

FISCAL NOTE
Requested by Legislative Council
01/23/2015

Bill/Resolution No.: SB 2281

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

| | 2013-2015 Biennium | | 2015-2017 Biennium | | 2017-2019 Biennium | |
|----------------|--------------------|-------------|--------------------|----------------|--------------------|----------------|
| | General Fund | Other Funds | General Fund | Other Funds | General Fund | Other Funds |
| Revenues | | | \$(2,400,000) | \$(18,700,000) | \$(2,400,000) | \$(18,700,000) |
| Expenditures | | | \$10,800,000 | | \$11,700,000 | |
| Appropriations | | | \$10,800,000 | | \$11,700,000 | |

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

| | 2013-2015 Biennium | 2015-2017 Biennium | 2017-2019 Biennium |
|------------------|--------------------|--------------------|--------------------|
| Counties | | | |
| Cities | | | |
| School Districts | | | |
| Townships | | | |

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Provides a tuition & fee reduction (waiver) of \$3 for every hour of child care provided or a tax credit equal to 1/3 of all wages, to child care providers and their spouse, child, sibling or grandchild.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1: Provides tuition and fee reduction equal to \$3 for every hour of child care provided.

Section 2: Provides a tax credit equal to one-third of all child care wages, but not to exceed taxpayer's income tax liability.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

NDUS estimates \$18.7 M tuition reduction (or waiver) of \$6,340 each for 10% of estimated eligible pool (licensed providers and employees=7,500 + 1 dependent each or total of 15,000)

The Tax Department estimates Sections 2 and 3 of SB 2281, if enacted, will reduce state general fund revenues by approximately \$2,400,000 in the 2015-17 biennium.

The above estimates do not adequately address that the individual is only available for the tuition reduction or tax credit, not both, as the estimates were prepared independently; and, it is difficult to determine which would be most advantageous to each individual.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

NDUS estimates increased expenditures related to increased enrollments of 1,500 students (10% of eligible pool) taking 15 semester hours at \$120 per SCH = \$10.8 M in 15-17 and \$11.7 M in 17-19.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

NDUS estimates increased funding formula appropriation related to increased enrollments of 1,500 students (10% of eligible pool) taking 15 semester hours at \$120 per SCH = \$10.8 M in 15-17 and an estimated \$11.7 M at \$130 SCH in 17-19.

Name: Laura Glatt

Agency: ND University System Office

Telephone: 7013284116

Date Prepared: 01/23/2015

2015 SENATE FINANCE AND TAXATION

SB 2281

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Lewis and Clark Room, State Capitol

SB 2281
1/26/2015
Job # 22507

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Emmery Brøberg

Explanation or reason for introduction of bill/resolution:

Relating to tuition reduction and an income tax credit for child care providers

Minutes:

Attachments #1-#1f, #2

Chairman Cook opened the hearing on SB 2281

Senator Sinner (1:07) introduced SB 2281. (See attachment #1)

Senator Oehlke: (5:00) We shared time on this economic impact committee that heard this story across the state, and the two biggest factors were low wages for those employed and the work. It's not something they seem to be able to retain employees for an extended period of time, not just because of the low wage but also because it's hard work. How does the bill here address those issues?

Senator Sinner: That is an issue, my point is that people in the industry will find a wage that works if they can afford it; in this case, we haven't addressed that issue of trying to get those wages to the point where people will want to work there and get a benefit from working there. I will let some of the people from the industry speak to that, because they can probably speak to that better than I can.

Senator Unruh: (7:30) You've received the testimony here that some of the shortfalls regarding childcare centers and getting new centers open in our communities, could you provide a solution in this bill for that?

Senator Sinner: The problem with opening new centers is being able to pay those people a wage that makes that center work and getting people coming to those places to work is a serious issue, whether it be in Fargo or Minot across this state, everyone is having a problem with these centers and the biggest problem they have is being able to pay these people a decent wage that competes with other wages in the community. What I hear from Minot is that they're able to pay people \$9-\$10 in this industry when the prevailing wage in the community is almost double that. Let's just say now that we've got a grandmother who is willing to do this work and needs some money, but she can now do this and provide a benefit to her grandchildren by giving them those tuition credits or she can get a tax credit

for the extra work. It does provide an incentive for those people to work a little longer in this profession rather than just bailing.

Chairman Cook: Did you communicate with the board of higher education as far as the administrative burden or lack of burden as far as tuition?

Senator Sinner: I did not.

Linda Reinicke (Program Director for Child Care Aware in western ND): (see attachment #2) (10:00)

(18:00)

Chairman Cook: (18:00) Did you pencil out any math on the income tax credit and tax liability?

Linda Reinicke: I think that a nonrefundable tax credit may help some. Other states have done this, only they give a refundable tax credit, so that makes it more appealing for the provider to stay on staff and work at a center.

Chairman Cook: That, of course, would really grow the fiscal note. So the goal is to reach 50% childcares for the need? The others are made up by unlicensed childcare centers?

Linda Reinicke: Yes, across the nation there are struggles with lack of childcare, but ND is very unique at this time because of the growth that we've experienced. In the industry, if a community has a license capacity for 50% of the children, the other 50% stay with relatives or neighbors. That 50% gives the parents option to shop around.

Chairman Cook: So if we have 28,000 capacity and licensed childcare, it is safe for me to assume that we have 60,000 kids that need child care?

Linda Reinicke: On the second handout (see attachment #2), this state profile, by the way you can find specific county profiles on our website, you will find in the top section, fourth line that children ages 0-5 potentially needing childcare at 40,000. And then there's another 46,000 children 6-12. You hit it pretty close on the head, once they are 10, 11, 12 if they are reliable children they stay home. But yes, usually 60-65 thousand children.

Chairman Cook: With what unlicensed childcare facilities make, I wonder why there are not more unlicensed childcare centers. I think one of the reasons there's not more of them is that childcare is difficult and you never get the day off and if someone gets sick, people have to take the day off work to take care of their kids.

Linda Reinicke: Family or unlicensed childcare, they don't have overhead and the costs that a childcare facility has. Some childcare providers choose not to have their full capacity in a home because they think it's better quality. But to go to Senator Ohelke's comments earlier, providing childcare is like having ten hour birthday parties in your home five days a week for six 4 year olds. Right now we are seeing a trend of not as many childcare

providers opening in their own residents. We are seeing a trend to provide childcare out of home in a licensed center.

Senator Oehlke: Have we been able to get any new businesses to sponsor daycares in-house? I know some of our studies showed that that was a great deal because you could retain employees better if you also offered a daycare. As I recall, we had one during our interim study but other than that, I don't think there was new business sponsored one. We had provided a tax credit for new ones to come on but we didn't get any takers, I think because of liability issues.

Linda Reinicke: Yes, business is hesitant to participate right now. I'm not sure that you did pass a business tax credit for childcare last session, there is a bill now in the house, HB 1227, that provides tax credits for businesses who start, or support, or buy spaces in a childcare facility. I also see it as a capacity issue for businesses. It means a staff person who will take the time to put together a childcare facility. So one of the reasons we've had a number of businesses come to us and ask us to help them out. Sometimes when we lay it all out and show them their liability, it does become overwhelming.

Senator Triplett: Can you speak to the issue of non-profits or church organizations doing daycares? Is that becoming a thing of the past?

Linda Reinicke: It works and many nonprofits host childcare. It becomes a problem when that non-profit or that church begins charging occupancy or rent for the childcare facility. The churches that see childcare as a ministry to the community do much better because they have more latitude to provide salaries. I think what we have are a lot of options for childcare out there, businesses don't need to build facilities. They don't need to put childcare in-house, they can buy capacity and spaces in an existing childcare.

Senator Triplett: Do you have any ideas that could be worked into this bill that could serve to encourage churches and nonprofits to allow their facilities to be used in such a way?

Linda Reinicke: One of the things the state did and has been working on for ten years is what we call continuous quality improvement project for childcare. We know that childcare can be stable and on their feet one day, and with a whole new enrollment and new staff, things can go down the tubes the next. So there is a continuous quality improvement effort, there's money to help support them to get to a higher level of quality, and there's an incentive at the end to help them to recognize what they've done. I would hesitate provide support without a program showing that it is doing right by children and the business. There is a mechanism in place in the state and that could be expanded on to address nonprofits, etc.

Senator Dotzenrod: This situation in Watford City where there's 190 capacity there, she's hiring 3-5 people every week, do I understand that in a licensed facility those new hire have to go through a background check? Who pays for those? And also there are some requirements that there has to be some surveillance around the facility?

Linda Reinicke: All childcare providers need to have background checks. And the state is paying for them at this time. However, surveillance is not required. I've been in this

business for twenty-three years and I don't think any provider has ever said "I am quitting because of all the regulations." I think that many times providers don't understand the regulations, and once they are explained and we help facilitate them, they are off and running. Sometimes there structural issues with local inspections.

Senator Bekkedahl: Just so I am familiar, Child Care Aware, the prior name was CCRR, is that correct? So have you changed names? Also

Linda Reinicke: Yes, we changed names about a year and a half ago.

Senator Bekkedahl: I'm told by some people in this industry that space requirements and staff child ratios, which have become more burdensome on the industry for construction or operation of facilities, and are more restrictive than other states have has been an impediment or a burden. Can you discuss that?

Linda Reinicke: Our space requirements is not unlike other states. 35 square feet per child. And if you take a sheet of sheetrock, that's about 35 square feet. Then you add toys and movement and its really not much square feet per child. The staff ratios in ND, we do pretty well with the exception of toddler care where we're a bit high. Baring in mind that when we deal with children, their brains are still growing. That development happens in infancy and toddler age, and that only happens with nurturing. If we have high ratios, that doesn't happen.

Representative Hawken, District 46: Childcare advocate; testified in support of SB 2281. ND has made some steps forward, but there is a long way to go and this bill is one of those pieces.

No one testified in opposition.

Chairman Cook closed the hearing on SB 2281.

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SB2281
2/10/2015
Job #23563

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Alice Grove

Explanation or reason for introduction of bill/resolution:

Committee work.

Minutes:

Chairman Cook opened the committee work on SB2281.

Sizeable fiscal note. \$21 million. This is child care. Tuition reduction for child care providers and a tax credit for child care providers. It addresses a problem of not enough child care providers. I'm not too confident in the solution solving the problem, myself.

Senator Unruh -- I would move a do not pass on SB2281.

Seconded by Senator Oehlke.

Senator Dotzenrod -- I'm trying to recall the hearing and the people who came in supporting the bill, people in the child care business. I had the impression that this bill might be of some benefit, might do some good, for those child care individuals, but I am wondering from the standpoint of the arguments against the bill, was there a feeling that the people who are in this business are just not going to have the kind of income needed to make these credits work?

Chairman Cook -- For myself, I think that is a concern but I also think that if we going to try to pursue these type of options for an incentive to help child care providers get into the business, this bill would need a lot of work done. I think there is concern with the tuition reduction. If we look at tax policy and try to keep it simple, this is going to create a whole paper trail and a lot of work for a very little incentive. I know that the prime sponsor did not have a conversation with the Board of Higher Ed. That is something that would have to happen in order for us to look at a tuition reduction for child care providers. That is very important.

Senator Oehlke -- Our economic impact interim committee looked at this issue in every community we visited and every place it came to the forefront it was one of the big 3. The needs are out there. Daycare was always a big issue. One of the problems that we noticed was, not only that everybody didn't want to do it, that it takes special people to do it.

Communities were also having a way of getting in the way of good daycare. Fargo is a good example. Just last year they made a requirement that for every child they have to have a certain amount of outdoor space to occupy. And it was quite a bit more restrictive than what Human Services has in their rules and regulations now. Before the large influx of people into the western part of the state and more people moving into North Dakota, the best percentage of daycare providers this state has ever seen is less than 50%. Now it's done to about 35%. I don't see the wisdom in this bill making 1% difference in the whole scheme of things.

Senator Laffen -- We kind of looked at the income tax credit side of this. And, if I understand it right, it would be a credit of 1/3 of all of your wages. If you made \$30,000, you would get a \$10,000 credit, but your tax is only \$366 that year. The math doesn't work on that part of it.

Senator Dotzenrod -- This seems to be one of those problems that is kind of intractable. We look at it and we try to figure out what can we do. The work is difficult. I wasn't aware of the recommendations that came out of the interim committee, if we think it is best to kill this bill, is there any strategy that we've been able to develop that seems like it could really get at trying to fix this problem?

Senator Oehlke -- All the times that we heard the testimony on this issue over the interim we never came up with a bill to rectify the situation or to try and do something that we knew was capable of making it better. It's not a money maker and once in a while you will see a daycare facility in an area that totally makes sense but it's usually for those employees of that facility and maybe a few others if all their employees are taken care of. We put in place last session some pretty good tax credits for business that would be interested in putting in a daycare and getting a tax credit, etc. There is one and that one was already starting it in place before we even got that legislation done.

Chairman Cook -- It seems to me we have 2 different types of child care in this state: one is highly regulated by the government; the other is unregulated. You choose your daycare provider. One makes money and one doesn't. I had a call before the session started and she was livid. She is a licensed daycare and she wanted me to introduce legislation to require all daycares to be licensed in order to eliminate that other type of daycare. That would take this number from 35% to probably 20%. I told her we couldn't do that and then she said then get rid of some of these regulations that I have live with.

Senator Laffen -- That was the intriguing part of this bill for me and why I co-sponsored with Senator Sinner. It was a different idea. Tax incentives don't seem to work. We can't unregulate the business but the education credit was something that I thought was worth considering. There's real value there.

We have a motion for do not pass on SB2281. Roll call vote 5-1-1.

Carrier: Senator Oehlke.

Date: 2-10-15Roll Call Vote #: 1

**2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO 2281**

Senate Finance and Taxation Committee☐ Subcommittee

Amendment LC# or Description: _____

Recommendation: ☐ Adopt Amendment
☐ Do Pass ☒ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar
 Other Actions: ☐ Reconsider ☐ _____

Motion Made By Sen. Unruh Seconded By Sen. Oehlke

| Senators | Yes | No | Senators | Yes | No |
|-----------------------------|-----|----|-------------------------|-----|----|
| Chairman Dwight Cook | ✓ | | Senator Jim Dotzenrod | | ✓ |
| Vice Chairman Lonnie Laffen | ✓ | | Senator Connie Triplett | ✓ | |
| Senator Brad Bekkedahl | AB | | | | |
| Senator Dave Oehlke | ✓ | | | | |
| Senator Jessica Unruh | ✓ | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Total (Yes) 5 No 1Absent 1Floor Assignment Sen. Oehlke

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

REPORT OF STANDING COMMITTEE

SB 2281: Finance and Taxation Committee (Sen. Cook, Chairman) recommends **DO NOT PASS** (5 YEAS, 1 NAYS, 1 ABSENT AND NOT VOTING). SB 2281 was placed on the Eleventh order on the calendar.

2015 TESTIMONY

SB 2281

SB 2281 Tuition credit for childcare providers

Mr. Chairman and members of the committee, thank you for allowing me to be here and present this bill for your consideration.

~~My name is~~ I am Senator George Sinner from District 46 in Fargo. I am a member of the Senate Industry, Business & Labor Committee. I was a member of the Economic Impact Committee during the interim since the 63rd Legislative Assembly.

The concept for this bill came directly from the childcare study that was conducted for the interim Economic Impact Committee. Testimony from the study's authors indicated that one of the biggest difficulties facing childcare centers is the struggle to keep qualified employees. The primary reason being that compensation levels in this industry are much lower than the prevailing wages in nearly all communities where childcare is needed. Further, almost all stakeholders who testified at the interim meetings indicated that the labor shortfall was a major problem in keeping childcare centers open and getting new centers opened in our communities. I have included the highlighted minutes from those meetings for your reference.

So, this bill provides one of two benefits to all childcare workers in North Dakota. The intentions of this bill were not designed to provide these benefits to owners of childcare centers unless they are hourly paid employees of a center.

1. The first benefit provides \$3 of credit toward tuition at a North Dakota college or university for every hour the childcare employee works. This credit may be transferable to a spouse, a child, a sibling, or a grandchild. These tax credits may not be transferred to a non-related party.
2. Or, that employee may opt for a tax credit for up to one third of all of their wages earned as a childcare worker. This benefit may not exceed that person's income tax liability but may be carried forward for three years.

Mr. Chairman, I am presenting this bill as a concept that would help North Dakota solve one of the main problems that exists in our state today, the severe shortage of childcare workers. I fully recognize that given the fiscal note, this bill may need some "adjustments" to fit into the current budget cycle. Some "adjustments" might be to (1) eliminate the tax credit section of the bill; (2) allow for the transfer of the tuition credit to others rather than allow for the tax credit option; or, (3) reduce the credit for the hours worked and sunset the benefits. In the end, this is an idea that will certainly provide a viable solution to helping solve our childcare crisis in this state.

Our state has provided almost immeasurable tax relief to many different taxpayers over the past several years. And, most of us have supported nearly all of that tax relief. But, little or none of that tax relief has addressed this problem and that relief has far exceeded the fiscal note on this bill.

Mr. Chairman, in light of the severe crisis in childcare across this state, and the fact that this bill provides one the simplest type of solutions in addressing that shortage, I ask that you give this concept a thorough review and bring back the bill with a do-pass recommendation.

Thank you Mr. Chairman and I will be glad to answer any questions.

See attachments - highlighted minutes from Economic Impact Committee

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

ECONOMIC IMPACT COMMITTEE

Tuesday, October 8, 2013
Fourth Floor, Frontier Hall, Williston State College
Williston, North Dakota

SB 2281
1/26/15

Senator Dave Oehlke, Chairman, called the meeting to order at 9:50 a.m.

