

2017 SENATE POLITICAL SUBDIVISIONS

SB 2178

2017 SENATE STANDING COMMITTEE MINUTES

Political Subdivisions Committee Red River Room, State Capitol

SB 2178
1/19/2017
Job # 27123

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Resulting to the infrastructure revolving loan fund; and to declare an emergency.

Minutes:

Written testimony #1 Senator Schaible
Written testimony #2 Connie Ova
Written testimony #3 Blake Crosby
Written testimony #4 Wayne Kern
Written testimony #5 Matthew Remynse
Written testimony #6 Kelvin Hullet

Chairman Burckhard opened the hearing on SB 2178. All the senators were present.

.26-4.55 Senator Schaible: District 31. Written testimony #1, where he explained the bill.

Chairman Burckhard: I noticed the next bill SB 2179 is similar and it adds airports infrastructure. So, does this survey conducted, did it ask questions about that, does it contain questions about airports as well?

Senator Schaible: I can't answer the question about the survey but I know the intent of the bill and the fact, it just said new construction. At that time, it was infrastructure and I am not sure that airports classify as infrastructure. I don't believe the original intent was not to include airports, the intent of what this bill is trying to do is to include the existing; going beyond that I can't answer the question about airports.

5.58-6.17 Senator Judy Lee: It looks to me like, that is really changing the whole intent from when you look at the fact that in the cross-off language it says "it isn't being capital construction projects" and now it is going to include capital construction project". Do I misunderstand what I read in here?

6.18-6.53 Senator Schaible: I think what it does is crosses out and then puts it back in. And the only change to it, is to add existing from new to existing, so I think the top language is crossed out and other one is added in but the only change is "adding existing to the new". So I think it's the same. This is asking to change to add existing projects in there so, rather than create a whole new infrastructure. It might be cheaper and more beneficial for a rural community to just fix what they have.

6:59- Senator Judy Lee: I don't disagree with that. She referred to the crossed out line 15 to line 19 in the bill. You're saying the situation is a capital construction project in a way, but by including significantly by going into the replacement part. Yes, we should fix what we got.

7.40-11.02 Rep. Al Carlson, District 41, is one of my ideas from the last session because of bonding and the size of a water community is very difficult to get projects funded. I thought that when we had some excess revenue that it would be smart to put it into a revolving loan fund for the next 100 years as these projects were built and paid for, that money would be available to continue building in these communities. We did limit it to new construction. I agree with Senator Lee, that the language, if we overstruck the wrong word we had better look at that because our intent was never to build a new city hall. Our intent was to do water towers, water and sewer lines, curb and gutter, a lot of things in many cases would be very difficult for smaller communities to do. But the larger communities are also available for these, that there were limits put on this to make sure they didn't gobble up all the money. We do not have, at least I cannot for see the fact that there will be any new money available in this biennium as we were having a terrible time closing the circle on our expenses anyway, but it did do if there is extra money sitting there from the \$150M we put last time, partly sitting there because the guidelines were so tight that the bank didn't have any discretion to go into these areas dealing with existing infrastructures. We did not include airports for a reason. Last time we put in the general funds appropriated for a couple of airports which we have never done in the past by the way. Those have always been paid for by fees and federal funds. I don't think opening it up to that is the right thing to do. I've had that very discussion with the Senator from Williston, and that's why his bill is in there, it's a sister but not the same, because it's opening it up even further. At the same they have requests in for general fund dollars for those same airports as well as saying not only that, but we want get into your loan pool for some more. I just don't think that is the right way to do that. This is a good idea, our intent now is broadening to the point, except Senator Lee, and I didn't read it that way, it's probably what it's said. When you take a word away it probably opens the door. We don't want to be building buildings, we want to building infrastructure. By doing that this should last us for a long time. It's a great use of our oil revenue for the state of ND to have a long term effect like our Legacy Fund. It is a long term Legacy Fund for infrastructure. In support of SB 2178.

Sen. Judy Lee: I 've read this for the 7th time, but anyway I think it is probably just fine Rep. Carlson because what it does it says essential infrastructures means capital construction projects but then it follows and abides for the following 'and limited to water'.

Rep. Al Carlson: I think the limited does it. I don't remember telling them to open it up. I'm just hopeful that we haven't done it.

11.40 Senator Diane Larson: This was originally to make sure water projects especially in smaller communities, that they would be covered by building other parts of the infrastructure, is that going to interfere with making sure that the whole state has good safe clean drinking water?

Rep. Al Carlson: This is partly water, but it wasn't only limited to water. It was made to be bigger than that an infrastructure. That's way the broader you make the scope, the less you can affect anybody. It was not meant for just water it was meant for infrastructure as well. A

lot of smaller towns your aware off wouldn't have curb and gutter. They would have gravel streets.

13.04 Senator Diane Larson: My second question then is would this be a way for a city to circumvent paying for something that the city voted against a capital project, and then the city could go around that and then just get a loan and then they end up basically paying for it anyway?

13.40 Rep. Al Carlson: A lot of those would not be special assessment, they are not available in every community. I would make that as the bank would develop its' guidelines that would be one of the considerations they would take into mind. Example cited (13.59)

14.35-16.02 Connie Ova, CEO for the Jamestown/ Stutsman Development Corporation, in support of SB 2178. Written testimony read verbatim #2.

16.15-21.53 Blake Crosby: Executive Director, ND League of Cities. In support of SB 2178. Written testimony #3. I hope that somewhere down the line, after the March budget forecast, if there were some additional funds available, it they could be put into the revolving loan fund, I would strongly encourage you to advocate for that, because keeping in mind we are borrowing from ourselves.

22.01 Senator Judy Lee: Are some of those communities and I know they are out there, that have really ancient water systems, are any of them in the areas where new pipeline projects, water pipeline projects put in so that perhaps part of this might be attaching to a rural water system? I would like to know that they were given some consideration to the possibility in a small incorporated city, of looking at the possibility of hooking up to the Northwest of Southwest water projects that are there is they can absorb that additional population, but many of these towns that have the problems are not so big that it would be a big hit. Tell me what you're talking about in your visits please with your communities about whether. I am not so happy about setting up a whole new system if they can hook into an already existing one that already has the infrastructure in it. But I don't want to so specific in this bill that anything like that is required.

