5% of the Resources Trust Fund and capped at \$3 million. The executive budget recommendation was at .5% of the Resources Trust Fund without a cap (estimated to generate approximately \$2.7 million during the 2013-15 biennium).

The Renewable Energy Program is similar to the other research programs as it requires at a minimum a dollar-for-dollar match on each project. Funding that has been provided from the General Fund in the past has been leveraged to result in projects totaling over \$25.3 million.

The Energy Conservation Fund was proposed in the executive budget at .5% of the Resources Trust Fund. This would be used for energy efficiency projects in <u>public</u> buildings. These projects are required to have a "payback" period of 10 years or less. A similar past program has generated approximately \$1.1 million in <u>annual</u> energy savings. This program would be administered by the Department of Commerce.

The Resources Trust Fund was established as a constitutional trust fund in 1990 with two purposes: constructing water related projects and funding energy efficiency/renewable energy programs. Since 1990, it has only been used for water projects. The North Dakota Water Coalition has endorsed using a portion of the Resources Trust Fund for energy conservation and renewable energy.

Our request is to reinstate the Senate Version Section 18 to provide an ongoing funding source for the Renewable Energy Program and the Energy Conservation Grant Program. (The State Treasurer has asked that there be a little tweak to the language – add "no less than" in front of "quarterly" in 2 places.) We also need to

insert the authorization language for the Energy Conservation Program which previously was in Senate Bill 2018. It reads as follows:

"Section 54-45.5-10 of the North Dakota Century Code is created and enacted as follows:

54-44.5-10. Energy conservation grant fund – Continuing appropriation. The energy conservation grant fund is a special fund in the state treasury. All funds in the energy conservation grant fund are appropriated to the department on a continuing basis for the purpose of providing grants to political subdivisions for energy conservation projects in nonfederal public buildings. Interest earned by the fund must be credited to the fund.

I hope this provides you with the background information you were looking for. If you have questions, please feel free to give me a call (328-3722) or send me an e-mail. Karlene

Karlene Fine
Executive Director & Secretary
ND Industrial Commission
State Capitol, 14th Floor
600 E Blvd Ave Dept 405
Bismarck ND 58505
701-328-3722

Changes made by the House were:

- 1) House standard compensation and benefits adjustments
- 2) House standard Accrued Leave adjustments
- 3) House standard Housing Allowance for individuals working in the oil field.
- 4) Removed the \$30,000,000 of General Fund dollars for the Housing Incentive Fund. (\$15,000,000 of this \$30,000,000 shows up in the Department of Commerce budget SB 2018)
- 5) Appropriated \$2,000,000 from the General Fund to the Department of Commerce to provide grants to homeless shelters. [Impact to General Fund]
- 6) Authorized \$150,000 from the Oil and Gas Research Program for non-match studies to provide updates and refinements to employment models used to track and forecast changes in the oil and gas industry workforce and estimate housing and population in the Williston basin and to make a comprehensive assessment of the demographic makeup of the current and expected oil and gas industry workforce. [Impact to Oil and Gas Research Fund no impact to General Fund]
- 7) Declassified the engineering technician positions at the Department of Mineral Resources [no impact to General Fund]
- 8) Appropriated an additional \$61,571 to allow DMR to hire five of the new FTE positions in the current (2011-2013 biennium) [Impact to General Fund]
- 9) Removed the language authorizing the transfers from the Resources Trust Fund for the Renewable Energy Program and the Energy Conservation Program [No General Fund dollars involved impact to the Resources Trust Fund Water Coalition supported these transfers to the Renewable Energy Program and the Energy Conservation Program]
- 10) Removed \$465,361 of dollars for overtime from the State Mill budget [No General Fund dollars involved]
- 11) <u>Removed</u> the "up to" language regarding the transfer of State Mill profits (gain of \$4,297,200 for the General Fund for the 2013-2015 biennium)

Priorities for the Conference Committee:

- Reinstatement of the transfer from the Resources Trust Fund to the Renewable Energy Program*
- Reinstatement of the Overtime \$'s for the Mill
- Reinstatement of the "up to" language regarding the State Mill Profits
- ???Reinstatement of up to \$30 million for the Housing Incentive Fund
- Reinstatement of the transfer from the Resources Trust Fund to the Energy
 Conservation Fund* and a NEW amendment establishing the Energy Conservation
 Program. This is language that had previously been in SB 2018.

*Note that if the transfers from the Resources Trust Fund are reinstated then the wording in the previous Section 18 need to be slightly revised to reflect rather than "quarterly" the wording "no less than quarterly" and then include funding of \$13, _____ to the State Treasurer's Office for IT services to implement the Resources Trust Fund transfers.