Members present: Senators Dave Oehlke, Tom Campbell, Ron Carlisle, Mac Schneider, George B. Sinner, Terry M. Wanzek; Representatives Joshua A. Boschee, Mike D. Brandenburg, Ed Gruchalla, Bob Hunsakor, Vernon R. Laning, Gary R. Sukut

Members absent: Representatives Thomas Beadle, Rick Becker, Nancy Johnson, Matthew M. Klein

Others present: Patrick Hatlestad, State Representative, Williston
David S. Rust, State Representative, Tioga
See attached Appendix A for additional persons present.

Chairman Oehlke thanked Representative Sukut for arranging the meeting and thanked Williston State College for hosting the committee. He said Ms. Shanna Curlin, Williston State College, has been very accommodating arranging the meeting location. He thanked Mr. Ward Koeser, Mayor, Williston, for leading the committee on a tour of Williston.

It was moved by Representative Sukut, seconded by Senator Schneider, and carried on a voice vote that the minutes of the July 31, 2013, meeting be approved as distributed.

TRANSPORTATION INFRASTRUCTURE STUDY

Chairman Oehlke called on Mr. Koeser for comments regarding transportation infrastructure in Williston and oil-impacted areas. He thanked the committee for visiting Williston. He said people need to see what is going on in oil-impacted areas to fully comprehend the magnitude of the impact. He said he encourages legislators to consider a different thought process when looking at providing funding to address oil impact. Although the funding provided by the 2013 Legislative Assembly is beneficial and appreciated, he said, a different formula to fund growth from oil is necessary. He said both Williston and Dickinson will need to borrow through bonding authority for operating expenses. He said Williston will use approximately \$60 million in oil impact grants to meet its obligations, but will need approximately an additional \$45 million in its budget. He said Dickinson will need approximately \$100 million in bonding authority. Because the state economy is in good shape, he said, the oil-impacted cities should not need to borrow funds to operate. He said the oil-impacted cities need to pay for normal growth, but need assistance to fund the additional growth due to oil impact. He said this interim should be used to explore new ideas for funding to address oil impact. During the interim, he said, it would be helpful to create a group that could work with city and county officials to examine impacts and develop solutions for consideration by the 2015 Legislative Assembly.

In response to a question from Senator Carlisle, Mr. Koeser said Williams County will receive oil impact grants to provide for additional law enforcement. He said Williston also will need to add seven law enforcement officers to address the impact due to oil activity in the Williston area.

In response to a question from Representative Brandenburg, Mr. Koeser said a team of experts is needed to look at issues over the next year and develop solutions. He said one example of a problem faced in the Williams County area is the lack of courtroom space after the addition of a new district judge which was granted by the Supreme Court.

In response to a question from Senator Sinner, Mr. Koeser said approximately 20 percent of the gross production taxes are returned to the impacted political subdivisions, which is an amount substantially lower than the amounts returned in other states that have oil production. He said the amount returned to the political subdivisions in other states is generally around 35 percent. He said it is almost impossible to keep up with the road needs in the impacted counties.

In response to a question from Senator Schneider, Mr. Koeser said it would be helpful to establish a new formula for distribution of oil taxes to political subdivisions even if it were a test for one biennium.

Senator Wanzek said he understands the problems faced by the oil-producing areas. However, he said, other areas of the state also are being affected by the increased oil production. He said the Jamestown area has experienced a significant increase in traffic, particularly truck traffic.

Mr. Koeser said it is important to note Williston generated more taxable sales during the last year than Fargo. He said impacts in areas such as Bismarck are generally positive, such as people retiring from the oil-impacted areas to the Bismarck area. He said he is pleased the entire state is doing well, but much of the additional income being generated is due to oil activity.

In response to a question from Senator Oehlke, Mr. Koeser said it has been difficult to predict which areas are likely to experience substantial growth. He said representatives of the Oil and Gas Division would be in the best position to know where future development is likely to occur. He said it is very difficult to be proactive in addressing infrastructure needs.

Chairman Oehlke called on Mr. Monte C. Meiers, Director of Public Works/Engineering, Williston, for comments regarding infrastructure needs in Williston. Mr. Meiers said the city has grown from about 7 square miles to 21 square miles. He said the city has been using impact funds and sales tax funds for projects to expand the city's infrastructure. He said the original intent was to reserve sales tax funds for addressing existing infrastructure. However, he said, those funds are now being used for the new corridor projects. He said approximately \$183 million is earmarked for corridor projects that are transportation-related, and other projects such as waste water treatment will require nearly \$70 million dollars in additional funding. He said the first phase of a project bid during the spring resulted in only two bids being submitted. He said the low bid was from a company from Missouri and was approximately double the amount that was expected.

In response to a question from Senator Oehlke, Mr. Meiers said the design-build process is helpful for some projects. However, he said, the project bid in the spring would not likely have been any different under the design-build process. He said the timing of the bidding process was largely responsible for the high bids.

Mr. Meiers said the city can recapture funds invested on water and sewer projects but not on road projects. He said the city has avoided using special assessments for road projects. Because acquiring rights of way is more expensive, he said, the cost of road construction in Williston is higher than in other areas. He said drainage issues have also been a problem with some projects.

In response to a question from Senator Carlisle, Mr. Meiers said sewerlines placed in the 1950s were designed to be high capacity and have not had to be replaced. However, he said, the waste water treatment plant facility is at its maximum capacity, and the city is designing a new facility.

In response to a question from Representative Brandenburg, Mr. Meiers said it has been difficult to receive approval from the Army Corps of Engineers for the waste water treatment plant because the lines cross corps' levies. He said there have also been some issues in dealing with the United States Fish and Wildlife Service.

In response to a question from Senator Sinner, Mr. Meiers said although the 2011 flood did not substantially impact the water treatment plant, there have been some concerns due to high ground water.

Mr. Meiers said Williston has been working on road intersection projects and installing traffic signals, including temporary signals. He said the city has rented some portable signals at a cost of approximately \$100,000 for the summer. He said the Department of Transportation is upgrading some intersections and installing signals. He said there is a substantial need for signals at other intersections, and many roads do not have dedicated left turn lanes. He said it takes approximately two years to get federal aid for intersection and signal upgrades. He said the city needs approximately 10 permanent signals at a cost of \$1 million to \$4 million per signal.

Chairman Oehlke called on Mr. David Nicoletti, Mountrail County Highway Department, for comments regarding transportation infrastructure in Mountrail County. Mr. Nicoletti said he has been a resident of this state for about three years and has seen drastic changes during the time he has lived here. He said Mountrail County has

317 miles of county roads and 1,250 miles of township roads. He said the county maintains a significant portion of the township roads under agreements with the townships. He said the county has 94 miles of paved roads. He said the county paved 37 miles of roads during this construction season. He said gravel roads in the county have been impacted by the amount of truck traffic, and the roads are generally losing two inches to six inches of gravel per year. Because the cost of gravel is going up, he said, the county has increased its gravel placement budget from \$750,000 this year to \$2,000,000 next year.

Mr. Nicoletti said the county is regularly receiving requests from townships for road maintenance assistance. He said neither the townships nor the county have adequate funds to maintain the roads. However, he said, the county intends to add 20 miles of asphalt during the next construction season. He said the county also will reconstruct a bridge. Because bridges in the county are significantly underrated for the loads being hauled through the county, he said, it is challenging to route traffic through the county. He said the county is examining construction of a corridor to get from Highway 2 to Highway 23. Because tankers are having such a significant impact on the roads, he said, there is an extreme need for reconstruction, and the county is examining the possibility of requesting companies doing business in the county to share some of the cost of reconstruction. He said \$18 million in reconstruction is planned for the next year from a variety of sources, including impact funds and funds provided by companies doing business in the county.

In response to a question from Senator Oehlke, Mr. Nicoletti said he expects a steady rate of growth for 20 years. Therefore, he said, the county is just trying to keep up with the growth. He said the traffic between Minot and Williston goes through Mountrail County.

In response to a question from Representative Sukut, Mr. Nicoletti said the county has a five-year transportation plan and has traffic counts that show traffic is primarily routed on newly reconstructed roads. Therefore, he said, the amount of traffic on the newly reconstructed roads has doubled. He said the reconstruction is designed to handle the legal road limit for a 20-year service life. However, he said, a chip seal overlay is necessary after 10 years, and structural overlay will also be necessary during the service life. He said the cost of construction is approximately \$1.3 million per mile. He said the cost of gravel has increased to approximately \$6,000 per mile plus about \$2,000 for hauling the gravel.

In response to a question from Representative Hunskor, Mr. Nicoletti said he has received a substantial amount of feedback from oil companies regarding cost-sharing of road reconstruction. He said one company has contributed \$500,000, and representatives of another company are in discussions with the county which are encouraging. However, he said, representatives of the companies feel as if they are being double-billed because they are paying funds to the state and to the county.

In response to a question from Senator Wanzek, Mr. Nicoletti said the increased amount of traffic and road construction affects farmers, particularly during the harvest season. In addition, he said, load restrictions impact the agriculture industry.

In response to a question from Representative Brandenburg, Mr. Nicoletti said the county contracts with many of the townships in the county to perform road maintenance. In addition, he said, the oil industry has performed some maintenance for townships. He said many of the reputable companies work closely with the townships to aid in maintaining roads. However, he said, some companies will use township roads during the frost season to avoid restrictions on county and state roads.

Chairman Oehlke called on Mr. Grant Levi, Director, Department of Transportation, for a presentation (Appendix B) regarding transportation infrastructure in oil-impacted areas.

In response to a question from Senator Oehlke, Mr. Levi said oil that is shipped by rail usually needs to be transported by pipeline or truck to the rail line.

In response to a question from Representative Brandenburg, Mr. Levi said the Department of Transportation is facing challenges with crossing the river on the Highway 85 project and with the shutdown of the federal government. He said the department has submitted all of the documentation necessary for the environmental impact and will be installing wildlife crossings as part of the project. He said the wildlife crossings have added about \$5 million in cost to the project.

In response to a question from Senator Carlisle, Mr. Levi said the wildlife crossings are modeled after crossings in other states which have been shown to be utilized safely. He said the crossings are a cost of doing business and need to be part of the project design.

In response to a question from Representative Gruchalla, Mr. Levi said the department is generally seeing better participation on projects. He said the project in Williston that had only two bidders was negatively affected by the aggressive schedule and the time the bids were solicited.

In response to a question from Senator Oehlke, Mr. Levi said he can provide the committee additional information regarding the amount of loans outstanding from the rail loan program.

In response to a question from Representative Brandenburg, Mr. Levi said the rail loan program is designed to pay only a portion of a railroad rehabilitation project. He said a railroad company is responsible for a majority of the cost of a project.

In response to a question from Senator Campbell, Mr. Levi said the United States Department of Transportation will need to pay for projects for which it has made commitments, but the department does not have enough revenue for fiscal year 2015. He said there has never been a situation in which the federal highway trust funding could decrease to the point to which it is projected in 2015 if nothing is done to address the shortfall.

In response to a question from Representative Boschee, Mr. Levi said there is approximately \$12 million in federal funding available during the biennium for transit in the state.

Chairman Oehlke requested Mr. Levi to provide additional information at the next meeting of the committee regarding the Moving Ahead for Progress in the 21st Century Act (MAP-21).

Chairman Oehlke called on Dr. Denver Tolliver, Director, Upper Great Plains Transportation Institute, for a presentation ([Appendix C](#)) regarding the needs study of North Dakota roads and bridges.

In response to a question from Senator Campbell, Dr. Tolliver said he uses the Oil and Gas Division forecasts for wells in each county in making its projections regarding impact. In addition, he said, feedback from the industry is used in developing the projections. He said the existing ratio for oil going by pipeline was used as well as projections for determining road impact. Although the researchers use the latest data available, he said, sensitivity analyses are used and assumptions may be adjusted by a variety of factors, including changes in technology.

Chairman Oehlke called on Mr. Jon Mielke, Upper Great Plains Transportation Institute, for a presentation ([Appendix D](#)) regarding short line railroad grain shipments.

In response to a question from Senator Wanzek, Mr. Mielke said there is a significant amount of commodity, including fertilizer, that is being transported by the short line railroads.

In response to a question from Representative Brandenburg, Mr. Mielke said although a reduction in 200,000 truckloads statewide due to the use of the short lines may not seem significant, the reduction in road use due to short line railroads is more significant in certain areas.

Chairman Oehlke called on Mr. Steven Kjergaard, Airport Manager, Sloulin Field International Airport, Williston, to present information ([Appendix E](#)) regarding infrastructure needs for the Williston airport.

Mr. Kjergaard said the city examined the possibility of establishing a regional airport to the south, but suitable land was not available. He said it would take approximately \$350 million to expand the airport at its current site. He said establishment of an airport at a new site would cost approximately \$200 million. He said the airport runway pavement strength is not adequate at the airport, and the city has accepted responsibility from the Federal Aviation Administration for the runway. He said expansion at the current site would require the lowering of the west side of the airport property by about 40 feet. He said the city hopes to receive 50 percent of the funding needed for the construction of a new airport from the federal government over a 10-year period. He said the city can sell the current airport property which should be quite valuable. In addition, he said, the city has submitted a request for \$25 million of the funds provided by the 2013 Legislative Assembly for airports and hopes the state will provide another \$25 million during the next biennium.

has added day care services for its staff and has opened some spots for others in the community. In addition, she said, the Ray Public School District has added child care for some teachers and four of the five elementary schools in Williston now offer afterschool care. She encouraged the committee to keep child care needs in mind during the next legislative session.

In response to a question from Senator Oehlke, Ms. Molland said the lack of child care services is an economic development problem, and it is important to find ways to provide incentives for people to get into the business.

In response to a question from Representative Hunsaker, Ms. Molland said the cost of staffing a child care business is a big factor in the lack of availability of child care. She said there is often a revolving door for staff moving from one provider to another, and it is expensive to hire and train workers.

In response to a question from Senator Oehlke, Ms. Molland said Williston State College had a privately run day care on campus until about five years ago. However, she said, it was difficult for the center to keep staff.

In response to a question from Senator Wanzek, Ms. Molland said although employers are beginning to realize providing day care services is important for their employees, development of the services has been slow.

In response to a question from Representative Sukut, Mr. Keith Olson, Small Business Development Center, Williston State College, said he has worked with many day care providers over the last decade and is currently assisting the development of two day cares in the Crosby area. He said Watford City is building a large community-owned day care. However, he said, it has been difficult to attract large out-of-state day care providers to open businesses in the area. He said one problem in attracting the large out-of-state providers is adjusting to the regulations adopted by the Department of Human Services. He said large day care centers are often run like schools with excellent quality of care, but the state guidelines make it difficult to operate the facilities due to the high cost of labor. He said the lack of day care in the area may be reduced to a certain extent because many workers have not brought their families to the state and many spouses work split shifts to avoid the need for day care. He said the day care business is very difficult, and despite communities in the area being willing to provide incentives, it is difficult to attract providers. He said tax incentives and other state incentives are needed to attract the businesses.

STAFF DIRECTIVES AND MISCELLANEOUS MATTERS

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

Senator Carlisle said he would like to see additional information regarding employer-provided child care and information regarding whether the Three Affiliated Tribes are providing assistance for child care services from the additional oil revenue the tribes are receiving.

Representative Gruchalla said Mr. Lynn Helms, Director, Department of Mineral Resources, provided information to a committee regarding the life of an oilfield and the change in impact and transportation needs. He said an update similar to that presentation would be helpful.

Representative Brandenburg requested additional information from representatives of the short line railroads with respect to use of the railroad loan fund.

Senator Schneider said a joint meeting with the interim Taxation Committee might be helpful in examining different methods for allocating oil revenue.

Senator Oehlke said it may be helpful to invite finance directors from oil-impacted cities and counties to address the committee regarding financial issues faced by the political subdivisions.

In response to a question from Representative Boschee, Chairman Oehlke said the committee will continue to receive reports from the Housing Finance Agency regarding its housing study. He said he requested representatives of the Greater North Dakota Chamber to provide additional information regarding the requests submitted by the chamber to further study housing. However, he said, he did not receive a response, and it appears the representatives of the chamber are satisfied with what was previously discussed.

In response to a question from Senator Oehlke, Mr. Kjergaard said the large hangers at the airport are owned by the city. He said there are 15 privately owned hangers, and the city would compensate the owners of those hangers for relocation expenses when the new airport is constructed. He said the city will examine the desirability of allowing private hangers at the new airport facility.

CHILD CARE SERVICES STUDY

Chairman Oehlke called on Ms. Linda Reinicke, Child Care Aware of North Dakota, for a presentation (Appendix F) regarding the committee's study regarding child care services.

In response to a question from Representative Boschee, Ms. Reinicke said one potential solution to getting more parents and child care providers to take advantage of the child care assistance program would be to reduce or eliminate the gap in providing payments to providers. She said some states make the payments to providers in advance so the parent does not have to front the money to the provider. She said the child care assistance program does not pay enrollment fees or pay for time during which the child is not at the day care. She said the grants through the Department of Commerce will likely be distributed at one time rather than in phases.

In response to a question from Senator Oehlke, Ms. Reinicke said there is no limit as far as the size of a day care center so long as each group size remains within the applicable guidelines.

In response to a question from Senator Schneider, Ms. Reinicke said turnover in the child care business is high, in part, because providers often get into business when they have children at home and then leave the business once the children go to school. In addition, she said, the workforce in the child care industry is aging.

In response to a question from Senator Oehlke, Ms. Reinicke said turnover is especially high for the self-declared day cares.

In response to a question from Senator Carlisle, Ms. Reinicke said Native American children residing on reservations are represented in the child count, but the number of providers on the reservations is not reflected in the statistics listing the number of providers. She said there are likely about 30 licensed providers on the Fort Berthold Reservation and only 2 licensed providers on the Spirit Lake Reservation.

Senator Carlisle asked the Legislative Council staff to request the Department of Human Services to provide information regarding day care providers on reservations.