23.24-26.27 Mr. Blake Crosby, I absolutely agree with everything that you said. The League of Cities has become much more involved in water issues around the state. I think last session was the first time in many sessions where there was actually money specifically lined itemed for municipalities. That money went into a heartbeat. But along with that as we discussed water in cities and rural water system, 60% of my cities are already on rural water but one of my points is regionalization. We are no longer in a situation where we can just willing say to one of my cities, that might want a new water tower, you need to look at some options. Yes, you need a new storage, but would it be more feasible, or better return on investment if you hooked up to a rural water system. So we are very much advocating regionalization. It's a good return on investment and much more affordable for some of my cities that have a small demographic population. It's typically an elderly population that lives on a fixed income, water is water. It comes with a cost, and we need to be very cognizant of that cost.

26.31-26.52 Senator Howard Anderson: When you hook onto a rural water system, my experience is they vary seldom pay for the city's water tower or for the infrastructure within

the city, the rural system brings the water to the city but that's the end of their responsibility and willingness to spend their own money. Is that true?

26.52-27.49 Mr. Blake Crosby: I believe that was true and continues to be to a certain extent, but as we talk regionalization, there has to be a common cost share amongst the city and the regional water system. (Example cited)

Chairman Randy Burckhard: What are the parameters for how much loan money a community can get for the project? **Mr. Blake Crosby:** \$15 M

28.32-31.20 Mr. Wayne Kern, Director of the State Department of Health, Municipal Facilities Division. Neutral testimony. Written testimony #4.

31.20 Senator Howard Anderson: Can you give us some sense of why cities are not using your program that you managed to replace their NDSD infrastructure and would rather use one? Why would we need additional money when your program is available?

31.48-33.05 Mr. Wayne Kern: I am not sure I can answer that question, it was bond around a long time and each year we pull consulting engineers and cities as to whether or not they have needed infrastructure projects in the water and sewer area, that our program can help with. I don't blame cities for doing this it would be the first thing I would do too, as I think they try to exhaust all other funding sources first, particularly one that might be grant funding, or not cost them anything, so that maybe a little bit of the reluctance to come in. I know they are waiting for hopefully someone to offer grant funds rather than strictly owned funds. They there certainly from our perspective has been no deterrent from cities coming in to request our assistance in projects. I think the bottom line issue is we have very small communities, there may be simple feel they cannot afford to take on a loan to deal with infrastructure. That is a problem that neither this program or ours will solve. The only this could be solved is if the money was offered for free.

Senator Howard Anderson: What are the repayment parameters, the interest rate and the percent that the city has to provide and the percent they can borrow?

Mr. Wayne Kern: I will do the best I can to answer that question. I also have De Ann with DFA to help. We have no limits on what the community can borrow. The key issue is that they can prove that they are able to afford the loan and then repay. Obviously we don't bad loans either. But the interest rate is currently 2% and includes a ½ % administration fee. The loans can be up to 30 years, and this is identical as to what the Bank of North Dakota's program is. So there is a lot of similarities, the only thing that disengages the two, is that maybe we have some limitations on what we can fund in our program, because of federal requirements.

34.23 Senator Dotzenrod: The longest paragraph in your testimony says "therefore the Bank of North Dakota existing infrastructure without limitations". You're talking about something that is different that is in this bill, or are you describing what's in this bill or something different?

34.56 Mr. Wayne Kern: What I was trying to describe the Bank of North Dakota's loan program as it currently is, because that does restrict them to new infrastructure which we have some limitations in funding. That was the purpose of that statement. In our program we cannot

go out and build new distribution or waste water collection system, our people have to. We can't work with communities to look ahead with growth. We however can work with existing problems, existing water plants, existing waste water plants to repair and replace.

Senator Dotzenrod: Your sentence describes a program that says, "transportation infrastructure without limitation" I mean that is not what this program is, this has all kinds of limitations in it. Further reflected on Mr. Kern's written testimony.

36.11- Mr. Wayne Kern: My intent with that is our program has some federal limitations. So that's what I was trying to point out. Our program has those limitations, this program does not. It doesn't have to operate with the federal.

Senator Dotzenrod: So you are describing then, there are two different programs. There is the one that is in this bill, and the one that you described in that sentence. **Mr. Wayne Kern:** As it currently sits yes. **Senator Dotzenrod:** In the middle of that paragraph you said for both programs it's important, the Department of Health and Clean Water Revolving Loan Fund Program. Then for both programs it's important to note. So is there a drinking water program one, and a clean water state revolving loan fund, is that program 2? When you say both, what are the two that you are talking about?

37.06-37.28 Mr. Wayne Kern: I am referring to the department programs. We have a separate drinking water federal program and a separate clean water federal program. So when I refer to both programs with respect to the Department of Health, it flows.

Senator Judy Lee: Would that be because there were federal programs that would have initiated the Drinking Water Laws, that's perhaps the one from 1990 and the Clean Water one in 1998?

37.42 Mr. Wayne Kern: That is correct. These two programs were created by Federal Congress in different time frames, Clean Water was created by Congress through amendments of the Clean Water Act, the Drinking Water Revolving Loan program was authorized later by congress under the Safe Drinking Water Act. So, yes they are two very separate programs that started at different times. Both have been around awhile, but started at different times.

38:18 Senator Diane Larson: So, the Department of Health, then manages a federally funded program and the Bank of North Dakota then, manages a state run program, is that part of the difference between the two?

38:39 Mr. Wayne Kern: It is certainly one of the difference. We had to apply for and receive validation from Department of Health these two federal programs. So they are programs that are federally capitalized, we don't use any general funds in the program, but the primary source originally was to capitalize a federal grant and we continue to get those yearly and it's supplemented by a match that we make through the sale of state bonds. Everything that comes back into the program, interest and principal payments, comes available to further loans for assistance to communities. So, in that respect, these originated on the federal side, and they are federal programs, there not a program that originated just because of the state actions and a state program.

39:38 Senator Diane Larson: Do you have projects that the Bank of North Dakota has funded, do you have any kind of information on the different kinds of programs that the State Health Department is funded through this?

40:02 Mr. Wayne Kern: Are you referring to what we can do within the SRF programs or more general? **Senator Diane Larson:** where you said that this is fully duplicative, that's where I am thinking okay, well you're loaning money for the same reasons the BND is loaning money, and so, they have listed in Senator Schaibles's testimony some of the things that the BND has funded, I wonder if you have information on what the Health Department is funded through some of their similar programs?