Glassheim amendment

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2014

4.25-13

That the House recede from its amendments as printed on pages 1499-1505 of the Senate

Journal and pages 1566-1572 of the House Journal and that Engrossed Senate Bill No. 2014 be amended as follows:

Page 1, line 4, after the semicolon insert "to create and enact section 54-45.4-10 of the North Dakota Century Code, relating to the energy conservation fund;"

Page 8, after line 24, insert:

"SECTION 18. Section 54-45.5-10 of the North Dakota Century Code is created and enacted as follows:

54-44.5-10. Energy conservation grant fund - Continuing appropriation.

The energy conservation grant fund is a special fund in the state treasury. All funds in the energy conservation grant fund are appropriated to the department on a continuing basis for the purpose of providing grants to political subdivisions for energy conservation projects in nonfederal public buildings. The department shall develop guidelines to qualify for a grant under this section which must include a requirement that projects have a combined payback period of ten years or less, a matching requirement of one dollar of matching funds for every dollar of grant funds, and a maximum grant amount of \$100,000. Interest earned by the fund must be credited to the fund."

Page 9, line 10, after the second "fund" insert ", not to exceed two million five hundred thousand dollars per biennium"

Renumber accordingly

Rep Glassheim 5B2014 4-26-13

4-25-13

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2014

That the House recede from its amendments as printed on pages 1499-1505 of the Senate
Journal and pages 1566-1572 of the House Journal and that Engrossed Senate Bill No. 2014 be amended as follows:

Page 1, line 4, after the semicolon insert "to create and enact section 54-45.4-10 of the North Dakota Century Code, relating to the energy conservation fund;"

Page 8, after line 24, insert:

"SECTION 18. Section 54-45.5-10 of the North Dakota Century Code is created and enacted as follows:

54-44.5-10. Energy conservation grant fund - Continuing appropriation.

The energy conservation grant fund is a special fund in the state treasury. All funds in the energy conservation grant fund are appropriated to the department on a continuing basis for the purpose of providing grants to political subdivisions for energy conservation projects in nonfederal public buildings. The department shall develop guidelines to qualify for a grant under this section which must include a requirement that projects have a combined payback period of ten years or less, a matching requirement of one dollar of matching funds for every dollar of grant funds, and a maximum grant amount of \$100,000. Interest earned by the fund must be credited to the fund."

Page 9, line 10, after the second "fund" insert ", not to exceed two million five hundred thousand dollars per biennium"

Renumber accordingly

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2014

That the House recede from its amendments as printed on pages 1499-1505 of the Senate Journal and pages 1566-1572 of the House Journal and that Engrossed Senate Bill No. 2014 be amended as follows:

- Page 1, line 3, after the semicolon insert "to provide a continuing appropriation;"
- Page 1, line 4, after the semicolon insert "to create and enact a new section to chapter 6-09.15, a new subsection to section 6-09.15-01, a new section to chapter 54-45.5, and a new subsection to 57-35.3-05 of the North Dakota Century Code, relating to a loan guarantee for child care facilities and housing incentive fund tax credits, and the energy conservation fund;"
- Page 1, line 4, after "reenact" insert "subsection 1 of section 6-09.15-01, subsection 2 of section 54-17-40,"
- Page 1, line 4, after "54-17.6-05" insert ", subsection 17 of section 54-44.3-20,"
- Page 1, line 4, replace "54-18-19" with "57-38-01.32"
- Page 1, line 5, after "to" insert "the beginning entrepreneur loan guarantee program,"
- Page 1, line 6, after the third comma insert "the housing incentive fund, housing incentive fund credits,"
- Page 1, line 6, remove the third "the"
- Page 1, line 7, replace "transfer of North Dakota mill and elevator profits to the general fund" with "classified employees"
- Page 1, line 9, after the semicolon insert "to provide an effective date; to provide an expiration date;"

Page 1, replace lines 21 and 22 with:

"Salaries and wages	\$12,059,220	\$5,814,656	\$17,873,876
Accrued leave payments	0	347,696	347,696
Operating expenses	3,378,744	2,551,832	5,930,576"
Page 2, replace lines 4 through 7 with:			
"Total all funds	\$61,542,969	\$1,924,948	\$63,467,917
Less estimated income	<u>46,766,756</u>	(5,792,964)	<u>40,973,792</u>
Total general fund	\$14,776,213	\$7,717,912	\$22,494,125
Full-time equivalent positions	76.06	22.69	98.75"
Page 2, replace lines 12 through 15 with	th:		
"Bank of North Dakota operations	\$45,587,155	\$5,936,761	\$51,523,916
Accrued leave payments	0	881,231	881,231
Capital assets	<u>1,266,000</u>	(521,000)	<u>745,000</u>
Total special funds	\$46,853,155	\$6,296,992	\$53,150,147
Full-time equivalent positions	176.50	3.00	179.50"