In response to a question from Representative Boschee, Ms. Reinicke said she can provide the committee with information from an economic impact study that was prepared about five years ago.

Chairman Oehlke called on Mr. Shawn Wenko, Williston Economic Development, for comments regarding the committee's study of child care services. Mr. Wenko said the Williston Economic Development agency commissioned a study that indicated over 1,000 spaces will be needed in Williston for child care. He said the lack of child care services is a significant economic development problem, and the study suggested there is a great need to focus on large-scale capacity day care centers. He said Williston Economic Development adjusted its incentive program to address the need for day care services, but there has not been much interest in utilizing those incentives. He said of the \$1.3 million invested in incentives for businesses in 2013, none was used for child care services. He said economic development officials continue to look for answers to the lack of interest in the child care business and to try to determine why large-capacity day care operators are not moving into the area to address the need for child care services.

In response to a question from Senator Carlisle, Mr. Wenko said large companies will likely add child care services to their businesses in the future. However, he said, the companies are addressing other problems first.

Ms. Kathleen Molland, Williams County Social Services, said the lack of child care services was beyond a crisis level a couple of years ago and has gotten worse as the area is losing providers. She said two group providers serving a total of 28 children recently closed, and she receives calls every day from parents looking for referrals to child care providers. She said she provides parents lists of providers and refers them to Child Care Aware of North Dakota. She said individuals often inquire about opening a child care business but generally do not follow through after receiving information about the business. On the positive side, she said, Neset Consulting Service in Tioga

Senator Sinner requested the Legislative Council staff to ask representatives of the Department of Transportation to report on road standards in other states and whether other states are exceeding material standards that are used in this state.

Chairman Oehlke said the committee can get an update regarding MAP-21 at the next meeting and may be able to arrange an update regarding discussions from the Western States Transportation Association.

Senator Sinner said additional information regarding allocations of oil production taxes from other states would be helpful.

Representative Sukut said 2011 House Bill No. 1358 had solid support as it was originally proposed until running into problems in the Senate. He said finance leaders from the oil-impacted counties may be able to provide the committee specific information regarding problems and needs so similar legislation can be considered in 2015. If the local leaders are able to justify and support their requests, he said, the legislation will have a better chance of being successful.

No further business appearing, Chairman Oehlke adjourned the meeting at 2:45 p.m.

John Bjornson
Assistant Code Revisor

ATTACH:6

#1b-1

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

ECONOMIC IMPACT COMMITTEE

Monday, November 18, 2013
Roughrider Room, State Capitol
Bismarck, North Dakota

SB 2281
1/26/15

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

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

Members absent: Senator George B. Sinner; Representative Bob Hunsakor

Others present: See Appendix A

It was moved by Representative Sukut, seconded by Senator Wanzek, and carried on a voice vote that the minutes of the October 8, 2013, meeting be approved as distributed.

TRANSPORTATION INFRASTRUCTURE STUDY

Chairman Oehlke called on Mr. Grant Levi, Director, Department of Transportation, for a presentation (Appendix B) regarding the committee study of transportation infrastructure.

In response to a question from Representative Klein, Mr. Levi said the 2.5 percent rate in the Tribal Employment Rights Ordinance agreement is negotiated with tribal governments and is done on a project-by-project basis. He said some states, including South Dakota, use a blanket rate for all projects. He said the Tribal Employment Rights Ordinance agreement provides training programs to help develop workforce for construction projects in tribal areas.

In response to a question from Senator Oehlke, Mr. Levi said 16 tribes are part of the department's tribal consultation process. He said the tribal safety programs are effective, and the department is working with tribal governments to get data to provide crash histories.

In response to a question from Representative Gruchalla, Mr. Levi said the law enforcement crash reports include a section that allows a law enforcement officer to include comments. He said it is not uncommon for law enforcement officers to contact the department with safety and engineering concerns on highways.

In response to a question from Senator Oehlke, Mr. Levi said Bureau of Indian Affairs funding for roads was based on tribal mileage. However, he said, some changes were made in Moving Ahead for Progress in the 21st Century (MAP-21), so population is also considered a factor now.

In response to a question from Representative Klein, Mr. Levi said it is difficult to make planning decisions for highways when there is uncertainty regarding whether federal funds will be available. He said the state received the last of the 2013 federal funding in August.

In response to a question from Senator Carlisle, Mr. Levi said representatives of the department will have to engage in discussions with members of the Legislative Assembly about how to address the potential drastic decrease in federal transportation funding in 2015. He said some states are funding transportation projects at the projected 2015 federal budget levels. However, he said, he is optimistic there will be a fix with respect to the federal funding.

Senator Carlisle said the state will need to be prepared to consider budgeting additional state funds to replace the reduced federal funding.

In response to a question from Senator Oehlke, Mr. Levi said the design-build bidding tool used in many other states has not been used here. He said the 2013 Legislative Assembly decided not to adopt legislation authorizing the use of that process. Although the department has pushed for the authorization of that process in the past, he

1b-2
said, changes in MAP-21 have allowed for quicker movement on projects. He said the state also has been able to move more quickly on state-funded projects, and the department is working through design stages at the same time as environmental reviews are being done to reduce the time it takes to prepare for the commencement of a project. Therefore, he said, design-build is not as urgent of a need as it may have been in the past.

In response to a question from Representative Brandenburg, Mr. Levi said if there are no changes in federal funding for 2015, the state would likely have to increase its funding. He said the state received \$680 million in federal funds for this biennium.

In response to a question from Senator Oehlke, Mr. Levi said representatives of the department participate in various national and regional groups that address highway design and standards issues.

Chairman Oehlke called on Mr. Richard McCloud, Chairman, Turtle Mountain Band of Chippewa Indians, for comments (Appendix C) regarding tribal transportation concerns.

In response to a question from Senator Carlisle, Mr. McCloud said he has not considered seeking a loan or entering an agreement with the Three Affiliated Tribes to obtain funding for Jack Rabbit Road. He said it is something he will discuss with the Chairman of the Three Affiliated Tribes. He said the Turtle Mountain Band of Chippewa Indians has a no-fracking law in place due to concerns with water resources. He said there appears to be potential for expansion of fracking into Rolette County.

In response to a question from Representative Brandenburg, Mr. McCloud said Jack Rabbit Road is classified as a Bureau of Indian Affairs road. He said the tribe has received no money for work on that road from the state.

In response to a question from Senator Oehlke, Mr. Ronald Trottier, Transportation Director, Turtle Mountain Band of Chippewa Indians, said the Bureau of Indian Affairs has not provided funding for Jack Rabbit Road. He said road funding for Bureau of Indian Affairs' roads, such as Jack Rabbit Road, comes from the tribal transportation program. He said funding for that program was based upon a formula with certain contingencies. He said the tribe receives approximately \$1.8 million annually for road funding under that program. He said the annual funding amounts are generally used for the tribal supplementary road maintenance program, and not much is available for reconstruction or construction. During the 1970s, he said, the Bureau of Indian Affairs narrowed road tops in an effort to save money.

In response to a question from Representative Brandenburg, Mr. Trottier said Jack Rabbit Road connects Dunseith and Belcourt. He said the construction of the road would cost about \$20 million.

In response to a question from Senator Wanzek, Mr. Trottier said county and township road funds are not used on Bureau of Indian Affairs' roads. He said upgrades have been made by the state to State Highway 5, which crosses tribal lands.

Mr. McCloud said federal sequestration hits the tribes significantly. He said tribes are likely to be impacted significantly again after January 15 when funding may be cut again. Once funding is cut, he said, it is never replaced. He said he has developed a plan to implement over the next five years, which would provide a percentage of gaming revenue to help create jobs to maintain roads in the future. However, he said, gaming revenue for tribes in sparsely populated areas is not significant. He said it is important to find funding to reconstruct Jack Rabbit Road due to safety concerns, and he will continue to search for solutions and funds that may become available.

Chairman Oehlke said he invited Mr. McCloud to give a presentation at this meeting to highlight the problem and to examine solutions to the problem.

In response to a question from Representative Beadle, Mr. McCloud said sequestration will likely result in reduced funding for the tribal transportation program.

Mr. Trottier said Bureau of Indian Affairs road maintenance funding has been cut significantly.

In response to a question from Representative Klein, Mr. McCloud said the money generated from registration of vehicles by the tribe is minimal and is likely not sufficient to fund a bike path.

Chairman Oehlke called on Mr. Brady Pelton, North Dakota Association of Oil and Gas Producing Counties, for a presentation (Appendix D) regarding oil tax distributions in North Dakota and in other states.

Mr. Pelton said the state is seeing an epic opportunity and will likely see oil production increase to over one million barrels per day. He said the oil production collections for the 2011-13 biennium were \$3.8 billion. He said the 5 percent gross production tax was established in lieu of property taxes.

In response to a question from Senator Oehlke, Mr. Pelton said Burke County will likely exceed \$5 million in gross production tax receipts during this next biennium.

In response to a question from Senator Carlisle, Mr. Pelton said the North Dakota Association of Oil and Gas Producing Counties will continue to advocate on behalf of its membership on the energy impact fund and the use of the gross production tax revenue. He said the funding formula is vital in establishing local budgets. He said an ongoing revenue source is needed, and it is important to know revenue projections for planning and bonding purposes.

In response to a question from Representative Brandenburg, Mr. Pelton said nine of the oil and gas-producing counties are over the \$5 million gross production tax receipt threshold. He said it is difficult to establish a cutoff line for funding purposes. He said school districts are seeing a significant impact and would like to see some relief of the strain, particularly for districts near the threshold.

Senator Wanzek said counties that are not oil and gas-producing counties are also feeling the impact of the energy boom. He said the Jamestown area has had two recent bank robberies, and the number of sheriff calls has more than doubled over a two-year period. He said much of the increase in crime can be attributed to the traffic through the area as a result of the oil development.

In response to a question from Senator Oehlke, Mr. Pelton said Alaska was not included in the comparison done in the Headwaters study because the oil extraction in Alaska is through conventional drilling.

In response to a question from Representative Becker, Mr. Pelton said the study addresses typical unconventional wells. He said the significant change in the Oklahoma revenue collection after four years may be due to incentives ending.

In response to a question from Representative Gruchalla, Mr. Pelton said there may have been a change in the tax rate in Montana after 2012. He said he will attempt to find additional information regarding the Montana tax rate.

In response to a question from Senator Oehlke, Mr. Pelton said the revenue allocations in this state are regressive with respect to the distribution to the local political subdivisions. He said the money is collected by the state and then allocated to the local governments. He said four of the seven states surveyed return a greater share of oil production tax revenues to local entities.

In response to a question from Senator Schneider, Mr. Pelton said it appears that Wyoming provides four times as much of the oil production tax revenues to local entities. He said the total amount of the tax returned to local entities in this state is about 11 percent, not including energy impact grants. He said the impact funds are not considered state funds. Including those funds, he said, approximately 15.7 percent of the total share of the gross production tax is allocated to local governments.

In response to a question from Senator Oehlke, Mr. Pelton said a statement of legislative intent regarding future funding would help provide some certainty to local governments with respect to future planning.

CHILD CARE AVAILABILITY STUDY

After a recess to tour the Missouri Valley YMCA child care facility, Chairman Oehlke reconvened the meeting.

Chairman Oehlke called on Mr. Kelvin Hullet, Bismarck-Mandan Chamber of Commerce, for a presentation (Appendix E) regarding child care availability in the Bismarck and Mandan area.

In response to a question from Representative Becker, Mr. Hullet said he will try to provide additional information regarding the survey results with respect to being able to attract and retain qualified employees.

In response to a question from Senator Oehlke, Mr. Hullet said there have been a couple of businesses that have examined the potential to open large day care centers in Bismarck. However, he said, the cost of construction and remodeling is very high in the community, and in one case there was opposition from the neighborhood the proposed center was to be located. He said no incentives have been offered to establish a large-scale day care center.

164
In response to a question from Representative Boschee, Mr. Hullet said some day care centers have closed due to the challenge of attracting employees and providing competitive wages.

Chairman Oehlke called on Ms. Carol Cartledge, Department of Human Services, for comments (Appendix F) regarding the committee study of availability of child care.

In response to a question from Representative Becker, Ms. Cartledge said the subsidy available for child care assistance for children attending child care centers is higher due to the higher cost of care. In addition, she said, the federal government encourages incentives for quality of care, which the day care centers generally provide.

In response to a question from Senator Carlisle, Ms. Cartledge said the computer system used by the Department of Human Services for child care assistance is approximately 30 years old. She said a new computer system will allow for online applications and administration. She said although there is funding in the Governor's budget for this biennium for an upgrade to the system, the system may not be ready for the next biennium. She said the data needed to generate child care assistance payments is entered at the county level.

In response to a question from Representative Boschee, Ms. Cartledge said paying a provider in advance is not prohibited by the federal government. She said the procedure is likely based upon past experience and the difficulty in having to collect overpayments. She said the child care assistance program is state-supervised and administered at the county level. She said the department can try to work with counties to look at methods to improve the payment process.

In response to a question from Representative Boschee, Ms. Jennifer Barry, Department of Human Services, said the department has ordered the closure of three day care centers in the last four years. She said the most recent closure in Mandan was due to a number of violations that were reported, including the ratio of staff to children, health and safety violations, substandard condition of the facility, and incomplete background checks. She said the department issued a notice to revoke the license of the facility and referred the facility to a child care consultant to attempt to help bring the facility into compliance. However, she said, the facility did not comply.

In response to a question from Senator Carlisle, Ms. Barry said 60 children were displaced when that center closed. She said the county child care office and Child Care Aware of North Dakota referred parents to openings in the community. Although it appears that most parents found spots for their children, she said, some of the solutions were likely temporary or informal providers, such as family or friends.

Chairman Oehlke called on Ms. Linda Reinicke, Child Care Aware of North Dakota, for a presentation (Appendix G) regarding the committee's study of availability of child care.

In response to a question from Senator Campbell, Ms. Reinicke said the economic impact study did not address the issue of the quality of care with respect to a child being placed in day care versus staying at home with a parent. She said studies have shown that child care centers provide a high quality of care. However, she said, a child care center generally is not a substitute for a parent. Nonetheless, she said, child care is needed when a parent must go to work or go to school. She said many European countries provide incentives for parents to stay home to care for children.

In response to a question from Senator Wanzek, Ms. Reinicke said although providing incentives to parents to stay home is an option, determining the goal to be achieved must take into consideration the reality in our country that women and men both work outside the home. She said no other state is facing the challenges faced in this state at this time with respect to the availability of child care. She said all options must be examined, but it is important to look at the problem that is existing now.

In response to a question from Senator Oehlke, Ms. Reinicke said although the brain is incredible in the way it can develop and can recover from injury or other events, it is important to lay a good foundation for children when the brain is in its developmental stage. She said through child care assistance programs, efforts are made to try to teach providers how to properly care for children.

In response to a question from Representative Becker, Ms. Reinicke said she will attempt to find additional information regarding child care capacity before 2009.

Representative Becker said 50 percent may not be the appropriate baseline when determining child care needs with respect to capacity. He said employee turnover is high throughout the area and throughout the spectrum of employment. He said \$10 per hour is the de facto minimum wage in Bismarck. Through the expansion of the child care assistance subsidies, he said, child care providers should be able to increase the wages paid to employees.

He said the child care availability crisis is similar to the problems being faced by most business models in the area and will likely work itself out in a few years. With the increase in personal income in the state, he said, parents and providers will likely be able to pay more.

Ms. Reinicke said capacity has been a problem for at least a decade and has worsened, particularly in energy-impacted areas. She said child care providers are not able to generate enough income and have a very narrow 2 to 3 percent profit margin. Because the only place a provider can go for additional money is the parents, she said, it is difficult to increase employee wages. Although there is additional money available through child care assistance, she said, parents and providers have been slow to access that funding. She said one barrier to the child care assistance program is the reluctance by parents to accept assistance. She said child care center directors fear increasing costs because those who do not receive child care assistance will also be affected by those increased costs. An additional problem with the child care assistance program, she said, is that the message going to parents is that the parents will have more money in their pockets, rather than fees will be increased.

In response to a question from Representative Boschee, Ms. Reinicke said representatives of Child Care Aware of North Dakota met with day care center directors and told them how important it is to raise fees. However, she said, the center directors are nervous about increasing fees.

Chairman Oehlke called on Mr. Wayde Sick, Department of Commerce, for comments (Appendix H) regarding child care grants.

In response to a question from Representative Laning, Mr. Sick said most grants awarded were for increasing child care center space. However, he said, some grants were provided for equipment.

STAFF DIRECTIVES AND MISCELLANEOUS MATTERS

Chairman Oehlke said the committee will likely meet again in January.

Senator Carlisle requested the Department of Transportation to provide a status report on highway projects at the next meeting.

Senator Wanzek requested the Legislative Council staff to provide information regarding tax credits available for parents and for providers which relate to child care.

No further business appearing, Chairman Oehlke adjourned the meeting at 3:20 p.m.

John Bjornson
Assistant Code Revisor

ATTACH:8

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

ECONOMIC IMPACT COMMITTEE

Monday, February 3, 2014
Roughrider Room, State Capitol
Bismarck, North Dakota

#1c-1

SB 2281
1/26/15

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

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

Members absent: Representatives Rick Becker, Gary R. Sukut

Others present: See Appendix A

It was moved by Senator Carlisle, seconded by Senator Schneider, and carried on a voice vote that the minutes of the November 18, 2013, meeting be approved as distributed.

HOUSING FINANCE AGENCY REPORT

Chairman Oehlke called on Ms. Jolene Kline, Executive Director, Housing Finance Agency, for comments (Appendix B) relating to the status of its inventory of government programs providing residential and commercial development assistance.