40:40 Mr. Wayne Kern: We do have a handout that lists some examples, it's not every project. On our State Health Department website, in our division, there is a more complete description of both SRF programs as well as you can see a priority list of projects. (Attachment # 4.1,4.2) There is a wide variety in the drinking water side, from new wells, repairable wells, distribution powers, treatment on the waste water side, it could be replacing port sewers, it could be modernization of waste water treatment plant. There is a wide variety of projects in the waste water area. (More explanation cited 41:58)

Senator Kannianen: So when you reference that the Department wishes the committee to be aware that if this bill is passed, that the Bank of North Dakota infrastructure involving loans and funds program would fully duplicate the department's existing programs, but as far as what the bill states, that it would be for new or replacement of water treatment plants, waste water treatment, sewer lines, water lines, storm water and transportation infrastructure, including curb and gutter. Transportation infrastructure and curb and gutter is not under your SRF program? **Mr. Wayne Kern:** The intent of that language is to try and point out that we can deal with repair of streets and curb and gutter, if we go in on a project where we're dealing with updating or replacing existing water and sewer lines, we can deal with that portion of the transportation side. We cannot however, deal with streets, curb and gutter is it's simply being put into a new area where there is not people yet. Where it is an anticipated growth area. So that's the difference I tried to point out, that we have some limitations in our program the way the Bank of North Dakota current program is, it fills gaps. Now with the changes in definition, it does kind of do this. It was an awareness thing. We certainly are not opposed to seeing availability of additional money, additional funds for communities to work with projects. We simply wanted to make you aware of the disperse and duplication of services withheld formally.

Senator Judy Lee: I am a good visual person, better than an oral learner and so I am wondering if you can figure out a way to have a little chart that says each of these programs, the current Bank of North Dakota program, the proposed Bank of ND program with this bill, and the Department of Health program what they each do in certain areas? I don't need to know how to build a walk, I just kind of want to know what time it is, if we could impose on our intern to perhaps us with that? The second part of my question, would be, if any of the people who have spoken so far, have any ideas of how we could without being duplicative for the city or the department of the bank or the department of health, how do we make these both work? I am not suggesting one should go away, but how do we allow them to meld a bit and you all are the experts. Maybe Mr. Crosby has something to offer us about how, or what the choices within the cities in working with the Department of Health programs. I believe that Mr. Kern's

administers it well, but if there are any areas that they haven't been able to muse, is it a matter of funding, do you have any funding balances remaining, or is all used up halfway through the year? Any of that kind of information you could offer from your perspective and then whether or not if Mr. Crosby has experience with the Health Department might be on behalf of his membership?

Mr. Wayne Kern: I am not sure I quite follow on how we might help. I am certainly willing to put together whatever information that might help you and the committee to better understand our SRF programs and what they do? You can certainly use that to compare yourselves as to what the other programs also do. But to answer your question about funding limitations, we have never turned down a community that is ready for a project. If we are in a position where we feel we have insufficient funds currently to fund a project, that's ready we do have the ability of selling bonds to generate additional money for the program. So in a respect, we have not ever been in a position where we can't accommodate the needs of the city.

Senator Judy Lee: If there aren't enough grant funds you have the ability to sell bonds?

Mr. Wayne Kern replied, yes.

Senator Diane Larson: Have you ever worked together with the Bank of North Dakota when somebody applies for money and they don't quite fit and you know where the gaps are so that you can kind of piece something together for that community?

Mr. Wayne Kern: I believe this has occurred during this last biennium. If a project comes in to the Bank of North Dakota, I think the first thing that has been done, is let's look at this project and is this a project that should be with us, or is this a project that maybe should go to the Health Department for their program. The Bank of North Dakota is certainly aware of our programs. That allowed the BND then to focus their funds on the new part which is what was defined for their priorities in the law. So there has been that working together and I fully expect that we will continue to work together on projects as they go forward. With the changes, it might set up the conflict where all of a sudden each of us is trying to claim the project.

48:37 Mr. Blake Crosby, Executive Director, North Dakota League of Cities. In reference to Senator Lee's question and right off the top of my head I cannot provide that information but I certainly can request some information from the Health Department and from PFA, as to what cities have access their programs and I will reach out to those cities and gather some of that information and provide it back to the committee.

49:16 Senator Judy Lee: I think part of it might sometimes be awareness. Your communities could be aware of the fact, that the Health Department has those projects and the BND projects. It is not your job I know to market this, but in a sense maybe it is, to help your members know that the money is there, so if you ever pulled your members are you aware of the program. Why would jeopardize federal funds in advance and all that stuff? **Mr. Blake Crosby:** As cities look to do projects, a vast majority of them hire an engineering firm as a consultant basis. That engineering firm would certainly be looking at all the funding options as they did their consulting work and brought it together, so I would be extremely surprised if my cities were not avail of the Health Department.

50:24 Senator Diane Larson: Building these types of projects also goes through the State Water Commission, doesn't it? How does that all leak in with getting funding from them and all these other entities?

50:48 Mr. Blake Crosby: Because we're coming down close to the time here, let's give Mr. Kelvin Hullet, Bank of North Dakota a little bit of time. Yes, but there is more than one piece to the infrastructure puzzle.

51.07 Mr. Kelvin Hullet, Bank of North Dakota: Too tell you how the current program works and to give you some comfort that we're not looking to duplicate other things that have occurred. So the first thing that happens is a community fills out a pre-application which is a one page that says here is what we are thinking about doing. We look at that and say, okay, either you're in or you're not. Does it fit the criteria and all of those sorts of things? Once we kind of work through that process when we have an application come in, we actually have a scoring system and it's set up with the Public Finance Authority, and the Health Department and the Department of Transportation. We route that through all of the agencies and look at are there opportunities to use the other funding. So they can use the Drinking Water Fund, or the SRF or those sort of things and then our funding comes in on the other side. So, as we work our way through this bill if you decide to implement it I guess what I would tell you, it we're not looking to compete with anybody for projects. What we are there to do is still to continue to fill that gap and so you know there's times when examples cited. So that's the quick overview, and we will work together with everyone one to kind of put together for the senators where the funds work and what the out go what these are.

53:26 Matthew Remyense, President Airport Association of North Dakota, Written attachment #5. He summarized his testimony for the committee.