Page 3, replace lines 1 through 6 with:

"Salaries and wages	\$26,018,008	\$3,123,742	\$29,141,750
Accrued leave payments	0	575,807	575,807
Operating expenses	20,443,869	1,352,131	21,796,000
Contingencies	400,000	0	400,000
Agriculture promotion	210,000	<u>0</u>	210,000
Total from mill and elevator fund	\$47,071,877	\$5,051,680	\$52,123,557
Full-time equivalent positions	131.00	4.00	135.00"
Page 3, replace lines 11 through 16 wit	h:		
"Salaries and wages	\$6,516,277	\$918,600	\$7,434,877
Accrued leave payments	0	147,806	147,806
Operating expenses	5,114,849	(1,323,091)	3,791,758
Grants	26,858,920	2,674,130	29,533,050
Housing finance agency contingencies	100,000	<u>0</u>	100,000
Total special funds	\$38,590,046	\$2,417,445	\$41,007,491
Full-time equivalent positions	46.00	0.00	46.00"
Page 3, replace lines 21 through 23 wit	h:		
"Grand total general fund	\$24,176,213	\$18,831,159	\$43,007,372
Grand total special funds	179,281,834	7,973,153	187,254,987
Grand total all funds	\$203,458,047	\$26,804,312	\$230,262,359"
Page 4, replace line 8 with:			
"Housing incentive fund		0	15,400,000"
Page 4, remove line 10			
Page 4, replace lines 14 through 16 with	h:		
"Total all funds		\$38,299,400	\$16,560,800
Total special funds		10,000,000	0
Total general fund		\$28,299,400	\$16,560,800
9		, , , , , , , , , , , , , , , , , , , ,	,,

Page 6, line 15, replace "\$30,000,000" with "\$15,400,000"

Page 6, after line 24, insert:

"SECTION 13. APPROPRIATION - DEPARTMENT OF COMMERCE. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$2,000,000, or so much of the sum as may be necessary, to the department of commerce for the purpose of providing grants to homeless shelters, for the biennium beginning July 1, 2013, and ending June 30, 2015.

SECTION 14. APPROPRIATION - DEPARTMENT OF COMMERCE. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$2,600,000, or so much of the sum as may be necessary, to the department of commerce for the purpose of providing grants to child care facilities, for the biennium beginning July 1, 2013, and ending June 30, 2015. The department shall establish guidelines to qualify for a grant under this section which must include a matching requirement of one dollar of matching funds for every three dollars of grant funds and a maximum grant amount of \$187,500.

SECTION 15. APPROPRIATION - STATE TREASURER. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$13,247, or so much of the sum as may be necessary, to the state treasurer for the purpose of defraying additional information technology development costs relating to changes in oil revenue distributions and other changes, for the biennium beginning July 1, 2013, and ending June 30, 2015."

Page 7, after line 21, insert:

"SECTION 18. OIL AND GAS RESEARCH PROGRAM - OIL AND GAS DEVELOPMENT IMPACT STUDIES. The industrial commission may use the sum of \$150,000, or so much of the sum as may be necessary, from the oil and gas research fund for nonmatching followup studies to provide updates and refinements to employment models used to track and forecast changes in the oil and gas industry workforce and estimate housing and population in the Williston basin and to make a comprehensive assessment of the demographic makeup of the current and expected oil and gas industry workforce."

Page 7, after line 27, insert:

"SECTION 20. AMENDMENT. Subsection 1 of section 6-09.15-01 of the North Dakota Century Code is amended and reenacted as follows:

- 1. "Beginning entrepreneur" means a resident of this state who:
 - a. Has graduated from high school or has received a general equivalency certificate.
 - b. Has had some training, by education or experience, in the type of revenue-producing enterprise which that person wishes to begin.
 - c. Has, including the net worth of that person's dependents and spouse, if any, a net worth of less than two-hundred thousand-dollarsan amount determined by the Bank of North Dakota.

SECTION 21. A new subsection to section 6-09.15-01 of the North Dakota Century Code is created and enacted as follows:

"Child care provider" means a child care home, group, or center licensed by the department of human services.