In response to a question from Chairman Oehlke, Ms. Kline said the inventory has not revealed overlaps in housing programs. She said multiple funding sources are generally needed for housing projects, and layering of funding sources helps keep rents affordable. She said there has been some stagnation with respect to availability of federal funds, and there is a potential that federal tax reform could negatively affect housing programs. She said there is a greater likelihood of reductions in federal funding than increases, and some federal programs require leveraging of state funds. She said the biggest concern of local lenders is equity funding, and there is a reluctance to provide long-term financing of housing projects.

Mr. Robert Humann, Chief Lending Officer, Bank of North Dakota, said banks in the western portion of the state are providing short-term financing for housing projects but are reluctant to provide long-term financing. He said the Bank of North Dakota flex partnership in assisting community expansion (PACE) program has \$12 million in interest buydowns for projects, and 25 percent of that funding has been requested. He said now that the program is firmly in place, there should be an increase in the volume of activity under that program.

In response to a question from Chairman Oehlke, Mr. Humann said one issue in the oil and gas counties is bankers dealing with out-of-state developers with whom there is not a prior business relationship. He said the banks are willing to make loans but prefer to lock in interest rates for 5 years to 10 years on apartment loans. He said the lack of long-term, low-interest financing affects cashflow and rents. He said in-state developers are likely to receive better terms due to the established business relationships and trust that has been established.

In response to a question from Representative Beadle, Mr. Humann said because the Federal Deposit Insurance Corporation (FDIC) allows banks to have a limited amount of loans in multifamily housing projects, banks in the western part of the state are selling the loans to the Bank of North Dakota, and the Bank is able to sell some of the loans to banks in the eastern portion of the state.

In response to a question from Senator Wanzek, Ms. Kline said the compliance division of the Housing Finance Agency works diligently to perform annual reviews and inspections of properties on which there are rent restrictions. She said it is more difficult to review the delivery of services that were promised to be provided for supportive housing which are outside of deed restrictions. However, she said, if a developer is not upholding those promises, the agency will not do further business with that developer.

In response to a question from Representative Boschee, Ms. Kline said she often hears concerns with respect to the cost of constructing single-family housing. She said one solution is developing programs or processes to help reduce land and infrastructure costs. Although the 2013 Legislative Assembly did not authorize the use of housing incentive funds to provide assistance to develop single-family housing, she said, there may be other options available. She said community land trusts have been shown to help affordability by eliminating land costs. She said a community land trust has been successful in Grand Forks, and other cities in the state are examining the potential for establishing such trusts.

CHILD CARE AVAILABILITY STUDY

Chairman Oehlke called on Ms. Tara Bitz, State Administrator, Early Childhood Education, Department of Public Instruction, for comments ([Appendix C](#)) relating to early childhood education.

In response to a question from Chairman Oehlke, Ms. Bitz said 51 school districts offer prekindergarten education. However, she said, not all the districts may be serving all of the eligible prekindergarten students. She said the programs are serving to capacity, and the number of students enrolled is dependent upon money and space.

In response to a question from Representative Hunskor, Ms. Bitz said the study the Superintendent of Public Instruction is required to conduct will identify areas of need. She said there are several factors involved in the provision of prekindergarten services, including availability of space and the availability of highly qualified teachers and staff.

In response to a question from Senator Sinner, Ms. Bitz said prekindergarten programs vary with respect to funding. She said the programs are provided in some communities at no cost while other programs are funded solely through tuition. She said some schools may use leftover kindergarten funds to support prekindergarten programs.

In response to a question from Senator Schneider, Ms. Bitz said there are many different models nationally for prekindergarten programs. She said the study being conducted by the Superintendent of Public Instruction will examine programs in other states. For example, she said, North Carolina has been very innovative with respect to prekindergarten education programs, and Iowa has developed programs successfully on a step-by-step approach.

Chairman Oehlke called on Ms. Jennifer Barry, Administrator, Early Childhood Services, Children and Family Services Division, Department of Human Services, for a presentation ([Appendix D](#)) regarding early childhood education. Ms. Barry also distributed information ([Appendix E](#)) regarding early childhood services revocations and information ([Appendix F](#)) regarding child care regulation and cost.

In response to a question from Representative Hunskor, Ms. Barry said there is not sufficient funding to expand the Bright & Early program to reach every child care provider. However, she said, there is enough funding to reach all the providers that want to participate in the areas in which the program will be implemented. She said the program is intended to be expanded to all counties of the state by the end of the biennium. If the program demonstrates good results, she said, the department will look to request additional funding for the program.

In response to a question from Chairman Oehlke, Ms. Barry said the Bright & Early program is designed to allow any early childhood program to participate. She said the program works for home child care and child care centers. She said quality early childhood education programs can happen in any child care environment.

In response to a question from Representative Brandenburg, Ms. Barry said many initiatives have been implemented to assist child care providers and parents. She said she is not aware of concerns regarding who is eligible for the various programs. Although all funding helps, she said, there does not seem to be enough funding to meet all needs.

In response to a question from Representative Boschee, Ms. Barry said there appear to be workforce issues with respect to the use of the child care assistance funds. She said the additional child care assistance funding was intended to help increase wages in the child care workforce. Although she is not aware of automatic per pupil funding models in early childhood programs, she said, that type of model likely would be more common within systems like the Bright & Early program, which provide additional accountability and associated financing options.

In response to a question from Senator Sinner, Ms. Barry said there are programs in other states and federal programs that help providers pay competitive wages for child care services. She said there is a federal competitive grant that is designed to help build workforce through education and professional development. She said some states help provide money to keep child care workers in the workforce and develop early childhood care as a career.

In response to a question from Chairman Oehlke, Ms. Barry said the Department of Human Services works to provide training programs and education to child care center directors to help expand the workforce for centers.

In response to a question from Senator Campbell, Ms. Barry said representatives of the Department of Human Services take concerns and complaints with respect to state regulations seriously and regularly ask questions of providers regarding barriers to doing business. She said the responses generally received indicate that the concerns have nothing to do with state licensing rules and often are due to local fire and building codes and rules. She said although the 2013 Legislative Assembly increased group sizes for child care programs, many cities do not allow more children in groups. During the last three years, she said, the department has adopted three rule revisions, which have generally reduced the stringency of regulations of providers.

At the request of Chairman Oehlke, Ms. Linda Reinicke, Program Director, Child Care Aware of North Dakota, provided information ([Appendix G](#)) regarding the committee's study of child care availability.

In response to a question from Chairman Oehlke, Ms. Reinicke said county social service agencies inspect self-declared day care operators once per year. Because the complaints regarding regulation are frequently the result of local regulations or federal laws, she said, the state should avoid further deregulating child care programs. She said the child care assistance and food programs are the programs that are paperwork-intensive. She said policymakers should keep an eye toward quality, and the Bright & Early program metrics will show increased quality of programs over time.

In response to a question from Representative Beadle, Ms. Reinicke said she will attempt to obtain additional information regarding the Louisiana tax credit program. She said recent proposals in this state to provide tax credits for businesses involved in child care have faced fiscal note problems. She said it is important to sell the need for businesses to invest in child care.

In response to a question from Senator Campbell, Ms. Reinicke said the Bright & Early program is designed to hold child care providers accountable. After an assessment of a provider is done, she said, the provider needs to increase the quality of care before receiving funds. She said it is important that the investment is accompanied by accountability.

In response to a question from Senator Schneider, Ms. Reinicke said she will look to see if there is any data from Louisiana regarding quality and child care access.

In response to a question from Representative Johnson, Ms. Reinicke said she will look for additional statistics that show the impact of quality child care. She said Child Care Aware of North Dakota will visit child care providers upon request and provide technical assistance. She said one center that received an assessment from Child Care Aware used funds provided by a city and grants from the Commerce Department to expand its facility and increased its quality of care significantly after the quality assessment.

In response to a question from Representative Hunsaker, Ms. Reinicke said although most providers want to do a good job, some need help to improve the quality of care provided. She said providers sometimes do not have the time, money, or knowledge needed to improve quality care. She said if the state can provide some funding to keep quality at a good level, businesses and parents can find quality providers.

TRANSPORTATION INFRASTRUCTURE STUDY

Chairman Oehlke said after the railroad oil car derailment incident in Casselton, he thought it would be important for the committee to receive information regarding state and local emergency response preparedness. He called on Mr. Greg Wilz, Director, Division of Homeland Security, Department of Emergency Services, for comments regarding the role of the Department of Emergency Services and local responders in addressing incidents, such as the one in Casselton. Mr. Wilz submitted information ([Appendix H](#)) describing emergency response in the state.

Mr. Wilz said in 2009 the Legislative Assembly endorsed the concept of regional capability response to manmade and natural disasters in the state with the expectations that federal homeland security funding would likely be decreasing. He said the state has built regional capability for law enforcement for bomb squads and SWAT teams. After that capability was established, he said, a focus was put on hazardous material response. He said the larger jurisdictions have been willing to send assets to assist smaller jurisdictions.

Mr. Wilz said the State Emergency Operations Center (EOC) was aware of the incident in Casselton within seven minutes after the incident occurred. He said the incident met a threshold that triggered the initiation of the EOC within minutes. As a result, he said, the Department of Emergency Services contacted state agencies that likely would be involved in the response. In addition, he said, a regional coordinator was dispatched to the site of

the incident, and the Highway Patrol was onsite within minutes. He said the EOC received requests for restrictions on the air space and for sand which were coordinated through the center. He said the EOC examines scenarios and plans for responses through various time periods and examines the health and human services needs in an emergency situation. He said the incident in Casselton occurred in an area in which the county resources were in place to respond. In addition, he said, an exercise relating to a similar incident was conducted only 12 days before the incident. However, he said, the incident was a wake-up call for emergency responders, and responders will continue to train and prepare based on the evaluations of the response.

In response to a question from Chairman Oehlke, Mr. Wilz said the local and regional responders operated well within the incident response system during the Casselton incident. He said one lesson learned was the state should have contacted officials in Minnesota and South Dakota sooner with respect to the potentially toxic plume. He said volunteer responders in rural areas are generally well-trained. He said the regional teams in larger cities are full-time emergency responders.

In response to a question from Representative Klein, Mr. Wilz said general issues with respect to radio communications systems have not been fully resolved. Although the equipment compatibility issues have been resolved, he said, training remains an issue to address. He said the radio systems are complex and training is needed, particularly due to large amounts of responder turnover in some areas.

In response to a question from Representative Gruchalla, Mr. Wilz said the dispatch response in Cass County was nearly textbook. He said there was a small delay in the first contact with the regional hazardous materials response, but the coordinated response was handled well.

In response to a question from Senator Sinner, Mr. Wilz said because of the amount of stress encountered by emergency responders in the western portions of the state, there are concerns with volunteer responders. He said emergency responders are examining methods through which additional responders can be recruited and trained. He said volunteers are aging, and it is important to recruit younger volunteers.

In response to a question from Senator Schneider, Mr. Wilz said the Department of Emergency Services is not responsible for addressing railroad safety. He said the department will provide its opinion on issues with federal agencies and transportation carriers, but rail safety is generally regulated by the federal government.

Chairman Oehlke said the discussion related to railroad safety is similar to issues faced by the Highway Patrol in trying to eliminate all accidents. He said if the Highway Patrol were to enforce every speed limit strictly and all other laws strictly, the public would not tolerate that level of enforcement. He said some things need to be fixed, but not all the fixes can happen at once. Senator Sinner said the Burlington Northern Santa Fe (BNSF) Railway is slowing trains down. However, he said, he is suggesting other ideas to address the lack of rail availability for grain producers. He said there is an agricultural crisis going on now.

Senator Sinner provided written testimony (Appendix I) regarding the committee study for transportation infrastructure.

Chairman Oehlke distributed a communication (Appendix J) received from representatives of the BNSF Railway.

Representative Brandenburg said it is important to look at the rail problems. In addition, he said, the Keystone XL Pipeline is needed. He said grain transport is pushed aside for oil transportation.

Senator Sinner said because there is no penalty for delivering grain cars late and the railroad contracts with elevators are one-sided, elevators and grain producers are at a disadvantage.

Senator Sinner requested Chairman Oehlke to allow Mr. Ervin Lee, Minot, the opportunity to present information (Appendix K) regarding a rail tank car flame suppression system concept.

Representative Gruchalla said the committee should request additional information from the BNSF Railway regarding safety issues.

Chairman Oehlke called on Mr. Grant Levi, Director, Department of Transportation, for a presentation (Appendix L) relating to highway funding.

In response to a question from Senator Carlisle, Mr. Levi said the Department of Transportation is planning for future years based on the federal government approving funding at approximately the current level. He said the department will address options to replace federal funding during the next biennium, if necessary, to offset a loss in

federal funds. Because it is possible decisions regarding federal funding will not be made until after the next legislative session begins, he said, state funding levels may have to be reevaluated during the legislative session.

In response to a question from Chairman Oehlke, Mr. Levi said right-of-way costs for highway construction vary greatly. He said the cost for a bypass in Williston reached \$165,000 per acre. He said the costs of acquisition along Highway 85 were approximately \$25,000 to \$30,000 an acre.

UNMANNED AIRCRAFT SYSTEMS REPORT

Chairman Oehlke called on Mr. Alan Anderson, Commissioner, Department of Commerce, and Mr. Robert Becklund, Director, Northern Plains Unmanned Aircraft Systems Test Site, Department of Commerce, for a presentation (Appendix M) regarding unmanned aircraft systems (UAS) test sites.

In response to a question from Representative Klein, Mr. Becklund said unmanned aircraft have many applications in the state, including use by energy companies to monitor pipelines and powerlines.

In response to a question from Senator Carlisle, Mr. Becklund said the failure of legislation under consideration during the 2013 legislative session, which would have regulated the use of unmanned aircraft, was beneficial in pursuing and being selected as a test site.

In response to a question from Chairman Oehlke, Mr. Becklund said there are no piloting regulations for unmanned aircraft. He said the state can be involved in the development of those standards because it has been selected as a test site.

In response to a question from Senator Campbell, Mr. Becklund said although six test sites were chosen, other applicants may contribute to research. He said being selected as a test site puts this state in a great position to influence the Federal Aviation Administration (FAA) with respect to technologies and training standards.

In response to a question from Senator Schneider, Mr. Becklund said it is easier to attract companies to do business in this state because it is easy to get things done. In addition, he said, there is excellent involvement from government and expertise at the University of North Dakota.

TRANSPORTATION INFRASTRUCTURE STUDY

Chairman Oehlke called on Mr. Dan Zink, Director of Administration, Red River Valley and Western Railroad, for comments regarding the committee's study of transportation infrastructure. Mr. Zink distributed information (Appendix N) regarding the rail system in the state. He said although there are only 7 large railroad companies in operation, over 500 small railroad companies operate in the country providing freight service. Because large railroad companies were having financial difficulties in the 1980s, he said, many short line railroads bought tracks from the large companies. He said the Red River Valley and Western Railroad was established in 1987, and other short line railroads began operation in the state shortly thereafter. He said approximately 40 percent of the track miles in the state are operated by short line railroads, which are primarily agricultural-based.

Mr. Zink said the Red River Valley and Western Railroad has used loans from the revolving loan program administered by the Department of Transportation almost every year to help finance the cost of rail line rehabilitation. He said the loans generally range from \$250,000 to \$1 million. Although the loans have helped replace wood crossties and rock ballasts, he said, the cost of replacing the rail is substantially higher. He said 60 to 70 percent of the rail needs to be replaced within the next 10 years to 15 years because the old rail is too light to support heavier loads and is too old. Therefore, he said, additional funds in the revolving loan fund are necessary to help replace the aging infrastructure, including providing funding for bridges.

In response to a question from Representative Johnson, Mr. Zink said new rail would likely last 50 years to 75 years.

In response to a question from Chairman Oehlke, Mr. Zink said although the typical size of a loan from the Department of Transportation is \$1 million, there is no formal limit on the amount of loans. However, he said, available funds are limited.

In response to a question from Representative Johnson, Mr. Zink said the loan fund likely has \$12 million to \$14 million, 50 percent of which is loaned out. He said the biggest concern facing short line railroads is the size of future rail rehabilitation projects and the availability of funding. He said the loan program is a low-risk program, which has never had a loan default. Although he would not want to jeopardize other Department of Transportation funding, he said, he would like to see an additional \$40 million be placed into the revolving loan program.

In response to a question from Senator Sinner, Mr. Zink said the terms of the loans are generally better than other sources because the Department of Transportation has determined that railroad rehabilitation is of strategic importance to the state.

In response to a question from Senator Campbell, Mr. Zink said representatives of short line railroads have not discussed the establishment of a loan program with the Bank of North Dakota because the revolving loan program has been in place and there does not appear to be a need to implement another program.

Representative Brandenburg said supplementing the loan program is important to help maintain rail infrastructure in the state so that more trucks are not put on the roads.

In response to a question from Senator Carlisle, Senator Sinner said the Bank of North Dakota is not authorized to make direct loans unless permitted specifically by law. He said most other loans through the Bank are done in conjunction with commercial banks.

Mr. Larry Jamieson, President, Northern Plains Railroad, said the three largest short line railroads in the state are in agreement with respect to the need for additional loan funds for railroad rehabilitation. He said the Northern Plains Railroad operates 375 miles of track in the state and is also at the point of needing to replace rail. He said 75 percent of the rail was rolled in 1905. Because of the age of the rail, he said, the railroad has reduced its speed and is operating shorter trains. In addition, he said, the railroad is inspecting its rail very carefully.

Mr. Mark Bazan, Assistant Vice President of Marketing, Dakota, Missouri Valley and Western Railroad, Inc., said the railroad operates 500 miles of track in the state, and the rail needs replacement. He said the state should help support the replacement of the infrastructure and provide funding for upgrading rail crossings.

Chairman Oehlke called on Dr. Denver Tolliver, Director, Upper Great Plains Transportation Institute, for a presentation (Appendix O) relating to the needs study of roads and bridges in the state.