54:36 Senator Howard Anderson: For Mr. Kelvin Hullet of this \$39 Million that we've loaned out so far, how much of that is from the appropriation, and how much is from the funds of the Bank of North Dakota? How does that work?

54:55 Mr. Kelvin Hullet, BND: So the funding last session, provided for \$50 M dollars from the Strategic Investment Fund and then \$100M from the bank's capital. At this point we have allocated about \$38.9 M dollars to projects that have come in. So we had utilized the SIFF funding at this point, we've had not had to tap into the bank's capital just yet but anticipate that will occur over the next year. (Attachment #6)

Senator Howard Anderson: My understanding from the previous testimony and from what you said is that you have identified some gaps where the program run by the Health Department can't always fund everything that the cities need and so even though you were new infrastructure and they were replacement there was some gaps that you could see that you could fill in with the program if we authorize this through this bill.

55:56 Mr. Kelvin Hullet, BND: Yes, if you authorize this program what we will do is work together with the PFA, the Health Department, and DOT, and we'd kind of had an initial discussion about an application would come in, and we would sit down and figure out what parts needed to go where to make the best use of funding, so we're not looking to duplicating anything, but what we will still do, is come in and fill the gaps where necessary.

Senator Judy Lee: What is the fiscal impact of including the airport? Mr. Kelvin Hullet: I can't answer that question off the top of my head because we haven't necessarily looked at that. We have had conversations with the airports and they have called us to see if they could get the funds and obviously they have not been able too. The maximum amount that you can take on from the fund is \$15 M so if you were to do the quick math, you just got to \$60 M in a hurry.

57:28 Mr. Terry Traynor Association of Counties: I could be neutral, I am maybe more in support of this bill. When we look at Line 23, on page 1 of the bill, the existing statute at least in the interpretation of the county system this hasn't been available for county road projects because it was focused on new transportation infrastructure. So basically reaching out and building out to new developments and most of what counties do is redevelopment of roads. I would hope the record would reflect our interpretation of the change here would actually allow counties to get to least to the pre-application phase and be eligible for consideration for this funding source, whether it would be a match or not a match. Up to this point counties have felt that they did not qualify for most of their projects. I do support the bill.

Chairman Burckhard closed the hearing on SB 2178.

2017 SENATE STANDING COMMITTEE MINUTES

Political Subdivisions Committee Red River Room, State Capitol

SB 2178
1/20/2017
Job # 27144

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to infrastructure revolving loan fund

Minutes:

SB 2178 1-20-17 Afternoon discussion

Chairman Burckhard asked the Senate Political Subs committee to meet for discussion on SB 2178. All senators were present.

Senator Diane Larson moved a **Do Pass**
2nd Senator Judy Lee

Discussion:

Senator Diane Larson: I did talk with talk with Kelvin Hullet about this and I said, do you have money to be able to fund these things and still make sure that we're taking care of water projects because that to me was the most important to make sure that everybody had good clean water? He replied, yes we do. We have the money. One of the things that I like about this is this is a loan, this isn't a grant, so it is actually then, even though it's only 2% it is making money back for the state and so, if the head of the bank says that they believe they have ample money to pay for this, then to me it sounds like a good idea.

Senator Howard Anderson: Keep in mind now that 2% goes to the Bank of North Dakota for their expenses and so forth. It doesn't come back to the general fund. No the 2%, the principal does, it comes back to the revolving loan fund. With \$150M out there and 30% repayment you are only going to get about \$4.5M a year if they are paying back on an 30 year basis which would be available to loan out again. Let's say we use all this money by July 1, then they would only be \$4.5M coming back in next year. That's one of the reasons Blake Crosby said he would like to see us put more money into which isn't going to happen but we have to keep in mind then the 2% is appropriated to the Bank of North Dakota for their expenses.

Senator Kannianen: Can we get that survey that was conducted by the bank to know what kind of projects these 41 communities had in mind, or 32 that specifically to repair existing infrastructure as the most pressing need. Can we get that survey to get a dollar amount of

what the 32 communities add up to? To see how very quick that \$111m will get sucked up? If it's going to be by the end of this year or by this summer, that \$111M is spoken for, or whether it will be maybe a couple of years before it will be gone?

Senator Judy Lee: do we know that have projects in place where they are waiting to be funded or do we know that if they applied those would be the projects that they ask for. The first part of that is, if it is not, is it that important to us before we vote to that, or are we okay with it the way it is, that's for the group to figure out?

Chairman Burckhard: I am just skimming over this paragraph and the last one says (referenced Senator Schaible's testimony #1). I suspect we could ask for that survey. We would have to off on this bill until we've seen it, is that the thought?

Senator Kannianen: I support the bill, I think just under the concept the money was appropriated and put there and it's just there not being utilized for what it is supposed to be used for with the language maybe being restrictive. I personally support the bill in its concept, but with necessarily having to see what the numbers might be, but it would be nice to see it too.

Chairman Burckhard: On reason it hasn't been used is because it was for new. Can I get somebody to unmove and unsecond their motion? **Senator Judy Lee:** We can wait for a vote on the motion.

Chairman Burckhard: We won't undo it, we'll table it and will ask if we can get that survey that was conducted.

Chairman Burckhard: Closed the discussion on SB 2178.

2017 SENATE STANDING COMMITTEE MINUTES

Political Subdivisions Committee Red River Room, State Capitol

SB 2178
1/20/2017
Job # 27173

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to infrastructure revolving loan fund

Minutes:

Voting on SB 2178

Chairman Burckhard opened the committee for discussion on SB 2178. He referenced the email from Kelvin Hullet, says, 2nd page "when determining eligibility for a loan application to the Bank of North Dakota, from the infrastructure Revolving Loan Fund, the process begins with the bank submitting the borrower applications for the Health Department, the Public Finance Authority, and the Department of Transportation for scoring and review of applicable categories under the Health and Safety Economic Impact". Is that what we are talking about.

When we left yesterday we wanted this information that Kelvin has submitted, and maybe we take a look at that if we haven't already had a chance to do that and see. The first part says responsible from eligible participants on priorities 83% of having repair of existing infrastructure and 17% for developing new infrastructure. Priorities for eligible participants are listed there, sewer lines and water lines, (referenced the bar graph) I believe that answers some of our questions that we yesterday. Then Chairman Burckhard referenced the Eligible Respondents from the same testimony. (referenced the bar graph)

Senator Kannianen: I have an assumption that may not be correct but, so we have a good number here, I like that. it would be easier just the ones that responded to the survey. 41 cites out of 357 that responded to the survey, so if this bill passed how many more cities would race to the finish line to try and get something.