SECTION 22. A new section to chapter 6-09.15 of the North Dakota Century Code is created and enacted as follows:

Loan guarantee for child care facility.

A beginning entrepreneur who receives a loan for a child care facility must be a child care provider.

SECTION 23. AMENDMENT. Subsection 2 of section 54-17-40 of the North Dakota Century Code is amended and reenacted as follows:

 After a public hearing, the housing finance agency shall create an annual allocation plan for the distribution of the fund. At least twenty-five percent of the fund must be used to assist developing communities with a population of not more than ten thousand individuals to address an unmet housing need or alleviate a housing shortage. At-least-fifty-percentA portion of the fund as determined by the housing finance agency in the annual allocation plan must be used to benefit households with incomes at not more than fifty percent of the area medianindividuals and families of low or moderate income. The agency may collect a reasonable administrative fee from the fund."

Page 8, replace lines 17 through 24 with:

"SECTION 25. A new section to chapter 54-45.5 of the North Dakota Century Code is created and enacted as follows:

Energy conservation grant fund - continuing appropriation.

The energy conservation grant fund is a special fund in the state treasury. All funds in the energy conservation grant fund are appropriated to the department on a continuing basis for the purpose of providing grants to political subdivisions for energy conservation projects in nonfederal public buildings. The department shall develop guidelines to qualify for a grant under this section which must include a requirement that projects have a combined payback period of ten years or less, a matching requirement of one dollar of matching funds for every dollar of grant funds, and a maximum grant amount of one hundred thousand dollars. Interest earned by the fund must be credited to the fund.

SECTION 26. A new subsection to section 57-35.3-05 of the North Dakota Century Code is created and enacted as follows:

There is allowed a credit against the tax imposed by sections 57-35.3-01 through 57-35.3-12 in an amount equal to the contribution to the housing incentive fund under section 54-17-40. For the purpose of the credit allowed in this subsection, subsections 2 through 9 of section 57-38-01.32 apply.

SECTION 27. AMENDMENT. Section 57-38-01.32 of the North Dakota Century Code is amended and reenacted as follows:

57-38-01.32. (Effective for the first two taxable years beginning after December 31, 20102012) Housing incentive fund tax credit.

- A taxpayer is entitled to a credit as determined under this section against state income tax liability under section 57-38-30 or 57-38-30.3 for contributing to the housing incentive fund under section 54-17-40. The amount of the credit is equal to the amount contributed to the fund during the taxable year.
- North Dakota taxable income must be increased by the amount of the contribution upon which the credit under this section is computed but only to the extent the contribution reduced federal taxable income.
- The contribution amount used to calculate the credit under this section may not be used to calculate any other state income tax deduction or credit allowed by law.

- 4. If the amount of the credit exceeds the taxpayer's tax liability for the taxable year, the excess may be carried forward to each of the ten succeeding taxable years.
- The aggregate amount of tax credits allowed to all eligible contributors is limited to <u>fifteentwenty</u> million dollars per biennium. This limitation applies to all contributions for which tax credits are claimed under section 57-35.3-05 and this section.
- 6. Within thirty days after the date on which a taxpayer makes a contribution to the housing incentive fund, the housing finance agency shall file with each contributing taxpayer, and a copy with the tax commissioner, completed forms that show as to each contribution to the fund by that taxpayer the following:
 - a. The name, address, and social security number or federal employer identification number of the taxpayer that made the contribution.
 - b. The dollar amount paid for the contribution by the taxpayer.
 - c. The date the payment was received by the fund.
- 7. To receive the tax credit provided under this section, a taxpayer shall claim the credit on the taxpayer's state income or financial institutions tax return in the manner prescribed by the tax commissioner and file with the return a copy of the form issued by the housing finance agency under subsection 6.
- 8. Notwithstanding the time limitations contained in section 57-38-38, this section does not prohibit the tax commissioner from conducting an examination of the credit claimed and assessing additional tax due under section 57-38-38.
- 9. A partnership, subchapter S corporation, limited partnership, limited liability company, or any other passthrough entity making a contribution to the housing incentive fund under this section is considered to be the taxpayer for purposes of this section, and the amount of the credit allowed must be determined at the passthrough entity level. The amount of the total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity."

Page 9, line 7, after "transferred" insert "no less than"

Page 9, line 10, after "transferred" insert "no less than"

Page 9, line 10, after the second "<u>fund</u>" insert "<u>not to exceed two million five hundred dollars</u> <u>per biennium</u>"

Page 9, line 17, overstrike "energy"

Page 9, line 18, overstrike "conservation and"

Page 9, after line 22, insert:

"c. The department of commerce for the funding of programs for development of energy conservation and for the making of grants and loans relating to energy conservation."