In response to a question from Representative Brandenburg, Dr. Tolliver said although the needs assessment was not intended to address the amount of traffic taken off the roads by railroads, he will attempt to provide some information.

In response to a question from Representative Gruchalla, Dr. Tolliver said the needs study will address bridge replacement and rehabilitation and list traffic counts and detour distances if bridges are closed. He said the bridges will be ranked according to traffic and detour distance.

In response to a question from Chairman Oehlke, Dr. Tolliver said bridges are inspected once every two years and are rated based on the worst element. He said the inspections are done by field engineers. He said improvements to bridges are different from improvements to roads and it is difficult to rehabilitate bridges that have been rated as functionally obsolete.

Mr. Tim Horner, Program Director, Transportation Learning Network, Upper Great Plains Transportation Institute, said the load of bridges is measured on a structural analysis rather than the test used for roads. He said the analysis of bridges is very time-consuming, and a quicker method is to conduct regular bridge inspections.

Dr. Tolliver said the needs study will forecast which bridges will transition through ratings over time and will forecast deterioration into the future.

Chairman Oehlke said the next meeting of the committee will likely be in late March or April in Grand Forks.

No further business appearing, Chairman Oehlke adjourned the meeting at 3:10 p.m.

John Bjornson
Assistant Code Revisor

ATTACH:15

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

ECONOMIC IMPACT COMMITTEE

Wednesday, April 30, 2014
Hawk Room, Alerus Center, 1200 South 42nd Street
Grand Forks, North Dakota

#1d-1

SB2281
V26/15

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

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

Members absent: Senator Mac Schneider; Representative Nancy Johnson

Others present: Kylie Oversen, State Representative, Grand Forks
Senator Ray Holmberg and Representative Mark S. Owens, members of the Legislative Management, were also in attendance.
See Appendix A for additional persons present.

It was moved by Senator Carlisle, seconded by Representative Klein, and carried on a voice vote that the minutes of the February 3, 2014, meeting be approved as distributed.

Senator Holmberg welcomed the committee to Grand Forks. He said it is important for members of the Legislative Assembly to see there are infrastructure needs in the eastern portion of the state as well as oil-impacted areas. He said economic growth is occurring throughout the state which creates infrastructure needs statewide.

Mr. Dana Sande, City Council, Grand Forks, welcomed the committee to Grand Forks. He said the Mayor was unable to attend the meeting today and requested him to extend the Mayor's best wishes to the committee. He said the state and the Grand Forks region are poised to be leaders in the unmanned aircraft systems (UAS) industry. He said the support the Legislative Assembly and state leaders have provided for pursuing a test site for UAS is appreciated and has resulted in the state being selected as the first Federal Aviation Administration (FAA) test site.

UNMANNED AIRCRAFT SYSTEMS TEST SITE REPORT

Mr. Barry Wilfahrt, President/CEO, The Chamber Grand Forks and East Grand Forks, presented a report (Appendix B) regarding the Grand Forks Region Base Realignment Impact Committee.

Mr. Terry Sando, Unmanned Aircraft Systems Sector Senior Manager, Grand Forks Region Economic Development Corporation, presented a report (Appendix C) regarding the local, state, and federal partnership for UAS in Grand Forks and North Dakota.

In response to a question from Chairman Oehlke, Mr. Sando said the FAA does not allow commercial UAS use. Although there are people using unmanned aircraft, he said, it is not legal to do so for commercial purposes.

In response to a question from Representative Becker, Mr. Sando said the FAA asserts authority over the airspace from the ground to 50,000 feet. Under the hobbyist rule, he said, hobbyists are allowed to fly unmanned aircraft that are 55 pounds or less at a height of 400 feet or lower if the flight is done away from airports and on certain radio frequencies. He said the FAA is taking a restrictive approach to regulation but is taking some heat from administrative judges in some cases where the judges have invalidated penalties imposed by the FAA. He said there is some gray area with respect to the hobbyist rule.

In response to a question from Senator Carlisle, Mr. Sando said the Region Economic Development Corporation and the Northern Plains UAS partnership has a plan for proceeding with the test site and will be sharing its future plans and funding needs with the 2015 Legislative Assembly.

2
In response to a question from Senator Wanzek, Mr. Sando said UAS can provide more precise maps and data for agricultural purposes. He says the use of UAS can allow agricultural producers to regularly examine soils and crops, provide more precise assessments, and develop quicker analyses of soil and crop conditions.

Mr. Sando presented information ([Appendix D](#)) regarding the Grand Forks Air Force Base enhanced use lease initiative between Grand Forks County and the Grand Forks Air Force Base.

Mr. Klaus Thiessen, President and CEO, Grand Forks Region Economic Development Corporation, presented information ([Appendix E](#)) regarding the Valley Prosperity Partnership. He said the partnership is intended to be a long-term process leveraging resources and strengthening public and private sector partnerships. He said the partnership has retained a consulting team for support and has begun to set up working groups.

In response to a question from Senator Carlisle, Mr. Thiessen said the partnership has not engaged a lobbyist but will rely on its members to be visible during future legislative sessions.

Chairman Oehlke recessed the meeting, and the committee traveled to the Grand Forks Air Force Base for a tour of the facilities of the base which are associated with the Grand Sky Initiative and the enhanced use lease.

Colonel Paul E. Bauman welcomed the committee to the Grand Forks Air Force Base and provided the committee background information ([Appendix F](#)) regarding the Grand Forks Air Force Base and the use of UAS.

At the conclusion of the tour of the Grand Forks Air Force Base, Chairman Oehlke reconvened the meeting in the Hawk Room of the Alerus Center.

CHILD CARE STUDY

Chairman Oehlke called on Ms. Jennifer Barry, Administrator, Early Childhood Services, Children and Family Services Division, Department of Human Services, for testimony ([Appendix G](#)) regarding proposed federal requirements relating to child care standards and opportunities related to early childhood services.

In response to a question from Representative Boschee, Ms. Barry said obtaining the federal grants that are available will require broad collaboration with other state agencies and private and nonprofit entities. She said receipt of the grants and implementation of certain programs likely would require legislative approval.

In response to a question from Chairman Oehlke, Ms. Barry said the department has flexibility in working with employers that are seeking to provide onsite child care. She said the Legislative Assembly created an exemption for businesses to provide onsite child care that provides services for 10 or fewer children. She said the department has attempted to be flexible in allowing the use of parks within safe walking distance of child care facilities in lieu of onsite outdoor play space. In addition, she said, the Legislative Assembly authorized the replacement of outdoor play space with an adequate amount of indoor play space. She said she has not heard of any employers starting up onsite child care facilities, but employers have been expressing interest in doing so. She said some of the flexibility allowed by the department is affected by city ordinances that require outdoor play space.

In response to a question from Senator Wanzek, Ms. Barry said the proposed federal requirements could affect child care capacity. She said the department is looking at ways to minimize the impact where possible. She said the number of fingerprint background checks required could double under the federal proposal.

Chairman Oehlke called on Ms. Erica Kindem, Child Care Aware of North Dakota, for a presentation ([Appendix H](#)) regarding the Bright & Early North Dakota program.

In response to a question from Senator Sinner, Ms. Kindem said programs similar to the Bright & Early North Dakota program began in other states in the late 1990s. Because of the experiences in other states, she said, officials in this state can examine and implement what has been successful elsewhere.

In response to a question from Senator Sinner, Ms. Barry said the Department of Human Services has invested in the Bright & Early North Dakota program through appropriations provided by the 2013 Legislative Assembly. She said the appropriated funding has allowed the department to move from a pilot program to a statewide roll out of the program. She said it is expected that all counties in the state will have implemented the program by the end of the biennium. Because the amount of grants offered for each step in the program vary, she said, the amount of funding needed will depend upon the steps in the program at which providers are located. She said the incentives in the program grow as providers move up the quality ladder. She said a previous estimate of the amount of funding to implement the program was \$14 million.

In response to a question from Senator Campbell, Ms. Kindem said although the Bright & Early North Dakota program is for licensed child care facilities, the program goals can be used in all settings. She said the program is very flexible.

In response to a question from Representative Becker, Ms. Kindem said the child care industry is market-driven. She said there is a need to stabilize the industry to help child care businesses succeed long term and retain highly qualified staff.

In response to a question from Senator Wanzek, Mr. Thomas Hill, United Way of Cass-Clay, said the United Way of Cass-Clay began a Gearing Up for Kindergarten project. He said there is now statewide movement in that area, but there are not enough programs in place.

Mr. Hill said about 50 percent of the funds raised by the United Way of Cass-Clay are directed to child care. He said it is vital to be able to leverage those funds with private and state investments to provide early childhood development and allow children to succeed.

TRANSPORTATION INFRASTRUCTURE STUDY

Chairman Oehlke called on Mr. Allen Grasser, City Engineer, Grand Forks, for a presentation ([Appendix I](#)) relating to Grand Forks transportation infrastructure.

In response to a question from Senator Carlisle, Mr. Grasser said local governments lost flexibility with the Moving Ahead for Progress in the 21st Century (MAP-21) funding formulas. Unless congressional action occurs to provide highway funding, he said, there will be no money available in 2015. Because this is an election year, he said, some action likely will be taken by Congress to provide highway funding. Nonetheless, he said, the level of funding will likely be lower than the current amount. He said inflation is causing construction costs to rise significantly. Because of the growth of the oil industry in the western part of the state, he said, communities in the eastern part of the state are seeing support business for the industry develop.

In response to a question from Chairman Oehlke, Mr. Grasser said Grand Forks officials are looking at a multipronged approach to address the anticipated gap in funding available for local road infrastructure projects. He said taxpayers generally do not favor funding road projects through special assessments, particularly for roads that are not close to the residence of a taxpayer. He said city officials hope for some state assistance on the projects identified as regional projects. In addition, he said, the city is examining the feasibility of creating a street or transportation utility. However, he said, to do so may require enabling legislation from the state. He said city officials also are examining sales tax options. He said he has heard many comments questioning why local taxes should be increased at the same time the state has a significant surplus of funds.

Chairman Oehlke called on Ms. Mary Jo Crystal, Director of Finance/Administration, Grand Forks Regional Airport Authority, for a presentation ([Appendix J](#)) regarding the development needs of the Grand Forks Regional Airport.

In response to a question from Representative Brandenburg, Ms. Crystal said local airport authorities have historically worked well with representatives of the North Dakota Aeronautics Commission to prioritize airport projects. She said federal funding for airports has decreased, while airport needs in this state have increased significantly.

Chairman Oehlke called on Mr. Earl Haugen, Executive Director, Grand Forks - East Grand Forks Metropolitan Planning Organization, and Mr. Dale Bergman, Grand Forks Cities Area Transit, for a presentation ([Appendix K](#)) regarding Grand Forks area transit/pedestrian/rail infrastructure.

In response to a question from Chairman Oehlke, Mr. Haugen said there are plans to expand both off-road trails and on-road bike paths in the Grand Forks metropolitan area.

In response to a question from Chairman Oehlke, Mr. Bergman said about 9 percent of the cost of transit is covered by fares. He said bus fares in Grand Forks are \$1.50, compared with \$1.75 in Fargo and \$1.00 in Bismarck.

In response to a question from Senator Campbell, Mr. Haugen said Minnesota uses bonding authority to support transit programs. In South Dakota, he said, policymakers are looking at different revenue streams for transit.

Representative Brandenburg said with the amount of federal transportation funds declining, he is concerned over the amount of funds being used to construct bike paths.

4
In response to a question from Representative Gruchalla, Mr. Haugen said the use of public transportation reduces costs in other areas, including reducing the need for providing public parking and reducing traffic. He said investments in public transportation have proven to be worthwhile.

Chairman Oehlke called on Mr. Haugen and Mr. Keith Lund, Vice President, Grand Forks Region Economic Development Corporation, for a presentation (Appendix L) relating to Grand Forks regional rail transportation.

Mr. Lund said the oil activity in the western portion of the state has resulted in increased business activity in the Grand Forks region for companies serving the west. He said products related to oil development are loaded and unloaded in Grand Forks. He said there is a need to examine further development of secondary rail lines in the region.

Chairman Oehlke called on Ms. Sharon Lipsh, Superintendent of Highways, Walsh County, for a presentation (Appendix M) relating to rural and small cities transportation infrastructure needs in planning Region IV.

In response to a question from Chairman Oehlke, Ms. Lipsh said Walsh County is using the county's allocation of state road and bridge funds for three road repair projects. She said the county has been able to obtain funding for addressing one bridge per year, but that funding likely will be reduced to one bridge every three years. She said she prefers to have a choice of how to use the road and bridge funding so that the county can evaluate its needs and address priorities.

In response to a question from Representative Brandenburg, Ms. Lipsh said one factor in replacing a bridge is reviewing the connecting roads in neighboring counties to see if the project is viable.

In response to a question from Representative Gruchalla, Ms. Lipsh said Walsh County has lowered the weight rating on bridges to keep the bridges operational for lighter loads. She said three bridges in the county are limited to travel by cars and pickup trucks.

Chairman Oehlke said the committee will likely meet again in mid-June.

Senator Wanzek requested the Legislative Council staff to contact representatives of the Burlington Northern Santa Fe Railway Company to request a presentation regarding the lack of availability of railcars in the state.

No further business appearing, Chairman Oehlke adjourned the meeting at 4:40 p.m.

John Bjornson
Assistant Code Revisor

ATTACH:13

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

ECONOMIC IMPACT COMMITTEE

Wednesday, June 25, 2014
Roughrider Room, State Capitol
Bismarck, North Dakota

#1e-1
SB 2281
7/26/15

Senator Dave Oehlke, Chairman, called the meeting to order at 8:30 a.m.

Members present: Senators Dave Oehlke, Tom Campbell, George B. Sinner, Terry M. Wanzek; Representatives Thomas Beadle, Rick Becker, Joshua A. Boschee, Mike D. Brandenburg, Ed Gruchalla, Bob Hunsakor, Matthew M. Klein, Vernon R. Laning, Gary R. Sukut

Members absent: Senators Ron Carlisle, Mac Schneider; Representative Nancy Johnson

Others present: See Appendix A

It was moved by Representative Laning, seconded by Senator Sinner, and carried on a voice vote that the minutes of the April 30, 2014, meeting be approved as distributed.

TRANSPORTATION INFRASTRUCTURE STUDY

Mr. Grant Levi, Director, Department of Transportation, presented a report (Appendix B) relating to highway funding, road and bridge projects, and the North Dakota freight plan. He said the transportation spending amounts summarized in his presentation do not include county projects that have been bid separately. He said \$1.5 billion of the available \$2.3 billion has been used in the transportation districts in the western portion of the state. However, he said, there are more projects in the central and eastern portions of the state which are mostly preventative maintenance in nature. Although much of the county funding has not been distributed, he said, projects are underway and the funds will be distributed. He said there is a reason to be concerned with the federal funding situation, and there could be delays in payments from the federal government in August or September. He said he also is concerned with changes in federal funding philosophy which would shift from a formula approach to a greater investment in metropolitan areas.

In response to a question from Chairman Oehlke, Mr. Levi said although there likely will be delays in receiving federal funding this year, the state will eventually receive payments for obligations made for this year. He said the payments generally are received upon completion of the work. With no additional allocation in 2015, he said, the state would lose approximately \$240 million in federal funding during that year. However, he said, the department is continuing to plan as if the state will receive the federal funds. He said he believes the federal funding situation will be resolved.

In response to a question from Representative Hunsakor, Mr. Levi said the state will honor obligations to contractors that are working on projects. He said the delay in federal reimbursement likely will not be too long, and the state will attempt to leverage available funds to pay contractors.

In response to a question from Senator Sinner, Mr. Levi said the source of the funds in the federal highway trust fund is fuel and gas taxes. He said the tax rate has been the same since approximately 1993. Since 2001, he said, the cost of building a highway has increased about 12 percent per year in this state. He said tax collections have been affected by the use of more fuel efficient vehicles and the use of nontraditional fuels. As a result, he said, despite the increase in vehicle miles traveled, there has been a decline in the amount of revenue collected over the last decade. He said officials in Oregon have been examining alternative means of collecting fees to address miles driven by vehicles using nontraditional fuels.

In response to a question from Representative Brandenburg, Mr. Levi said there are options under state law to use the Bank of North Dakota to help the department meet obligations to contractors if there are assurances of federal reimbursement.

In response to a question from Chairman Oehlke, Mr. Levi said he was not certain if that type of payment flexibility exists to address projects with reimbursement from the Federal Emergency Management Agency.

2

In response to a question from Representative Gruchalla, Mr. Levi said the Oregon Legislature provided for a study to examine 5,000 drivers using different types of vehicles with the purpose of identifying alternative methods for transportation funding. He said this study will involve having a private sector vendor examine travel patterns rather than have the government track travel patterns by drivers. He said the department was approached with respect to participating in a similar study, and the department is considering options.

In response to a question from Representative Hunsford, Mr. Levi said 2013 House Bill No. 1358 provided \$280 million in funding for county road projects. He said the funding allocation provisions in the bill were based upon the needs study conducted during the previous interim by the Upper Great Plains Transportation Institute. He said the department works with counties to identify and help prioritize projects.

CHILD CARE AVAILABILITY STUDY

Chairman Oehlke called on Ms. Linda Reinicke, Child Care Aware of North Dakota, for a presentation (Appendix C) relating to activity resulting from 2013 child care legislation, the early childhood care system, and employer-supported child care. Ms. Reinicke said although the state has experienced increased child care capacity during the last 12 months, there is no easy method of capturing data regarding employer-provided child care. She said the adoption of an ordinance in Fargo which requires outside playtime for children in child care centers is an example of local government regulatory actions that affect the child care industry. She said the change in eligibility for child care assistance has not resulted in higher day care fees to support higher salaries in day care centers. She said center directors have been reluctant to increase fees for paying parents.