Senator Judy Lee: late yesterday afternoon after having a discussion with Mr. Crosby, and Mr. Kern, it sounds to me and you can see on the sheets that they are very interactive with the other sources of funding. So, I don't need anybody doing a whole bunch of extra work in order to demonstrate something that I feel comfortable that they were forward to us about. Late yesterday there were maybe three of us left in the Senate, and Senator Bekkedahl asked about the vote and had a very nice visit about. The discussion so hopefully I reflected the attitude of the committee okay, but I said that in looking at the change to existing and with the large percentage of respondents who had indicated there support for looking for repair of existing and recognizing the roads in my own county, since the county was eligible too, we

just felt like it was deluding the, we didn't want to sprinkle money, instead of focusing money. He understood that, he wasn't upset about it but was wondering how the conversation had gone. He knows about this and he get it.

Chairman Burckhard asked for discussion on SB 2178. Basically it changed it from "new" to "replacement of existing" from what I gather.

Senator Diane Larson: I recommend a Do Pass

2nd Senator Jim Dotzenrod

Vote: 6 Yea, 0 No, 0 Absent

Carrier: Senator Burckhard

Date: 1.20.17
Roll Call Vote #: 1

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2178

Senate Political Subdivisions 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. Diane Larson Seconded By Sen. Dotzenrod

Senators	Yes	No	Senators	Yes	No
Chairman Randy Burckhard	✓		Senator Jim Dotzenrod	✓	
Vice-Chairman Howard Anderson	✓				
Senator Jordan Kannianen	✓				
Senator Diane Larson	✓				
Senator Judy Lee	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Sen. Burckhard

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

REPORT OF STANDING COMMITTEE

SB 2178: Political Subdivisions Committee (Sen. Burckhard, Chairman) recommends
DO PASS (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2178 was placed
on the Eleventh order on the calendar.

2017 HOUSE POLITICAL SUBDIVISIONS

SB 2178

2017 HOUSE STANDING COMMITTEE MINUTES

Political Subdivisions Committee Prairie Room, State Capitol

SB 2178
3/9/2017
Job # 28969

- ☐ Subcommittee
☐ Conference Committee

Carmen Hickle

Explanation or reason for introduction of bill/resolution:

Relating to the infrastructure revolving loan fund; and to declare an emergency

Minutes:

1,2

Chairman Klemin: Opened the hearing on SB 2178.

Senator Schaible: Introduced the bill. The intent is to add, new or replacement of existing. This was a loan last session for \$150 million for infrastructure that communities could use. What we are finding only \$50 million was used. Most of our rural communities don't need new ones they need to fix existing ones. On lines 13–18 on page 1, and lines 6-10 on page 2, the overstruck language was restrictive on what the intent of the bill was. So trying to make it so this program is opened up and not too restrictive those things were removed. Bank of North Dakota does have their language in lines 19-20 on page 2. The changes this bill makes is for existing programs and to make it less restrictive for the communities to get access to the programs.

Chairman Klemin: What was the reason for the emergency clause?

Senator Schaible: I would assume so that people could apply for the loans and not have to wait for the bill to come into law and they could start construction.

Chairman Klemin: Written testimony from Jennifer Greuel was distributed. (Testimony #1)

Terry Traynor, Association of Counties: We are in support of this. From the preservative from county government this was not available to counties. We don't build new roads but we improve roads. I don't know how many counties would apply for financing through this program by making these changes it does allow them that option.

Chairman Klemin: I am not sure this covers roads.

Mr. Traynor: The last bullet.

Bill Wocken, on behalf of ND League of Cities: (Testimony #2) (Time 5:24 to 7:30)

Kelvin Hullet, Market Manager for the Bank of ND for Economic Development: This bill was passed last session. It appropriated \$50 million from the strategic investment improvement fund, then a \$100 million from the Bank of North Dakota capital. As this loan was created last session it was recreated to enhance existing programming. We have a scoring system when a project comes in. If there is other money available through the other public finance authority either through capital improvement program or clean water drinking program, we want them to use that avenue. Then we will come in and assist with this fund to enhance those projects that build on the project. There is a \$15million loan cap. This is 2% money and that goes for 30 years depending on the needs of the community.

Rep. Ertelt: What is the responsibility of the political subdivisions, do they have to match part of what they are putting up for this project when they request the loan? Or is the loan for the entire amount?

Mr. Hullet: We have seen applications come in a few different ways. At times there is not money available through the public finance authority or through the Health Dept. So at times we fund an entire project. We do not require a match at the local level. There match is they are going to pay back the loan. When you think about these types of loans we are a bank and looking for the repayment of the loans. We do make sure there is a repayment ability.

Rep. Ertelt: In regard to capital construction, we are striking language in the bill that prohibited the use of this fund for capital construction and now we are adding it. Could you speak to what the significance of that is?

Mr. Hullet: I cannot speak to that, it was drafted in by Senator Schaible and Rep. Carlson. I think it was just clarification. In the previous language the Bank of ND had some latitude to identify what we felt was critical infrastructure. The proposed language pulls that back and strengthens the Legislative intent of what it is you want us to accomplish.

Chairman Klemin: The struck language and new language is basically the same.

Rep. Beadle: Is the 2% interest rate flat for all the projects that qualify through this program?

Mr. Hullet: Yes, this is a 2% loan and this is a revolving loan. So it is off the banks balance sheet and we administer this fund on behalf of the legislature.

Chairman Klemin: The language of the bill says may not exceed 2%.

Mr. Hullet: I believe that means 2%.

Rep K. Koppelman: The language that is stricken on page 2 on lines 19-20, it seems like we are going to relatively prescriptive down to something broad and basic. Why are we being less prescriptive here in terms of legislative intent?

Mr. Hullet: As you look at the projects that are coming and the intent of the legislature last session was to allow us some latitude and to make some determinations and have the

ability to work with communities. So as we work through our rules we maintain close contact with legislative leadership and to make sure we are meeting the intent of what was brought forward. We have to take our administrative rules up to the industrial commission.

Chairman Klemin: No additional testimony. The hearing on SB 2178 was closed.