Page 9, after line 28, insert:

"SECTION 29. AMENDMENT. Subsection 17 of section 54-44.3-20 of the North Dakota Century Code is amended and reenacted as follows:

17. Engineers, engineering technicians, and geologists employed by the director of mineral resources."

Page 10, after line 9, insert:

"SECTION 31. EMERGENCY COMMISSION - MILL AND ELEVATOR ASSOCIATION. The salaries and wages line item in subdivision 4 of section 1 of this Act includes \$232,681 for overtime pay. Notwithstanding chapter 54-16, the mill and elevator association may request additional appropriation authority from the emergency commission if the funds provided for overtime pay are not sufficient for the beginning July 1, 2013, and ending June 30, 2015 biennium.

SECTION 32. MILL AND ELEVATOR PROFITS - TRANSFER TO THE GENERAL FUND. Notwithstanding any other provision of law, the industrial commission shall transfer to the state general fund 50 percent of the annual earnings and undivided profits of the North Dakota mill and elevator association after any transfers to other state agricultural-related programs or the sum of \$6,817,200, whichever is less, during the biennium beginning July 1, 2013, and ending June 30, 2015. The moneys must be transferred on an annual basis in the amounts and at the times requested by the director of the office of management and budget."

Page 10, after line 20, insert:

"SECTION 35. EFFECTIVE DATE - EXPIRATION DATE. Sections 26 and 27 of this Act are effective for the first two taxable years beginning after December 31, 2012, and are thereafter ineffective."

Page 10, line 21, replace "Sections" with "The amount of \$61,751 and five full-time equivalent positions included in subdivision 1 of section 1 and sections"

Page 10, line 21, replace "11" with "10"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2014 - Summary of Conference Committee Action

Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
\$0	\$0	\$13,247	\$13,247	\$0	\$13,247
0	0	0	0	0	0
\$0	\$0	\$13,247	\$13,247	\$0	\$13,247
\$63,356,975	\$63,529,688	(\$61,771)	\$63,467,917	\$62,746,253	\$721,664
40,937,857	40,951,674	22,118	40,973,792	40,915,821	57,971
\$22,419,118	\$22,578,014	(\$83,889)	\$22,494,125	\$21,830,432	\$663,693
\$52,452,928	\$52,606,408	\$543,739	\$53,150,147	\$51,682,968	\$1,467,179
52,452,928	52,606,408	543,739	53,150,147	51.682.968	1,467,179
\$0	\$0	\$0	\$0	\$0	\$0
	\$0 0 \$0 \$63,356,975 40,937,857 \$22,419,118 \$52,452,928 52,452,928	\$0 \$0 0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	Executive Budget Senate Version Committee Changes \$0 \$0 \$13,247 \$0 \$0 \$13,247 \$0 \$0 \$13,247 \$63,356,975 \$63,529,688 (\$61,771) \$40,937,857 \$40,951,674 22,118 \$22,419,118 \$22,578,014 (\$83,889) \$52,452,928 \$52,606,408 \$543,739 \$52,452,928 52,606,408 543,739	Executive Budget Senate Version Committee Changes Committee Version \$0 \$0 \$13,247 \$13,247 \$0 \$0 \$0 \$13,247 \$63,356,975 \$63,529,688 (\$61,771) \$63,467,917 \$40,937,857 \$40,951,674 22,118 \$40,973,792 \$22,419,118 \$22,578,014 (\$83,889) \$22,494,125 \$52,452,928 \$52,606,408 \$543,739 \$53,150,147 \$2,452,928 52,606,408 543,739 53,150,147	Executive Budget Senate Version Committee Changes Committee Version House Version \$0 \$0 \$13,247 \$13,247 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$13,247 \$13,247 \$0 \$0 \$0 \$13,247 \$13,247 \$0 \$0 \$0 \$13,247 \$13,247 \$0 \$0 \$0 \$13,247 \$13,247 \$0 \$0 \$0 \$13,247 \$13,247 \$0 \$0 \$0 \$13,247 \$13,247 \$0 \$0 \$0 \$13,247 \$0 \$0 \$0 \$0 \$13,247 \$13,247 \$0 \$0 \$13,247 \$13,247 \$0 \$0 \$0 \$13,247 \$13,247 \$13,247 \$0 \$0 \$0 \$13,247 \$13,247 \$13,247 \$13,247 \$13,247 \$13,247 \$13,247 \$13,247 \$13,247 \$13,247 \$13,247 </td