In response to a question from Representative Laning, Ms. Reinicke said the outside playtime ordinance in Fargo likely includes a requirement for minimal playtime even in extreme weather conditions. She said when she ran a day care center, she always tried to get the children fresh air on a regular basis even if it was for a short time. She said the ordinance in Fargo was promoted by the Cass County Public Health Department in part as a method to provide more physical activity for children and reduce obesity.

In response to a question from Representative Becker, Ms. Reinicke said although most of the child care assistance funding comes from the federal government, the state appropriated \$2.5 million in 2013 for this biennium to increase access to the assistance.

In response to a question from Senator Campbell, Ms. Reinicke said it would benefit the state if child care operators, Head Start programs, and prekindergarten programs could work together more closely.

In response to a question from Chairman Oehlke, Ms. Reinicke said she is unaware of any employer-operated child care programs outside the program operated in Tioga. She said many businesses and business owners lack the time and the capacity to provide onsite child care programs. However, she said, Child Care Aware of North Dakota is willing to help share information that would assist business owners in determining whether an onsite day care is feasible.

In response to a question from Representative Gruchalla, Ms. Reinicke said she is unaware of any cost analysis that has been done with respect to the cost of private school attendance beginning at the day care level.

Chairman Oehlke called on Ms. Shari Doe, Director, Children and Family Services Division, Department of Human Services, for testimony (Appendix D) regarding local ordinances affecting child care providers.

In response to a question from Representative Hunsford, Ms. Doe said she does not know what the \$525 special use permit required by Watford City covers. She said several cities have fees that cover inspections.

In response to a question from Representative Becker, Mr. Paul Kramer, Assistant Director, Fiscal Administration, Department of Human Services, said based upon current projections, the entire \$2.5 million appropriation provided by the 2013 Legislative Assembly for the child care assistance program will be spent during the biennium. He said the projections indicate that the funding for child care assistance may be approximately \$700,000 short at the end of the biennium.

Mr. Kramer reviewed a summary (Appendix E) of funding in 2013 legislation which relates to child care.

In response to a question from Senator Sinner, Ms. Maggie D. Anderson, Executive Director, Department of Human Services, said the change in the eligibility threshold for the child care assistance program was intended to bring more children into child care and also may have been intended to have the additional benefit of increasing salaries for child care employees.

In response to a question from Representative Sukut, Ms. Anderson said if a home day care is not licensed, the day care may not be eligible for participation in certain programs. In addition, she said, the operation of the day care is not monitored and background checks of caregivers are not required. She said there are many good home providers that are not licensed. She said if the department or a social service agency receives a complaint regarding a home day care operator, the complaint would typically come from a parent who has a child in the day care.

In response to a question from Representative Hunsaker, Ms. Doe said the nonlicensed home child cares will always serve a need. However, she said, the department has a concern with situations in which parents are so desperate for child care that they know nothing about a caregiver.

Representative Laning said it was his recollection during the 2013 legislative session the biggest emphasis for the change in the threshold for child care assistance was to retain day care staff with higher wages. He said he is disappointed that the change does not appear to have resulted in an increase in wages.

TRANSPORTATION INFRASTRUCTURE STUDY

Chairman Oehlke called on Dr. Denver Tolliver, Director, Upper Great Plains Transportation Institute, for a presentation (Appendix F) relating to county, township, and tribal roads and bridges infrastructure needs. Dr. Tolliver said the study has shown that there is an 18 percent increase in the estimated cost of needs for work on paved roads since the last study. He said the increase was partly due to the increase in construction costs. He said bridge investment costs also have increased slightly since the last study. He said the full report of the study will be complete by Tuesday, July 8, 2014. He said the institute will continue to study infrastructure needs and has received a request to look at the four major oil-producing counties more closely.

In response to a question from Senator Campbell, Dr. Tolliver said the study did not include an examination of the potential effect on roads and bridges of a proposal by commodity groups to allow an additional axle on trucks.

Mr. Tim Horner, Program Director, Transportation Learning Network, Upper Great Plains Transportation Institute, said he is not aware of any research on the potential effect of an additional axle. He said the effect on bridges would likely depend on the age of the bridge and the configuration of the axles.

In response to a question from Senator Sinner, Dr. Tolliver said the financial estimates in the report are based on 2014 dollars. He said there likely would be an increase in the costs for future years due to inflation, but inflation was not built into the cost estimates because of the unpredictability of costs.

In response to a question from Representative Brandenburg, Dr. Tolliver said the report suggests an option for reducing the backlog on bridge maintenance over a 10-year period.

Mr. Horner said it is difficult for county officials to prioritize bridge needs. However, he said, if the repairs are done incrementally, prioritization may be less difficult.

Dr. Tolliver said the institute can continue to look at bridge maintenance needs and provide information on prioritization.

In response to a question from Representative Becker, Dr. Tolliver said the needed expenditures during the first biennium are higher due to the backlog in repairs.

In response to a question from Senator Campbell, Dr. Tolliver said when determining whether to resurface or reconstruct a road, it is important to look at the soil conditions and the soil base. He said the cost of concrete construction is much higher than that of high-quality asphalt.

Mr. Horner said it is sometimes cheaper to reconstruct a road if the subgrade is poor.

In response to a question from Representative Sukut, Mr. Alan Dybing, Associate Research Fellow, Upper Great Plains Transportation Institute, said the estimates relating to oil-producing county roads changed significantly due to the increase in the number of oil wells. He said the study looks at the number of new oil wells being drilled each year, which is in the area of about 2,000. However, he said, the numbers are continually changing as technology changes.

Dr. Tolliver said the projections indicate that more oil will be moved by pipeline in the future.

In response to a question from Representative Brandenburg, Dr. Tolliver said the institute is working on a report relating to rail transportation in the state. He said a draft of the report should be available in August.

Chairman Oehlke called on Mr. Brian J. Sweeney, Regional AVP, State Government Affairs, Burlington Northern Santa Fe Railway, for comments regarding railroad infrastructure in the state and railroad safety. Mr. Sweeney said the issue of safely transporting crude oil by rail became a concern during the last year after the train accident in Quebec, Canada, and the derailment near Casselton. He said the rail industry has a strong safety record in this country and places an emphasis on safety. He said there has been an 80 percent reduction in the accident and incident rate. He said the Burlington Northern Santa Fe Railway Company (BNSF) is investing \$5 billion in capital improvements this year.

Mr. Sweeney said railroads generally do not own the tank cars. He said federal rules dictate what can be placed in tank cars, and it is the responsibility of the shipper loading the tank car to properly label the contents. He said BNSF adopted stronger standards than the federal standards with respect to tank cars and is examining proposals for building stronger tank cars. He said 60 percent of the tank cars in service carrying Bakken crude are newer tank cars that are built to higher standards. He said BNSF regularly inspects tank cars before departure and during use.

Mr. Sweeney said railroad tracks are built to federal standards, which determine the top speed. He said BNSF keeps the speed of oil cars lower than the federal standards. In addition, he said, BNSF inspects the track at a level above federal thresholds. After the crude oil rail accident in Canada, he said, BNSF adopted higher standards, including reduction of speeds and setting guidelines with respect to when a locomotive may be left unattended.

Mr. Sweeney said BNSF is continuing to increase community outreach with respect to local emergency response training. He said the company is working to accelerate the process for the adoption of federal mandates that help collision prevention. He said the company has placed trained emergency responders and emergency response equipment around the system, which are available to respond to accidents and hazardous materials releases. In addition, he said, the company provides a significant amount of training to local responders, including a scholarship program for emergency responders to go to a special training course in Colorado.

In response to a question from Representative Laning, Mr. Sweeney said along with regular digital inspections, routine visual inspections are done of the rails. Although reductions in speed affect productivity, he said, reductions are necessary in some circumstances to address track issues.

In response to a question from Representative Gruchalla, Mr. Sweeney said the United States Department of Transportation is working with the oil industry to determine the difference in volatility of Bakken crude and to determine appropriate placarding of the tank cars. He said BNSF concurs with the need to address those issues. He said the shipper is responsible for the proper labeling and loading of the product. He said the size of the tank cars is not a significant contributing factor in rail fatigue, and grain cars generally are heavier than the newer tank cars. He said the number of ton miles traveled affects the life of the rail.

In response to a question from Senator Sinner, Mr. Sweeney said about 20 percent of the \$5 billion investment being made by BNSF in 2014 is in the northern corridor, and about 10 percent of that is in North Dakota. He said it costs approximately \$2 million per mile to construct rail lines.

In response to a question from Senator Campbell, Mr. Sweeney said BNSF will own the new tank cars being developed.

In response to a question from Senator Sinner, Mr. Sweeney said BNSF is adding capacity to address the backlog of railcars for agricultural products. He said the surge in oil traffic last October, along with a late and compressed harvest, are factors in the backlog. In addition, he said, there has been growth in all commodity lines which also has contributed to the backlog. He said much of that growth has originated in North Dakota. In addition to those issues, he said, the harsh winter had a significant effect on the rail industry because the trains were required to go slower and have reduced length. He said the bottom of the backlog was hit in February, and it will take the rest of the summer to catch up. He said heavy rains in Minnesota and Iowa recently have affected traffic flow. Although the agricultural backlog has been a major concern, he said, the service problem has affected other traffic in the northern corridor. He said BNSF has added resources and capacity to address the problem. He said the federal Surface Transportation Board has been involved in the issue and has held hearings and is requiring the railroad to file regular reports regarding the backlog.

In response to a question from Representative Brandenburg, Mr. Sweeney said BNSF is bringing more locomotives into the state on a regular basis and is hiring people to address the service shortage. Although past-due orders are down by one-third, he said, the backlog on shuttle trains is still too high. He said the company is making progress, but the progress has not been fast enough.

Mr. Scott Rising, Legislative Director, North Dakota Soybean Growers Association, said he appreciates the investment the Legislative Assembly has made in the studies undertaken by the Upper Great Plains Transportation Institute. He said the studies are critical for the state, and he is thankful for the efforts of the Legislative Assembly and the Department of Transportation. He said there is a strong need for information to assist local decisionmakers and agricultural producers regarding the impact on roads due to increased use and the configuration of equipment. Although there is approximately a \$1 billion per biennium need for investment in roads and bridges, he said, the state is at approximately half that amount, and there may soon be the need to abandon some local roads without additional funding for repairs and maintenance.

Representative Brandenburg distributed a bill draft [15.0155.01000] that he had prepared which relates to the approval of local road remediation plans. He said townships are getting hammered with damage to roads due to development. Although he would like the committee to consider his bill draft, he said, he intends to introduce it regardless of whether the committee recommends it.

In response to a question from Representative Gruchalla, Representative Brandenburg said although the truck operators that were responsible for the road damage in his township were fined a few times for violating load restrictions, it is impossible to catch all the violators. He said his bill draft is similar to a bill draft introduced during a previous legislative session. He said the contractor in his township vowed to fix the damage done to the township roads. However, he said, because of the lack of a written agreement, the township had no ability to enforce that vow. He said the bill draft would require a written agreement.

Representative Gruchalla said it may be necessary to increase the fees for violating road restrictions to further discourage violators.

In response to a question from Representative Brandenburg, Chairman Oehlke said the committee does not necessarily need to recommend any bills relating to transportation infrastructure. He said the committee could forward a recommendation to the Governor to indicate its support for the findings and recommendations in the report of the Upper Great Plains Transportation Institute.

It was moved by Representative Brandenburg, seconded by Senator Sinner, and carried on a roll call vote that the committee agrees with the findings and recommendations in the Upper Great Plains Transportation Institute report and that the Governor be requested to consider the recommendations for funding in the report in the budget of the Department of Transportation for the next biennium. Senators Oehlke, Campbell, and Sinner and Representatives Beadle, Brandenburg, Gruchalla, Hunsakor, Klein, Laning, and Sukut voted "aye." Representative Becker voted "nay."

No further business appearing, Chairman Oehlke adjourned the meeting at 12:45 p.m.

John Bjornson
Assistant Code Revisor

ATTACH:6

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

ECONOMIC IMPACT COMMITTEE

Monday, September 29, 2014
Roughrider Room, State Capitol
Bismarck, North Dakota

#11-1
SB 2281
1/26/15

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

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

Members absent: Senator Terry M. Wanzek; Representatives Bob Hunsakor, Vernon R. Laning

Others present: See Appendix A

It was moved by Representative Klein, seconded by Senator Carlisle, and carried on a voice vote that the minutes of the June 25, 2014, meeting be approved as distributed.

TRANSPORTATION INFRASTRUCTURE STUDY

Mr. Grant Levi, Director, Department of Transportation, presented a report (Appendix B) relating to highway funding, road and bridge project progress, state strategic freight system for highways, railroad system infrastructure, and challenges facing the Department of Transportation (DOT). He said 2013 Senate Bill No. 2176, which provided highway construction funding immediately, allowed for a balance of the construction program and an early start. He said that has aided DOT in making progress, particularly in the western portions of the state.

In response to a question from Representative Klein, Mr. Levi said the United States Highway 85 project has four completed lanes between Watford City and Alexander. He said the portion between Alexander and County Road 16 should be completed this year, which will mean the project will be approximately two-thirds complete. He said the highway portion of the project between County Road 16 and Williston will be complete in 2015 and the bridge on that portion will be completed in 2016.

In response to a question from Senator Sinner, Mr. Levi said the United States Highway 85 project is utilizing all state funds and the bypass projects also are funded by state money. He said the federal highway process was followed with respect to the United States Highway 85 project because of the federal nexus involved with areas like wetlands. He said DOT has worked with several federal agencies to address environmental concerns.

In response to a question from Representative Gruchalla, Mr. Levi said the opportunity to use federal funds on those projects is no longer available after the state proceeded down the path of state funding.

In response to a question from Senator Campbell, Mr. Levi said some states have essentially eliminated 2015 construction due to concerns with respect to federal funding. He said DOT is proceeding as though federal funding will be available at the same level as this year. He said Congress will find a way to fund infrastructure.

In response to a question from Representative Brandenburg, Mr. Levi said funds received by DOT for safety and transit also are impacted by the lack of federal action. He said DOT will estimate the amount of likely federal funding for 2015, but may need to make adjustments in the estimates during the legislative session. He said it is difficult to plan with \$45 million when you are anticipating \$240 million.

In response to a question from Representative Becker, Mr. Levi said DOT received funding for the amount the department requested during the last legislative session. In hindsight, he said, DOT possibly could have used additional funding. However, he said, DOT puts forward a budget that department officials believe the department and the industry can deliver.

2
In response to a question from Representative Johnson, Mr. Levi said because economic conditions in other states may not be as positive as this state, contractors from around the country have sought jobs in North Dakota and have provided additional competition.

Mr. Levi said because of the dramatic growth in traffic in the western area of the state, DOT will focus on the four largest oil-producing counties to establish an integrated road system to move commerce. He said the goal is to complete that project before the 2015 legislative session.

In response to a question from Chairman Oehlke, Mr. Levi said DOT attempts to work closely with tribal officials on road projects within reservations. He said there have been occasions in which tribal governments have changed positions and DOT generally has been able to work through those changes on the projects. He said the Three Affiliated Tribes is examining the potential for creating its own transportation department. He said all highway projects depend on relationships and DOT has been successful in working with all of the entities involved.

Mr. Levi said DOT is required to develop a state rail plan. However, he said, DOT has little jurisdiction over the rail industry.

In response to a question from Senator Campbell, Mr. Levi said if the Legislative Assembly added additional resources to the railroad loan program, DOT would be capable of managing the additional loans. He said the railroad loan program was designed to support rail service in an effort to get commodities off the roads. He said DOT generally performs a cost-benefit analysis on proposed projects before funding any project.

Representative Brandenburg said the short line railroads need to upgrade rail. He said the railroad loan program would be a good program to consider expanding.

In response to a question from Representative Becker, Mr. Levi said the railroad loan program has been successful and he is unaware of any defaults on loans. He said the large projects that have a term of 10 years at zero percent interest are usually funded by other loans to the extent of about two-thirds of the total project cost.

In response to a question from Senator Sinner, Mr. Levi said the intent of the federal funding that was the source of the railroad loan program was to assist in promoting industries vital to the state. Although the Bank of North Dakota could administer the program, he said, banks generally require a more extensive process to demonstrate collateral that the short line railroads may not have. He said DOT is primarily interested in ensuring there is an appropriate benefit to the transportation infrastructure of the state.

Senator Campbell said the state must continue to support short line railroads in rural areas. He said those railroads are providing service where the large railroads abandoned lines.

In response to a question from Representative Johnson, Mr. Levi said the railroad loan program fund has grown beyond the initial \$13 million investment as a result of the collection of interest on the loans. He said the fund is almost entirely loaned out, but DOT is receiving requests for loans and prioritizing the loans. He said DOT entered an agreement with the Upper Great Plains Transportation Institute to examine short line railroad needs. He said the study is still being conducted, but a report likely will be completed by the 2015 legislative session.

In response to a question from Senator Sinner, Mr. Levi said there is no incentive to repay a zero percent loan early.

Senator Sinner said if the Bank of North Dakota administered the program, the Bank may be able to provide incentives for early repayment.

In response to a question from Representative Gruchalla, Mr. Levi said DOT is working to address problems regarding salaries and retaining and hiring employees.

EMERGENCY SERVICES COMMUNICATIONS COORDINATING COMMITTEE REPORT

Mr. Jerry Bergquist, Chairman, Emergency Services Communications Coordinating Committee, presented testimony ([Appendix C](#)) regarding the biennial status report ([Appendix D](#)) of the Emergency Services Communication in the state.

In response to a question from Chairman Oehlke, Mr. Bergquist said he will work with representatives of the North Dakota Association of Counties to find sponsors for the legislation proposed in the report.