Rep. Longmuir: Moved do pass motion.

Rep. Beadle: Second the motion.

SB 2178 passed 12 yes, 0 no, 3 absent.

Rep. Beadle: Will be the carrier.

Date: 3-9-17
Roll Call Vote: 1

2017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2178

House Political Subdivisions 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 Rep. Longmuir Seconded By Rep. Beadle

Representatives	Yes	No	Representatives	Yes	No
Chairman Klemin	/		Rep. Guggisberg	/	
Vice Chairman Hatlestad	/		Rep. Hanson	/	
Rep. Beadle	/				
Rep. Becker	/				
Rep. Ertelt	/				
Rep. Johnson	/				
Rep. Koppelman	/				
Rep. Longmuir	/				
Rep. Maragos	/				
Rep. Pyle	/				
Rep. Simons	/				
Rep. Toman	/				
Rep. Zubke	/				

Total (Yes) 12 No 0

Absent 3

Floor Assignment Rep. Beadle

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

REPORT OF STANDING COMMITTEE

SB 2178: Political Subdivisions Committee (Rep. Klemin, Chairman) recommends **DO PASS** (12 YEAS, 0 NAYS, 3 ABSENT AND NOT VOTING). SB 2178 was placed on the Fourteenth order on the calendar.

2017 TESTIMONY

SB 2178

Good Morning Mr. Chairman For the Record I am Senator Donald Schaible representing District 31.

P. 1/2

The 2015 Legislature passed HB 1443 (NDCC 6-09-49) that created a \$150m revolving infrastructure loan fund. The Legislature appropriated \$50m from the Strategic Investment and Improvements Fund and \$100m from the Bank of North Dakota.

This program directed the Bank of North Dakota to:

1. Establish priorities for making loans for essential infrastructure projects that included new water treatment plants; new wastewater treatment plants; new sewer lines and water lines and new storm water and transportation infrastructure including curb and gutter construction.
2. Lend a maximum of \$15m to a community with a 2% interest rate. The maximum term of a loan is 30-years.
3. BND created a process that established priorities for loans that included a review team from the Department of Transportation; The Health Department and the Public Finance Authority. The goal was to use the Infrastructure money for "gap" funding or to fund projects that did not otherwise qualify for other funding.
4. As established by the Legislature, political subdivisions that received surge funding are not eligible for funding until July 1, 2017. This included many communities in Western North Dakota and all the Counties.
5. In the rulemaking process by the Industrial Commission, there was an emphasis on assisting infrastructure that facilitated new growth in a community. That connected infrastructure from existing development to new development or expanded transportation infrastructure.

As of January 15, the BND had committed just under \$39m to projects across North Dakota. These projects included

\$413,000 to Park River	\$477,000 to Upham
\$600,000 to Wahpeton	\$710,000 to Hazen
\$1.2m to Colfax	\$1.5m to Milnor
\$3.8m to the City of Beach	\$15m to Grand Forks
\$15m to West Fargo	

Senate Bill 2178 Amendments

Today, Senate Bill 2178 introduces amendments to NDCC 6-09-49 to clarify the definition of "Essential Infrastructure Projects", enable political subdivisions to utilize the fund for repair or replacement of essential infrastructure and allow BND to adopt policies and establish guidelines to administer the program in accordance with the legislative intent.

Specifically Section 6-09-49

- bullet point two (Page 1, Lines 18 to 24 on SB2178) is amended specifically define that the fund can be used for new or replacement of existing water treatment plants; wastewater treatment plants; sewer and water lines and storm water or transportation infrastructure. It also defines these are the only capital construction projects that are eligible under the fund.
- Bullet Point five (Page 2, Lines 19-20 on SB2178) empowers the Bank of North Dakota to administer the loan program and adopt policies and guidelines.

Reasons for the Amendments / Program Change

I wanted to provide some background that brought forward this change. In the summer and fall of 2016, the Bank of North Dakota in cooperation with the Housing Finance Agency, Public Finance Agency, League of Cities and Association of Counties held a series of public input sessions across North Dakota. These sessions included a variety of key audiences including local elected officials, business leaders and legislators.

In these visits across the state, infrastructure repair and replacement was repeatedly identified as one of the top Four issues for communities of all sizes. From an economic development perspective, smaller communities view replacement of existing infrastructure as their opportunity to compete with the larger communities. New residents may desire a smaller community, but if it lacks quality streets, sewer and water, it will greatly inhibit their ability to attract businesses and new residents, or even attract their children back to a community.

Further data is provided from a survey conducted by BND and its partners implementing the infrastructure revolving loan fund passed last session. To better understand community needs, a survey was conducted of communities across the state. Forty-One communities responded to the survey and identified their most pressing needs.

- 34 of the 41 communities that responded had a population under 2,000.
- Sewer and water lines, road repair and storm water infrastructure were identified as the top three needs.
- Of those responding to the survey, 78% (32) communities indicated repair of existing infrastructure as their most pressing need.

Today, I ask for your support for SB 2178. There are several individuals and organizations here today that will speak on behalf of the bill. Also, representatives of the Bank of North Dakota are here to answer any technical questions you might have on the existing program.



att #2
SB 2178
1.19.17

**Testimony of Connie Ova, Vice President
Jamestown/Stutsman County Development Corporation
In Support of SB 2178
January 19, 2017**

Chairman Burckhard and members of the Senate Political Subdivision Committee. I'm Connie Ova, vice president of the Jamestown/Stutsman County Development Corporation and president of the Economic Development Association of North Dakota. On behalf of Jamestown/Stutsman County Development Corporation and EDND, I would like to express our support for SB 2178, which expands the eligible projects for the infrastructure revolving loan program

EDND represents more than 80 state economic development organizations on the front line of economic development efforts throughout North Dakota. The primary purpose of the organization is to support the creation of new wealth and the diversification of North Dakota's economy.

Bank of North Dakota programs are very important to the growth of our state and further development of the businesses in every community regardless of size. The revision outlined in this bill allows our towns and cities across the state to upgrade or build new essential infrastructure projects. With your support of this bill, communities will have access to affordable financing to replace or improve the necessarily water, sewer, and water transportation infrastructure.

As local developers, we understand the importance of infrastructure facilities to meet the needs of both homeowners and business. At the same time, we do not want to overburden our taxpayers. This bill allows affordable financing for continued growth of our communities.