Total all funds Less estimated income	\$40,862,039 40,862,039	\$70,869,907	(\$14,462,416) 137,584	\$56,407,491	\$40,630,404	\$15,777,087
General fund	\$0	40,869,907 \$30,000,000	(\$14,600,000)	41,007,491 \$15,400,000	40,630,404 \$0	377,087 \$15,400,000
General fullu	\$0	\$30,000,000	(\$14,000,000)	\$15,400,000	Φ0	\$15,400,000
Mill and Elevator						
Total all funds	\$52,255,124	\$52,255,124	(\$131,567)	\$52,123,557	\$51,653,858	\$469,699
Less estimated income	52,255,124	52,255,124	(131,567)	52,123,557	51,653,858	469,699
General fund	\$0	\$0	\$0	\$0	\$0	\$0
Department of Commerce						
Total all funds	\$0	\$500,000	\$4,600,000	\$5,100,000	\$2,500,000	\$2,600,000
Less estimated income	0	0	0	0	0	0
General fund	\$0	\$500,000	\$4,600,000	\$5,100,000	\$2,500,000	\$2,600,000
Bill total						
Total all funds	\$208,927,066	\$239,761,127	(\$9,498,768)	\$230,262,359	\$209,213,483	\$21,048,876
Less estimated income	186,507,948	186,683,113	571,874	187,254,987	184,883,051	2,371,936
General fund	\$22,419,118	\$53,078,014	(\$10,070,642)	\$43,007,372	\$24,330,432	\$18,676,940

Senate Bill No. 2014 - State Treasurer - Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Information technology costs			\$13,247	\$13,247		\$13,247
Total all funds Less estimated income	\$0 0	\$0 0	\$13,247 0	\$13,247 0	\$0 0	\$13,247 0
General fund	\$0	\$0	\$13,247	\$13,247	\$0	\$13,247
FTE	0.00	0.00	0.00	0.00	0.00	0.00

Department No. 120 - State Treasurer - Detail of Conference Committee Changes

•		Adds Funding for Information Technology Costs ¹	Total Conference Committee Changes
	Information technology costs	\$13,247	\$13,247
	Total all funds Less estimated income	\$13,247 0	\$13,247 0
	General fund	\$13,247	\$13,247
	FTE	0.00	0.00

¹ Funding for additional information technology development costs is added relating to changes in oil revenue distributions and other changes.

Senate Bill No. 2014 - Industrial Commission - Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Salaries and wages	\$17,710,630	\$17,883,343	(\$9,467)	\$17,873,876	\$17,152,212	\$721,664
Operating expenses	6,330,576	6,330,576	(400,000)	5,930,576	5,930,576	
Capital assets	5,800	5,800		5,800	5,800	
Grants - Lignite research	19,500,000	19,500,000	1	19,500,000	19,500,000	
Grants - Bond payments	19,809,969	19,809,969		19,809,969	19,809,969	
Accrued leave payments			347,696	347,696	347,696	
Total all funds	\$63,356,975	\$63,529,688	(\$61,771)	\$63,467,917	\$62,746,253	\$721,664
Less estimated income	40,937,857	40,951,674	22,118	40,973,792	40,915,821	57,971

General fund	\$22,419,118	\$22,578,014	(\$83,889)	\$22,494,125	\$21,830,432	\$663,693
	98.75	98.75	0.00	98.75	98.75	0.00
FTF						

Department No. 405 - Industrial Commission - Detail of Conference Committee Changes

	Removes House Changes to Executive Compensation Package ¹	Adjusts State Employee Compensation and Benefits Package ²	Provides Separate Line Item for Accrued Leave Payments ³	Adds Funding for Hiring FTE Early ⁴	Removes Funding for Oil Impact ⁵	Total Conference Committee Changes
Salaries and wages Operating expenses Capital assets Grants - Lignite research	\$445,186	(\$168,708)	(\$347,696)	\$61,751	(400,000)	(\$9,467) (400,000)
Grants - Bond payments Accrued leave payments	-		347,696			347,696
Total all funds Less estimated income	\$445,186 35,853	(\$168,708) (13,735)	\$0 0	\$61,751 0	(\$400,000)	(\$61,771) 22,118
General fund	\$409,333	(\$154,973)	\$0	\$61,751	(\$400,000)	(\$83,889)
FTE	0.00	0.00	0.00	0.00	0.00	0.00

¹ Changes made by the House to the executive compensation package are removed.