It was moved by Representative Gruchalla, seconded by Representative Johnson, and carried on a roll call vote that the committee accept the report of the Emergency Services Communications Coordinating Committee as required by North Dakota Century Code Section 57-40.6-12. Senators Oehlke, Campbell, Carlisle, Schneider, and Sinner and Representatives Beadle, Becker, Boschee, Brandenburg, Gruchalla, Johnson, Klein, and Sukut voted "aye." No negative votes were cast.

CHILD CARE AVAILABILITY STUDY

Chairman Oehlke called on Ms. Carol Cartledge, Director, Economic Assistance Policy Division, Department of Human Services, for a presentation (Appendix E) relating to child care assistance program eligibility.

In response to a question from Representative Boschee, Ms. Cartledge said the Department of Human Services (DHS) has partnered with Child Care Aware of North Dakota to help provide information regarding the child care assistance program to child care providers. She said the intent of the partnership is to provide information to providers who can share that information with families that may be eligible for child care assistance.

Representative Boschee said DHS should consider targeting its outreach efforts to certain counties where the need is the highest.

Chairman Oehlke called on Ms. Jennifer Barry, Administrator, Early Childhood Services, Children and Family Services Division, Department of Human Services, for a presentation (Appendix F) regarding child care capacity and efforts to recruit licensed child care providers. Ms. Barry demonstrated a home child care provider recruitment video that DHS produced in partnership with the Department of Commerce.

In response to a question from Representative Boschee, Ms. Barry said the Bright and Early program provides financial incentives to child care providers to progress through the ratings steps. She said the 2013 Legislative Assembly provided \$1 million to DHS for incentives. In addition, she said, DHS has used other funds to expand the program and allow movement to the first two steps in the program. She said she hopes that the Department of Public Instruction study being undertaken and the efforts of this committee may aid in the future expansion of the Bright and Early program. She said federal child care legislation is likely to result in the reauthorization of child care block grants, as well as implementation of other regulations such as expanded criminal background checks. Although the federal legislation may include some additional money available to the state, she said, she is unsure what the result will be.

Senator Carlisle said DHS should consider implementing efforts to streamline the paperwork process for the child care assistance program.

TRANSPORTATION INFRASTRUCTURE STUDY

Chairman Oehlke called on Ms. Julie Fedorchak, Commissioner, Public Service Commission, for comments regarding pipeline infrastructure in the state for the transport of crude and gas. She said oil imports have dropped over 15 percent due to development in North Dakota and in 2015 the United States has become the largest oil-producing country in the world. She said pipelines are the most efficient and environmentally sound way to transport crude. In July, she said, 34 million barrels of crude were moved by pipeline and 40 million cubic feet of gas was moved by pipeline. She said there are approximately 20,000 miles of gathering and transmission lines for gas and crude in the state.

Ms. Fedorchak said the crude pipeline capacity in the state in 2014 was 783,000 barrels per day. She said the capacity is projected to increase to 1.5 million barrels per day in 2016. She said there are three large projects that are proposed or are in the permitting process. She said the Enbridge Sandpiper project would move 225,000 barrels per day from Tioga to Superior. She said the state permitted the project in May, but the permits from the Minnesota Department of Commerce and Public Utilities Commission are still under consideration. The Energy Transfer Partners project would move 320,000 barrels per day or 1,100 miles from the Bakken region to Illinois. She said the application for that project has not yet been submitted. Another proposed project for which an application has not been submitted, she said, is the Enterprise Products project. She said that project would move approximately 340,000 barrels per day from the Bakken, and that amount could be increased up to 700,000 barrels per day with additional pressure. She said that project, if completed, could have the capacity to transport a variety of products.

Ms. Fedorchak said the capacity to transport crude by rail in the state in 2014 was about 1.1 million barrels per day. She said the capacity is expected to increase to 1.3 million barrels per day in 2016. She said the total transport capacity in the state has increased from 1.9 million barrels per day in 2014 to 2.9 million barrels per day in anticipated capacity in 2016. If the proposed pipelines are approved and constructed, she said, the pipeline capacity would be about 1.5 million barrels per day.

Ms. Fedorchak said jurisdiction for oversight of pipelines is shared among the Public Service Commission (PSC), the Industrial Commission, the State Department of Health, the Federal Energy Regulatory Commission, and the federal Pipeline and Hazardous Materials Safety Administration (PHMSA). She said the regulatory system has developed over many decades and is organized by regulatory agency with primary jurisdiction. She said jurisdiction is determined by the type of pipeline, where the pipeline operates, and the regulatory issue. She said jurisdiction for gathering pipelines rests with the Industrial Commission and with PHMSA. She said there is no formal siting process for gathering lines. She said the 2013 Legislative Assembly adopted legislation that requires companies to provide an affidavit describing the construction of a pipeline, and global positioning system information and mapping is collected and maintained by the Oil and Gas Division. She said safety monitoring is conducted by the Industrial Commission and PHMSA. With respect to in-state transmission lines for crude and gas, she said, the PSC has siting jurisdiction. She said crude gathering lines are defined as the line until the first place of storage and where pressure is added for further transmit. She said gas transmission lines are defined as gathering lines until the gas is processed and shipped for consumer use. In addition to siting jurisdiction, she said, the PSC has jurisdiction for safety on in-state gas lines. Although in-state crude transmission is currently the responsibility of PHMSA, she said, the PSC is seeking jurisdiction through legislation that will be proposed to the 2015 Legislative Assembly. She said the PSC collects and tracks geographic information system files from all jurisdictional pipelines and PHMSA has a national pipeline database that tracks all lines. She said the PSC will need experienced staff for inspections if it gains jurisdiction of in-state crude transmission lines.

Ms. Fedorchak said the PSC is receiving requests to permit gathering lines as transmission lines. She said the PSC has approved two of the four requests and the other two remain under consideration. She said it is kind of a backwards process to permit a line that is already in the ground, and that will likely be an issue for discussion in the 2015 legislative session. She said there are different siting requirements for the two types of lines, particularly with respect to proximity to homes and other structures, such as schools.

In response to a question from Senator Schneider, Ms. Fedorchak said when the PSC seeks jurisdiction from PHMSA, it will act on behalf of the federal agency and the jurisdiction of the PSC would not be supplemental.

Ms. Fedorchak said the Industrial Commission has jurisdiction over saltwater lines. She said the Industrial Commission and the PSC each have information regarding an inventory of all lines and are continuing to develop the inventory. She said she is unsure if a public website is available which shows all identified lines. She said the PSC and the Industrial Commission need to assess the best use of resources with respect to monitoring, inspection, and siting with effective construction.

In response to a question from Representative Gruchalla, Ms. Fedorchak said the PSC had three public hearings with respect to the placement of the Sandpiper Pipeline under the Red River. She said the PSC evaluated documents for several months and several changes in the project were made as a result of that evaluation. She said the PSC considered whether it would be safer and more effective to cross underneath the river or with a bridge over the river. She said experts were nearly unanimous in recommending that it would be safer to place the line underneath the river. She said officials from the City of Grand Forks signed off on the location and the placement under the river.

Ms. Fedorchak said the PSC has jurisdiction over reclamation of land and returning the land to a state similar to which it was prior to construction of pipelines. She said landowners have expressed concerns with companies not properly restoring the land.

Ms. Fedorchak said there is great potential to use unmanned aerial vehicles for monitoring pipeline construction and reclamation. She said the unmanned aerial vehicles can be an effective tool in monitoring pipelines for safety issues.

Ms. Fedorchak said there are 89 communities in the state with gas service and 368 communities without service. She said additional gas pipelines would bring potential to spread gas service to unserved areas and it is important to examine programs that may assist in expanding service. She said there is a potential new pipeline that would provide service to the Cenex Harvest States facility being proposed to be built near Jamestown and another pipeline under consideration by Montana Dakota Utilities that would expand service by that company.

In response to a question from Representative Gruchalla, Ms. Fedorchak said the addition of new gas lines would provide needed redundancy to guarantee uninterrupted service.

NORTH DAKOTA ECONOMIC DEVELOPMENT FOUNDATION REPORT

Chairman Oehlke called on Mr. Bill Shalhoob, North Dakota Economic Development Foundation, for a presentation ([Appendix G](#)) of the report of the North Dakota Economic Development Foundation regarding progress

made toward recommendations provided as part of the 2020 and Beyond Initiative as provided by 2013 Senate Bill No. 2018.

In response to a question from Representative Becker, Mr. Shalhoob said he is cautiously optimistic the Find the Good Life campaign will be effective. He said metrics have been devised to measure the effectiveness of the campaign, which include examining in-migration in targeted areas. He said one issue of concern is affordable housing.

Mr. Justin Dever, Manager, Office of Innovation and Strategic Initiatives, Department of Commerce, said the goal of the campaign is to enhance in-migration. He said the department looks at the number of unique visitors to websites associated with the campaign and the number of resumes posted on the Job Service North Dakota jobs website. He said there are good signs as far as increased activity. However, he said, it is important to see if that activity leads to in-migration.

Representative Becker said credit for in-migration is hard to attribute to any source without surveying new residents. He said it may be necessary to ask new residents of the state what brought them to the state.

Mr. Dever said he is not sure to what extent a survey could be conducted. He said the department is holding job fairs and is seeing increases in inquiries as a result of those events. He said it is important for the businesses investing in the effort to see value in that investment.

Senator Campbell said the worker shortage is a serious crisis throughout the state. He said Canada is way ahead of this country with respect to addressing problems in getting permanent immigrants.

Representative Boschee questioned the appropriateness of spending time and resources on the Find the Good Life campaign when there are 25,000 families in the state dependent on food stamps. He said it may be more effective to focus on reskilling workers.

Mr. Shalhoob said workforce training programs have seen significant increases in funding. However, he said, additional funding for education and training is needed.

In response to a question from Senator Schneider, Mr. Shalhoob said the Economic Development Foundation is recommending the housing incentive fund be increased to \$60 million for the next biennium. He said he is unsure of a solution to address the lack of child care services in the state. Although there must be a focus on quality and space, he said, the focus of the foundation will likely be more on increasing space and making programs more affordable. He said it is necessary to make the child care business profitable and to encourage companies to provide onsite child care.

Senator Schneider said quality and quantity must be taken together in addressing availability of child care. He said it may be necessary to look at incentives other than tax credits to encourage businesses to provide onsite child care. He said space and liability issues must be addressed.

It was moved by Senator Sinner, seconded by Senator Carlisle, and carried on a roll call vote that the committee accept the report of the Economic Development Foundation. Senators Oehlke, Campbell, Carlisle, Schneider, and Sinner and Representatives Beadle, Boschee, Brandenburg, Gruchalla, Johnson, Klein, and Sukut voted "aye." No negative votes were cast.

CHILD CARE AVAILABILITY STUDY

Chairman Oehlke called on Ms. Linda Reinicke, Child Care Aware of North Dakota, to present information ([Appendix H](#)) regarding assistance available to individuals and businesses starting a licensed child care business. She said a webpage has been developed to help promote child care as a business. She said the goal is to promote the webpage as a landing place for all issues related to starting a child care business. She said child care providers are sometimes confused by what is expected by the state and local authorities. She said the information on the webpage addresses the expectations of state agencies.

In response to a question from Senator Carlisle, Ms. Reinicke said Child Care Aware of North Dakota worked with DHS on developing the video demonstrated by Ms. Barry. She said Child Care Aware of North Dakota is working with DHS to help make licensing easier.

In response to a question from Representative Boschee, Ms. Reinicke said it is not easy to separate quantity from quality when looking at child care. She said it is important for the state to continue efforts to fund quality facilities. She said the Bright and Early program provides voluntary standards to improve quality of care. If the

6
quality initiative is funded, she said, money will be available to help businesses, including the implementation of onsite child care facilities. She said wages in the child care industry are not competitive. She said business and provider tax credits could help to encourage more child care businesses.

AFFORDABLE HOUSING

Chairman Oehlke recognized Ms. Barbara Vondell who provided comments (Appendix I) regarding affordable housing issues in Williston and Williams County.

Representative Sukut thanked Ms. Vondell for the work she has done to bring the issue of affordable housing to light. He said the housing incentive fund has worked, but more money is needed. In addition, he said, the guidelines for use of housing incentive funds may need to be refined. He said the problems addressed by Ms. Vondell need to be addressed right away. He said part of the solution is to find local funds to help senior citizens with housing costs.

Ms. Vondell said she has been working with others to organize fundraising events to help raise money to subsidize rent.

SECRETARY OF STATE CENTRAL INDEXING SYSTEM REPORT

At the request of Chairman Oehlke, Committee Counsel distributed correspondence (Appendix J) from Secretary of State Alvin A. Jaeger regarding certification that the information technology components of the electronic filing system will be ready for implementation before August 1, 2015, as required by 2013 House Bill No. 1136 and 2013 House Bill. No. 1015.

It was moved by Representative Johnson, seconded by Senator Schneider, and carried on a roll call vote that the committee accept the report of the Secretary of State. Senators Oehlke, Campbell, Carlisle, and Schneider and Representatives Beadle, Boschee, Brandenburg, Gruchalla, Johnson, Klein, and Sukut voted "aye." No negative votes were cast.

It was moved by Representative Klein, seconded by Representative Sukut, and carried on a voice vote and the Chairman and the Legislative Council staff be requested to prepare a report and to present their report to the Legislative Management.

It was moved by Senator Carlisle, seconded by Representative Gruchalla, and carried on a voice vote that the committee be adjourned sine die.

No further business appearing, Chairman Oehlke adjourned the meeting sine die at 12:55 p.m.

John Bjornson
Code Revisor

ATTACH:10

Senate Finance and Taxation Committee – SB 2281

January 26, 2015

Chairman Cook and Members of the Committee,

I am Linda Reinicke, Program Director for Child Care Aware in western ND. Child Care Aware helps parents find child care, trains child care staff, and provides technical assistance to child care businesses. The ND Department of Human Services contracts with Lutheran Social Services of North Dakota to deliver Child Care Aware services in western ND and Lakes & Prairies Community Action in eastern ND. Our agencies work together to offer consistent services and reliable child care data.

To put SB 2281 into context of the child care industry, I want to share data on ND's child care industry, the supply and the demand and the workforce.

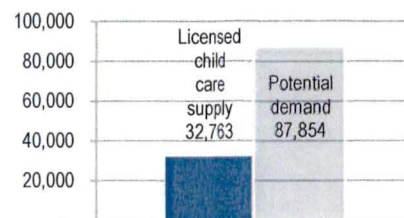
Child Care Supply and Demand Data. Today, in ND, 1,348 licensed child care programs collectively care for 28,873 children. Please note that in child care, the facility becomes licensed, not the individual—a reverse from the school system.

| State-Licensed Child Care Programs (2014) <i>Child Care Aware of ND data</i> | Licensed Private Residences | Licensed Facilities | Total |
|--|-----------------------------|---------------------|--------|
| Number of Programs | 1,079 | 269 | 1,348 |
| Licensed Capacity | 13,030 | 15,843 | 28,873 |
| Reported Size of Workforce | 1,403 | 3,316 | 4,719 |

A page 2 provides an overview of child care in ND—the number of programs, their capacity and the size of the workforce.

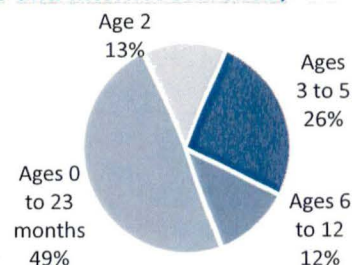
Children Potentially Needing Child Care

| | 0-2 yrs | 3 yrs | 4-5 yrs | 6-12 yrs | Total |
|--|---------|-------|---------|----------|---------|
| Children in State by Age ¹ | 27,529 | 9,324 | 18,511 | 58,045 | 113,409 |
| % of Children Ages 0 to 5 with All Parents in the Labor Force ¹ | | | | | 73.8% |
| % of Children Ages 6 to 13 with All Parents in the Labor Force ¹ | | | | | 80.9% |
| Children Ages 0 to 5 potentially needing child care due to parents in workforce | | | | | 40,883 |
| Children Ages 6 to 12 potentially needing child care due to parents in workforce | | | | | 46,970 |
| Capacity of state-licensed child care programs (family, group, center, school-age ³) | | | | | 32,763 |
| Current Child Care Assistance Program Recipients Age 0-13 ¹ | | | | | 4,381 |
| Percent to which supply meets potential demand | | | | | 37% |



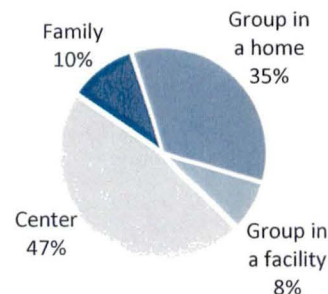
Referral Requests (July 2013 to June 2014, includes Child Care Aware® phone inquiries and internet searches)

| | |
|--|-------|
| Total children needing care as requested through Child Care Aware® | 7,198 |
| Ages 0 to 23 months | 3,488 |
| Age 2 | 963 |
| Ages 3 to 5 | 1,871 |
| Ages 6 to 12 | 876 |
| Total children needing care before 7:00 a.m. | 808 |
| Total children needing care beyond 6:00 p.m. | 406 |
| Total children needing care Saturdays or Sundays | 343 |



State-Licensed Early Childhood Program Type and Capacity² (2014)

| | Family | Group in a home | Group in a facility | Center | Total |
|---|----------|-----------------|-----------------------------|--------|----------|
| Number of Programs | 361 | 718 | 112 | 157 | 1,348 |
| Licensed Capacity | 3,027 | 10,003 | 2,239 | 13,604 | 28,873 |
| Reported Vacancies ⁴ | 251 | 574 | 188 | 556 | 1,569 |
| Providers/Capacity Added | 153/1205 | 62/827 | 31/617 | 13/673 | 259/3322 |
| Providers/Capacity Lost | 73/525 | 98/1251 | 12/210 | 11/519 | 194/2505 |
| Programs open before 7:00 a.m. | 82 | 193 | 30 | 77 | 382 |
| Programs open after 6:00 p.m. | 18 | 35 | 6 | 16 | 75 |
| Programs open on Weekends | 10 | 21 | 2 | 7 | 40 |
| Reported Size of Workforce | 382 | 1,021 | 503 | 2,813 | 4,719 |
| State-licensed school-age programs ³ | | 53 | with a licensed capacity of | | 3,890 |



Annual Cost of State-Licensed Child Care²

| Age of Child | Home-based Programs | | Centers and Group Facilities | |
|---------------------|---------------------|--------------|------------------------------|--------------|
| | Average | Highest Rate | Average | Highest Rate |
| Ages 0 to 17 months | \$6,822 | \$13,520 | \$8,211 | \$16,640 |
| 18 to 35 months | \$6,653 | \$13,520 | \$7,915 | \$15,080 |
| Ages 3 to 5 | \$6,534 | \$11,700 | \$7,507 | \$14,040 |

average cost ranges from \$6,500 to \$8,200 per child

www.ndchildcare.org

¹ 2014 ND Kids Count Fact Book

² Child Care Aware® of North Dakota NACCRRAware Database (surveyed between January and June 2014)

³ School-age care numbers reflect programs licensed exclusively as before and after school programs under Early Childhood Services rules. Not all school-age programs are required to be licensed. In addition, many school-age children are enrolled in family/group programs and child care centers.