Thank you for your time and I urge the committee's support of SB 2178.

January 19, 2017

SB 2178

Senate Political Subdivisions

Sen. Burckhard, Chair

SB 2178
1-19-17
#2

For the record, I am Blake Crosby, Executive Director of the North Dakota League of Cities, representing the 357 incorporated cities across the state. Approximately 77% of the population of North Dakota lives in those cities.

SB 2178, relating to the infrastructure revolving loan fund, with an emergency clause, would allow a variety of infrastructure projects to proceed or get started as soon as plans are finalized and the weather permits. SB 2178 is an update to HB 1443 from last session.

HB 1443 was restricted to new infrastructure and this impacted the usability of the revolving loan fund. The North Dakota League of Cities was a member of a small group of representatives from various political subdivisions that the Bank of North Dakota asked to formulate guidelines. Unfortunately, the guidelines suggested did not fit the intent of the language of HB 1443 as interpreted by the North Dakota Industrial Commission and utilization was not nearly what was expected. SB 2178 addresses that obstruction and is now much more "user-friendly".

Serendipity came into play early in the project request time frame, before the Industrial Commission made final intent interpretations, and we have data to support a greater need for replacement of existing infrastructure (78%) as well as the need for new infrastructure (22%).

On behalf of the North Dakota League of Cities I request a DO-PASS on SB 2178. And, I would be remiss if I did not suggest this committee advocate for additional funds to be put into the Revolving Loan Fund. What can be better business than borrowing from yourself!

THANK YOU FOR YOUR TIME AND CONSIDERATION. I will try to answer any questions.

Testimony
Senate Bill 2178
Senate Political Subdivisions Committee
January 19, 2017; 10:00 a.m.
North Dakota Department of Health

SB 2178
1.19.17
Test. #4

P. 1/4

Good morning, Chairman Burckhard and members of the Senate Political Subdivisions Committee. My name is Wayne Kern, and I am Director of the North Dakota Department of Health's Division of Municipal Facilities. I am here to provide information on Senate Bill 2178.

In 2015, the 64th Legislative Assembly created a new Infrastructure Revolving Loan Fund within the Bank of North Dakota. This Fund was established to assist political subdivisions in financing the cost of essential infrastructure. Eligible infrastructure is currently defined as including new water treatment plants, new wastewater treatment plants, new sewer and water lines, and, new storm water and transportation infrastructure, including curb and gutter construction. It is important to note that current eligibility language references only new infrastructure.

The Department of Health has operated Drinking Water and Clean Water State Revolving Loan Fund Programs since 1990 and 1998, respectfully. Through these programs, assistance totaling over \$1B has been approved to help political subdivisions replace aging or inadequate water and wastewater infrastructure. It is important to note that these programs do not use general funds. For both programs, it is also important to note that: there are limitations for funding projects to address new growth; and, financing of new transportation infrastructure is not allowed. Therefore, the Bank of North Dakota's existing Infrastructure Revolving Loan Fund fills a gap by providing a funding program that can accommodate new growth and transportation infrastructure without limitations.

Senate Bill 2178 proposes to expand project eligibility under the Bank of North Dakota's Infrastructure Revolving Loan Fund Program to include replacement of existing infrastructure. If the bill is passed, the Bank of North Dakota's Infrastructure Revolving Loan Fund Program will fully duplicate the Department's existing programs. The Department wishes the Committee to be aware of this.

This concludes my testimony. I would be happy to answer any questions you have at this time.

ND State Revolving Fund 2016 Review

The North Dakota State Revolving Fund (SRF) program has completed another successful year. The program continues to grow and transform to meet the needs of small and large communities and water systems all across the state.

Program Interest Rate Reduced to 1.5 Percent

In keeping with this tradition of transformation, the interest rate has been reduced for the second time in program history by 0.5 percent to 1.5 percent. An additional 0.5 percent administration fee will result in an effective 2 percent interest rate for loans approved after January 1, 2017. For a \$5,000,000 loan with a 20-year term, interest savings due to the rate reduction would be \$284,775.

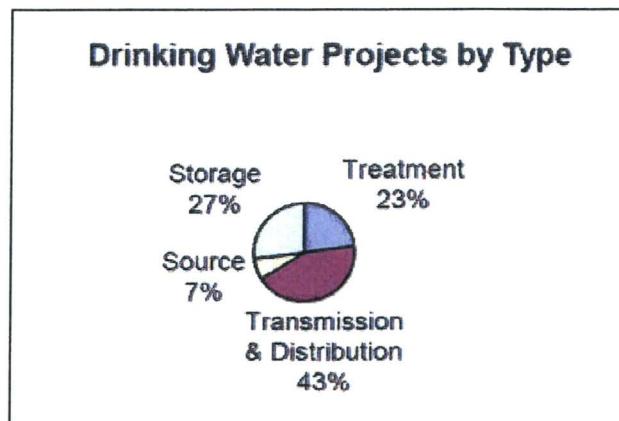
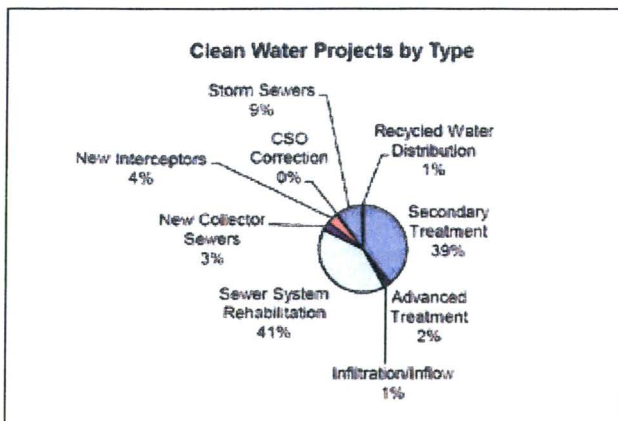
Coupled with loan terms of up to 30 years or the useful life of the project, whichever is less, the SRF strives to provide affordable and flexible financing to Clean Water and Drinking Water projects of all sizes.

New Resources for Loan Applicants

The North Dakota SRF programs have updated information on the North Dakota Department of Health Division of Municipal Facilities website to include a variety of resources to assist loan recipients with fulfilling the requirements of the program. Included is the SRF Program Project Manual, which is a comprehensive source of information about the SRF process from beginning to end. Please visit www.ndhealth.gov/IMF/Publications.html for more information.