- Reduces the performance component from 3 to 5 percent per year to 3 to 5 percent for the first year of the biennium and 2 to 4 percent for the second year of the biennium.
- Reduces the market component from 2 to 4 percent per year to 1 to 2 percent per year for employees below the midpoint of their salary range.
- Reduces funding for retirement contribution increases to provide for a 1 percent state and 1 percent employee increase beginning in January 2014 and no increase in January 2015.

A section is added to provide an emergency clause for five new FTE positions, the same as the House version.

A section is added relating to the oil and gas research program, the same as the House version.

A section is added to unclassify engineering technicians of the Department of Mineral Resources, the same as the House version.

A section added by the Senate relating to distribution of the resources trust fund but removed by the House is included.

A section is added to create the energy conservation fund.

² This amendment adjusts the state employee compensation and benefits package as follows:

³ A portion of salaries and wages funding from the general fund (\$323,357) and from other funds (\$24,339) for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

⁴ Funding is added to allow the Department of Mineral Resources to hire five of its new FTE positions during the 2011-13 biennium, the same as the House version.

⁵ Funding included in the executive budget recommendation for housing allowances for employees in oil-impacted areas is removed, the same as the House version.

Senate Bill No. 2014 - Bank of North Dakota - Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Capital assets	\$745,000	\$745,000		\$745,000	\$745,000	
BND operations Accrued leave payments	51,707,928	51,861,408	(337,492) 881,231	51,523,916 881,231	50,056,737 881,231	1,467,179
Total all funds	\$52,452,928	\$52,606,408	\$543,739	\$53,150,147	\$51,682,968	\$1,467,179
Less estimated income	52,452,928	52,606,408	543,739	53,150,147	51,682,968	1,467,179
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	179.50	179.50	0.00	179.50	179.50	0.00

Department No. 471 - Bank of North Dakota - Detail of Conference Committee Changes

	Removes House Changes to Executive Compensation Package¹	Adjusts State Employee Compensation and Benefits Package ²	Provides Separate Line Item for Accrued Leave Payments ³	Total Conference Committee Changes
Capital assets BND operations Accrued leave payments	923,440	(379,701)	(881,231) 881,231	(337,492) 881,231
Total all funds Less estimated income	\$923,440 923,440	(\$379,701) (379,701)	\$0 0	\$543,739 543,739
General fund	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	0.00

¹ Changes made by the House to the executive compensation package are removed.

- Reduces the performance component from 3 to 5 percent per year to 3 to 5 percent for the first year of the biennium and 2 to 4 percent for the second year of the biennium.
- Reduces the market component from 2 to 4 percent per year to 1 to 2 percent per year for employees below the midpoint of their salary range.
- Reduces funding for retirement contribution increases to provide for a 1 percent state and 1 percent employee increase beginning in January 2014 and no increase in January 2015.

Sections are added relating to the beginning entrepreneur loan guarantee program.

Senate Bill No. 2014 - Housing Finance Agency - Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Salaries and wages	\$7,437,231	\$7,445,099	(\$10,222)	\$7,434,877	\$7,057,790	\$377,087
Operating expenses	3,791,758	3,791,758		3,791,758	3,791,758	
Grants	29,533,050	29,533,050		29,533,050	29,533,050	
HFA contingencies	100,000	100,000		100,000	100,000	
Housing incentive fund30		30,000,000	(14,600,000)	15,400,000		15,400,000
Accrued leave payments			147,806	147,806	147,806	

² This amendment adjusts the state employee compensation and benefits package as follows:

³ A portion of salaries and wages funding for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

Total all funds Less estimated income	\$40,862,039 40,862,039 \$0	\$70,869,907 40,869,907 \$30,000,000	(\$14,462,416) 137,584 (\$14,600,000)	\$56,407,491 41,007,491 \$15,400,000	\$40,630,404 40,630,404 \$0	\$15,777,087 377,087 \$15,400,000
General fund FTE	46.00	46.00	0.00	46.00	46.00	0.00

Department No. 473 - Housing Finance Agency - Detail of Conference Committee Changes

,	Removes House Changes to Executive Compensation Package¹	Adjusts State Employee Compensation and Benefits Package ²	Provides Separate Line Item for Accrued Leave Payments ³	Reduces Transfer to Housing Incentive Fund ⁴	Total Conference Committee Changes
Salaries and wages Operating expenses Grants HFA contingencies	\$239,503	(\$101,919)	(\$147,806)		(\$10,222)
Housing incentive fund30 Accrued leave payments			147,806	(14,600,000)	(14,600,000) 147,806
Total all funds Less estimated income	\$239,503 239,503	(\$101,919) (101,919)	\$0 0	(\$14,600,000) 0	(\$14,462,416) 137,584
General fund	\$0	\$0	\$0	(\$14,600,000)	(\$14,600,000)
FTE	0.00	0.00	0.00	0.00	0.00

¹ Changes made by the House to the executive compensation package are removed.