⁴ Vacancies change daily and may not match the location or program characteristics desired by families needing care. A 10% vacancy rate allows families some choice among programs.

In the world of child care, the supply of licensed child care should meet 50% of the demand. To move ND's child care supply to meet 50%, the State must add 12,096 spaces (or 120 centers of 100 children each or 400 smaller centers with 30 children each).

The child care industry struggles to respond to the size of demand we now experience in North Dakota. Barriers include

- Low profit margins (3-5%) limit prospective owner/operators from accessing facility loans
- Staff salaries already comprise 80% of operational budgets. No room for salary increases
- Staff-child ratios (for children's safety) limit enrollment thus limiting income
- Parent fees constitute the primary source of income and providers hesitate to raise rates

However, after years of the ND's child care capacity dropping, I am pleased to report that, in August 2013, the capacity of child care in ND began to slowly rise and continues to rise today. Over the last 18 months, ND's child care recruitment efforts netted 2,691 new spaces. The trend trajectory shows promise. The upward swing, not coincidental, began shortly after the state expanded child care recruitment and retention efforts in the 2013 Session. Today, ND's child care recruitment and retention tool box includes

1. Child care facility grants
2. Small start-up grants for providers doing child care in their home and for furnishings for larger facilities
3. Program retention grants and consultation
4. Increased child care subsidy to parents
5. Quality assurance initiative with grants and consultation

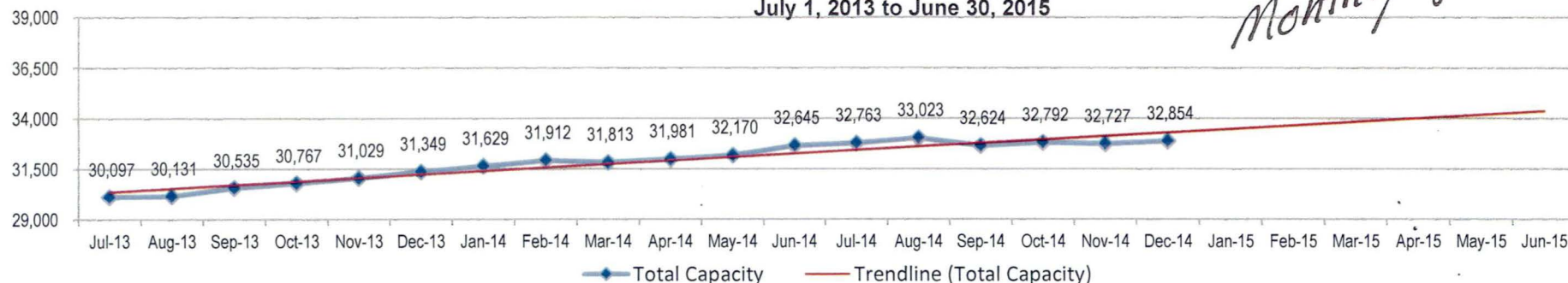
The top chart on page 4 reflects the monthly growth over the last 18 months.

North Dakota Licensed Child Care Capacity Snapshot

as of December 31, 2014

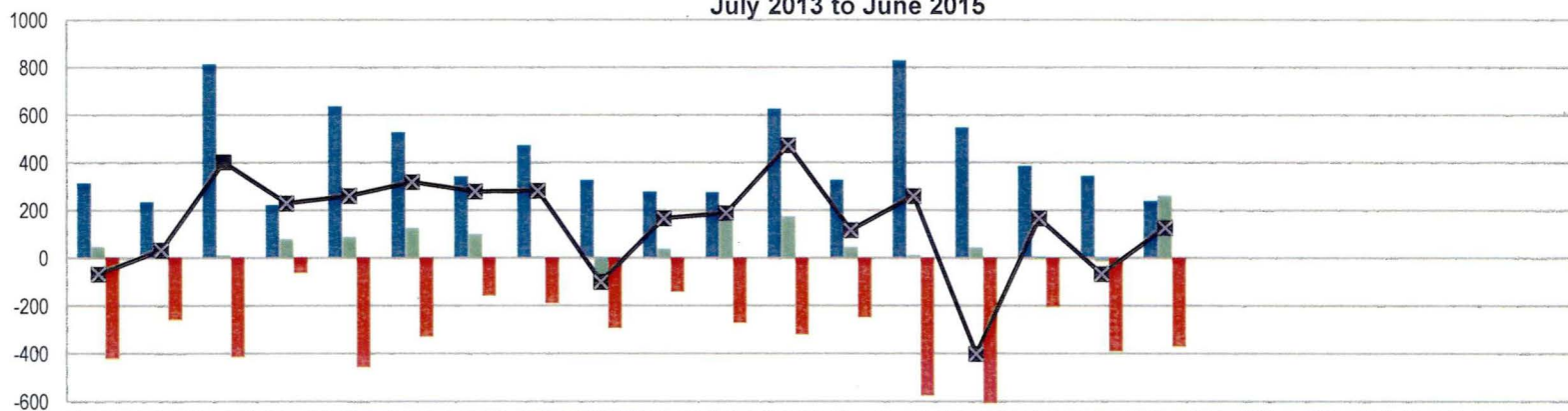
Since July, 2013, total licensed capacity has increased by 2,757 (9.2%). However, 11 counties gained capacity while 18 counties lost capacity during this quarter.

Change in Total Licensed Child Care Capacity in North Dakota
July 1, 2013 to June 30, 2015



The following chart depicts newly licensed capacity per month, as well as capacity changes within existing licensed programs, and how much capacity was lost due to programs closing. The sum of those totals equals the net capacity for each month.

Change in Licensed Child Care Capacity in North Dakota
July 2013 to June 2015



| | Jul-13 | Aug-13 | Sep-13 | Oct-13 | Nov-13 | Dec-13 | Jan-14 | Feb-14 | Mar-14 | Apr-14 | May-14 | Jun-14 | Jul-14 | Aug-14 | Sep-14 | Oct-14 | Nov-14 | Dec-14 | Jan-15 | Feb-15 | Mar-15 | Apr-15 | May-15 | Jun-15 |
|------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| New Capacity | 312 | 233 | 812 | 219 | 635 | 527 | 341 | 471 | 325 | 275 | 272 | 624 | 324 | 826 | 546 | 383 | 342 | 237 | | | | | | |
| Changed Capacity | 46 | 62 | 9 | 78 | 87 | 125 | 100 | 4 | -128 | 37 | 191 | 173 | 44 | 10 | 43 | -8 | -16 | 261 | | | | | | |
| Lost Capacity | -424 | -261 | -417 | -65 | -460 | -332 | -161 | -192 | -296 | -144 | -274 | -322 | -250 | -576 | -988 | -207 | -391 | -371 | | | | | | |
| Net Capacity | -66 | 34 | 404 | 232 | 262 | 320 | 280 | 283 | -99 | 168 | 189 | 475 | 118 | 260 | -399 | 168 | -65 | 127 | | | | | | |
| Total Capacity | 30,097 | 30,131 | 30,535 | 30,767 | 31,029 | 31,349 | 31,629 | 31,912 | 31,813 | 31,981 | 32,170 | 32,645 | 32,763 | 33,023 | 32,624 | 32,792 | 32,727 | 32,854 | | | | | | |

The chart on the following page documents the potential need for child care in each county, the current capacity of licensed child care, and the % to which that child care supply meets the potential demand. The majority of counties are gaining capacity, with just five counties losing capacity since July, 2013. The Capacity Goals columns (yellow) indicate how many new spots would be needed to meet 30%, 40%, or 50% of potential demand.



www.ndchildcare.org

#2-4

Child Care Workforce Data

The toolkit, although fairly complete, lacks a mechanism to stop the current staff turnover and address low child care wages that impair child care worker recruitment and retention. In 2012,

- Child Care centers experienced an annual turnover of 44% of front-line staff
- 13% of centers reduced enrollment last year due to staff shortages
- Hourly wages averaged \$9.35
- 96% of ND workers received an hourly wage higher than child care workers

Data from North Dakota Child Care Center Salary Survey Report, Child Care Aware of North Dakota

The child care workforce turnover, experienced throughout the state, becomes most apparent in the new Watford City center licensed to care for 190 children. The director lost and replaced 60 employees from September to December. She hires, on average, 3-5 new people every week. If someone applies that looks promising, she hires him or her assuming someone will be leaving shortly.

Page 6 lists child care workforce data by county.

Prospective child care providers can access a number of state-supported programs to help finance construction or renovation of a child care facility. ND's focus on facility development must, however, be balanced with a focus on building a strong child care workforce. The bottom line--the facilities, ultimately, cannot hold, comfort, feed, nurture, and encourage children.

SB 2281 aims to slow the revolving door of the child care workforce. It will be a valuable addition to the State's child care capacity building toolkit.

Thank you for your time, Chairman Cook and Members of the Committee. I will stand for any questions you may have.

Linda Reinicke

lreinicke@lssnd.org

701-226-2510



Licensed Programs by Type, Capacity and Workforce (2014)

| County | Family/Group in a home | | | Group in a facility/Center | | | School-Age | | | Total | | |
|---------------|------------------------|-------------------|-------------------|----------------------------|-------------------|-------------------|--------------------|-------------------|-------------------|--------------------|-------------------|-------------------|
| | Number of Programs | Licensed Capacity | Size of Workforce | Number of Programs | Licensed Capacity | Size of Workforce | Number of Programs | Licensed Capacity | Size of Workforce | Number of Programs | Licensed Capacity | Size of Workforce |
| Adams | 3 | 37 | 3 | 1 | 30 | 5 | 0 | 0 | 0 | 4 | 67 | 8 |
| Barnes | 12 | 142 | 14 | 4 | 222 | 47 | 0 | 0 | 0 | 16 | 364 | 61 |
| Benson | 2 | 27 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 27 | 3 |
| Billings | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bottineau | 9 | 126 | 10 | 7 | 125 | 12 | 0 | 0 | 0 | 16 | 251 | 22 |
| Bowman | 4 | 47 | 4 | 4 | 85 | 12 | 0 | 0 | 0 | 8 | 132 | 16 |
| Burke | 1 | 24 | 3 | 2 | 60 | 12 | 0 | 0 | 0 | 3 | 84 | 15 |
| Burleigh | 139 | 1,475 | 164 | 26 | 2,685 | 457 | 3 | 252 | 17 | 168 | 4,412 | 621 |
| Cass | 280 | 3,203 | 374 | 76 | 6,229 | 1,395 | 29 | 2,384 | 206 | 385 | 11,816 | 1,769 |
| Cavalier | 4 | 50 | 5 | 1 | 60 | 14 | 0 | 0 | 0 | 5 | 110 | 19 |
| Dickey | 13 | 206 | 19 | 3 | 116 | 17 | 0 | 0 | 0 | 16 | 322 | 36 |
| Divide | 1 | 9 | 1 | 1 | 60 | 11 | 0 | 0 | 0 | 2 | 69 | 12 |
| Dunn | 0 | 0 | 0 | 3 | 63 | 3 | 0 | 0 | 0 | 3 | 63 | 3 |
| Eddy | 3 | 32 | 3 | 2 | 53 | 15 | 0 | 0 | 0 | 5 | 85 | 18 |
| Emmons | 8 | 96 | 8 | 1 | 18 | 3 | 0 | 0 | 0 | 9 | 114 | 11 |
| Foster | 3 | 58 | 6 | 1 | 18 | 4 | 0 | 0 | 0 | 4 | 76 | 10 |
| Golden Valley | 3 | 49 | 3 | 1 | 26 | 4 | 0 | 0 | 0 | 4 | 75 | 7 |
| Grand Forks | 131 | 1,466 | 157 | 17 | 1,436 | 361 | 5 | 278 | 43 | 153 | 3,180 | 518 |
| Grant | 4 | 45 | 7 | 1 | 18 | 1 | 0 | 0 | 0 | 5 | 63 | 8 |
| Griggs | 0 | 0 | 0 | 1 | 30 | 9 | 0 | 0 | 0 | 1 | 30 | 9 |
| Hettinger | 2 | 36 | 6 | 1 | 18 | 7 | 0 | 0 | 0 | 3 | 54 | 13 |
| Kidder | 1 | 18 | 6 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 18 | 6 |
| Lamoure | 5 | 87 | 8 | 2 | 36 | 7 | 0 | 0 | 0 | 7 | 123 | 15 |
| Logan | 2 | 24 | 2 | 2 | 48 | 10 | 0 | 0 | 0 | 4 | 72 | 12 |
| McHenry | 8 | 111 | 23 | 2 | 33 | 24 | 0 | 0 | 0 | 10 | 144 | 47 |
| McIntosh | 6 | 97 | 11 | 1 | 18 | 1 | 0 | 0 | 0 | 7 | 115 | 12 |
| McKenzie | 8 | 86 | 8 | 1 | 55 | 20 | 1 | 30 | 2 | 10 | 171 | 28 |
| McLean | 12 | 163 | 13 | 3 | 68 | 14 | 0 | 0 | 0 | 15 | 231 | 27 |
| Mercer | 15 | 227 | 19 | 1 | 15 | 22 | 0 | 0 | 0 | 16 | 242 | 41 |
| Morton | 42 | 467 | 46 | 9 | 406 | 88 | 2 | 150 | 8 | 53 | 1,023 | 134 |
| Mountrail | 3 | 34 | 4 | 5 | 126 | 21 | 0 | 0 | 0 | 8 | 160 | 25 |
| Nelson | 7 | 81 | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 7 | 81 | 10 |
| Oliver | 0 | 0 | 0 | 1 | 18 | 5 | 0 | 0 | 0 | 1 | 18 | 5 |
| Pembina | 8 | 111 | 10 | 3 | 130 | 16 | 0 | 0 | 0 | 11 | 241 | 26 |
| Pierce | 5 | 74 | 5 | 2 | 100 | 10 | 0 | 0 | 0 | 7 | 174 | 15 |
| Ramsey | 29 | 499 | 40 | 4 | 375 | 59 | 1 | 34 | 10 | 34 | 908 | 99 |
| Ransom | 11 | 156 | 18 | 2 | 60 | 8 | 0 | 0 | 0 | 13 | 216 | 26 |
| Renville | 3 | 36 | 4 | 1 | 79 | 5 | 0 | 0 | 0 | 4 | 115 | 9 |
| Richland | 34 | 415 | 43 | 8 | 225 | 51 | 3 | 145 | 18 | 45 | 785 | 94 |
| Rolette | 6 | 100 | 9 | 1 | 70 | 15 | 0 | 0 | 0 | 7 | 170 | 24 |
| Sargent | 6 | 78 | 7 | 2 | 46 | 6 | 0 | 0 | 0 | 8 | 124 | 13 |
| Sheridan | 0 | 0 | 0 | 1 | 18 | 2 | 0 | 0 | 0 | 1 | 18 | 2 |
| Sioux | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Slope | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Stark | 45 | 412 | 55 | 17 | 418 | 89 | 0 | 0 | 0 | 62 | 830 | 144 |
| Steele | 1 | 9 | 1 | 1 | 30 | 4 | 0 | 0 | 0 | 2 | 39 | 5 |
| Stutsman | 46 | 499 | 55 | 10 | 405 | 66 | 0 | 0 | 0 | 56 | 904 | 121 |
| Towner | 2 | 33 | 3 | 1 | 26 | 7 | 1 | 40 | 3 | 4 | 99 | 10 |
| Traill | 12 | 135 | 12 | 5 | 241 | 43 | 1 | 35 | 5 | 18 | 411 | 55 |
| Walsh | 16 | 255 | 21 | 4 | 135 | 53 | 0 | 0 | 0 | 20 | 390 | 74 |
| Ward | 98 | 1,357 | 147 | 16 | 882 | 215 | 2 | 64 | 8 | 116 | 2,303 | 362 |
| Wells | 3 | 54 | 3 | 1 | 45 | 11 | 0 | 0 | 0 | 4 | 99 | 14 |
| Williams | 23 | 284 | 30 | 10 | 383 | 55 | 5 | 478 | 15 | 38 | 1,145 | 85 |
| TOTAL | 1,079 | 13,030 | 1,403 | 269 | 15,843 | 3,316 | 53 | 3,890 | 335 | 1,401 | 32,763 | 4,719 |

Total
Child Care
Workforce