- Reduces the performance component from 3 to 5 percent per year to 3 to 5 percent for the first year of the biennium and 2 to 4 percent for the second year of the biennium.
- Reduces the market component from 2 to 4 percent per year to 1 to 2 percent per year for employees below the midpoint of their salary range.
- Reduces funding for retirement contribution increases to provide for a 1 percent state and 1 percent employee increase beginning in January 2014 and no increase in January 2015.

Sections are added relating to the housing incentive tax credit and the effective and expiration dates for the credits.

Senate Bill No. 2014 - Mill and Elevator - Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Salaries and wages	\$29,849,124	\$29,849,124	(\$707,374)	\$29,141,750	\$28,672,051	\$469,699
Operating expenses	21,796,000	21,796,000		21,796,000	21,796,000	
Contingencies	400,000	400,000		400,000	400,000	
Agriculture promotion	210,000	210,000		210,000	210,000	
Accrued leave payments			575,807	575,807	575,807	
Total all funds	\$52,255,124	\$52,255,124	(\$131,567)	\$52,123,557	\$51,653,858	\$469,699
Less estimated income	52,255,124	52,255,124	(131,567)	52,123,557	51,653,858	469,699

² This amendment adjusts the state employee compensation and benefits package as follows:

³ A portion of salaries and wages funding for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

⁴ Funding included by the Senate for a \$30 million transfer from the general fund to the housing incentive fund is reduced to \$15.4 million. The House removed the full \$30 million.

General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	135.00	135.00	0.00	135.00	135.00	0.00

Department No. 475 - Mill and Elevator - Detail of Conference Committee Changes

	Removes House Changes to Executive Compensation Package ¹	Adjusts State Employee Compensation and Benefits Package ²	Provides Separate Line Item for Accrued Leave Payments ³	Reduces Funding for Overtime ⁴	Total Conference Committee Changes
Salaries and wages Operating expenses Contingencies Agriculture promotion	\$135,905	(\$34,792)	(\$575,807)	(\$232,680)	(\$707,374)
Accrued leave payments			575,807		575,807
Total all funds Less estimated income	\$135,905 135,905	(\$34,792) (34,792)	\$0 0	(\$232,680) (232,680)	(\$131,567) (131,567)
General fund	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	0.00	0.00

¹ Changes made by the House to the executive compensation package are removed.

A section included in the executive budget recommendation relating to reducing the transfer of mill profits to the general fund is removed resulting in an additional \$6,817,200 of projected general fund revenue for the 2013-15 biennium, the same as the House. A section is added to limit the transfer from the mill profits to the \$6,817,200 for the 2013-15 biennium.

Senate Bill No. 2014 - Department of Commerce - Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Market Study		\$500,000		\$500,000	\$500,000	
Homeless shelter grants			2,000,000	2,000,000	2,000,000	
Childcare facilities			2,600,000	2,600,000		2,600,000
	\$0	\$500,000	\$4,600,000	\$5,100,000	\$2,500,000	\$2,600,000
Total all funds						
Less estimated income	0	0	0	0	0	0
	\$0	\$500,000	\$4,600,000	\$5,100,000	\$2,500,000	\$2,600,000
General fund						
	0.00	0.00	0.00	0.00	0.00	0.00
FTE		- 1				

² This amendment adjusts the state employee compensation and benefits package as follows:

Reduces funding for retirement contribution increases to provide for a 1 percent state and 1 percent employee increase beginning in January 2014 and no increase in January 2015.

³ A portion of salaries and wages funding for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

⁴ Funding included in the executive budget recommendation for overtime pay is removed.

Department No. 601 - Department of Commerce - Detail of Conference Committee Changes

	Adds Funding for Grants to Homeless Shelters¹	Adds Funding for Grants to Childcare Facilities ²	Total Conference Committee Changes
Market Study Homeless shelter grants Childcare facilities	2,000,000	2,600,000	2,000,000 2,600,000
Total all funds Less estimated income	\$2,000,000 0	\$2,600,000 0	\$4,600,000 0
General fund	\$2,000,000	\$2,600,000	\$4,600,000
FTE	0.00	0.00	0.00

¹ Funding is added for grants to homeless shelters.

² Funding is added for grants to child care facilities.