SRF Projects

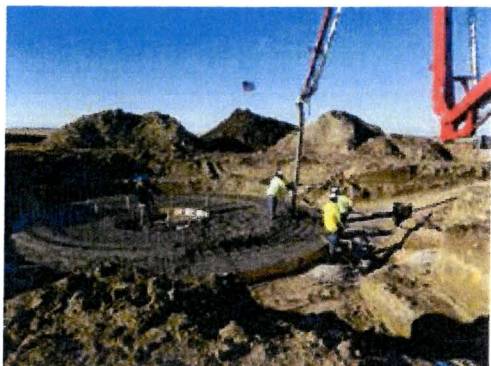
In addition to financing flexibility, the North Dakota SRF programs have approved assistance totaling \$1,019,741,395 for a wide variety of projects that assist borrowers with achieving and maintaining compliance with the Safe Drinking Water Act and the Clean Water Act. Since the beginning of the Clean Water program in 1990, sewer system rehabilitation and secondary treatment represent 80 percent of the projects financed. Drinking water transmission, distribution and storage have been the most commonly financed projects for the Drinking Water program since its inception in 1999.



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1.19.17 4. P.3/4

Featured Projects

North Prairie Rural Water District Elevated Storage Tank



North Prairie Rural Water District (NPRWD) serves water to a large portion of northcentral North Dakota including Ward, McHenry and McLean counties. The population of the service area is 84,950. NPRWD received a DWSRF loan of \$1,126,000 to construct a 300,000-gallon elevated water storage tank, a 150,000-gallon ground storage tank at Reservoir 4, and a 10-inch water main to connect Reservoirs 6 and 10. The existing Reservoir 4 would run low on storage regularly during summer months, causing users to be out of water while the system caught up. Users reported low water pressure and low flow on peak days. The additional water storage is required to meet the demand of the growing population. The total construction cost for this project is \$4,825,000.

City of Arnegard Wastewater Treatment Cell

The City of Arnegard received a CWSRF loan to construct a wholly new 11-million gallon, 13-acre facultative wastewater stabilization pond system. The new wastewater stabilization pond system is comprised of three treatment cells. Each cell has an operating depth range of 2 to 5 feet and is lined with PVC and protected by riprap. Items ancillary to the lagoon construction were the installation of a 12-foot gravel access road, PVC force main and effluent discharge piping.



Financial Management to Meet Program Demand

The 2016 project priority list for the CWSRF included an estimated \$411,476,000 of projects. On the DWSRF list there was an estimated \$669,477,000 of projects. Worthy of note again in 2016, all eligible projects were funded -- a feat not all state SRFs are able to accomplish.

SRF capitalization grants for 2016 provided by the U.S. Environmental Protection Agency totaled \$14,837,000. However, because North Dakota leverages its SRF programs, it was able to fund \$50,753,142 of CWSRF loans (3rd highest year of loan activity) in 2016. The DWSRF funded \$30,252,681 (2nd highest year of loan activity) of loans in 2016.

For more information, contact:

David Bruschwein
DWSRF Program Manager
918 E Divide Ave 3rd Floor
Bismarck, ND 58501
701.328.5259

Dave Bergsagel
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DeAnn Ament
Executive Director
ND Public Finance Authority
1200 Memorial Hwy
PO Box 5509
Bismarck, ND 58506-5509
701.328.7100

State of North Dakota

Infrastructure Financing Options for Municipalities

	Bank of North Dakota	Bank of North Dakota	ND Dept of Health/North Dakota Public Finance Authority	State Water Commission
Program	Infrastructure Revolving Loan Fund - Current	Infrastructure Revolving Loan Fund - SB 2178 & SB 2179	State Revolving Fund (SRF)	Infrastructure Revolving Loan Fund
Eligible Purposes	new water treatment plants; new wastewater treatment plants; new sewer lines and water lines; and new storm water and transportation infrastructure, including curb and gutter construction.	new <u>or replacement of existing</u> water treatment plants; new <u>or replacement of existing</u> wastewater treatment plants; new <u>or replacement of existing</u> sewer lines and water lines; and new <u>or replacement of existing</u> storm water and transportation infrastructure, including curb and gutter construction. From 2179: <u>new airports or existing airport infrastructure improvements at airports that have scheduled air service operations.</u>	Repair and replacement of existing water treatment plants, wastewater treatment plants, sewer and water lines, storm water lines; new water treatment plants; new wastewater treatment plants; new sewer lines and water lines (if an existing entity is in the area to be served); and new storm water lines (for protection of the sanitary sewer and/or flooding).	Construction of water supply and flood control projects.
Federal Requirements	No	No	Yes. * American Iron & Steel * Environmental Reviews/Clearance * Davis-Bacon Wage Rates	No
Amount	\$15,000,000	\$15,000,000	Amount limited by ability to repay	Amount limited by ability to repay; maximum is 80% of a project.
Interest Rate	1.5% Interest + .5% Admin	1.5% Interest + .5% Admin	1.5% Interest + .5% Admin	1.5% Interest
Costs	Bond counsel (\$1,500 to \$6,500)	Bond counsel (\$1,500 to \$6,500)	Bond counsel (\$1,500 to \$10,000+)	Bond counsel (\$1,500 to \$6,500)
Loan Term	Up to 30 Years	Up to 30 Years	Up to 30 Years or Useful Life (whichever is less)	20 years for water supply and 30 years for flood control

SB 2178
1.19.17
Testing 4
p.4/4



Airport Association of North Dakota

Matthew Remyse - President Anthony Dudas - Vice President
Samuel Seafeldt - Sec. / Treasurer

PO Box 1560 Jamestown, North Dakota 58402-1560
(701) 355-1808

SB 2178
1-19-17
Attachment
5
1/3

January 19, 2017

RE: Testimony to Senate Political Subdivisions Committee on SB 2178

Chairman Burckhard and members of the committee,

I am Matthew Remyse, the President of the Airport Association of North Dakota (AAND). I want to thank you for the opportunity to speak here today and thank you for the past support of airports. I'm here today to provide testimony on SB 2178 and respectfully request that the committee include language in this bill that would allow commercial service airports to utilize the Bank of North Dakota's Infrastructure Loan Program. I will also be testifying on SB 2179 which has language to include commercial airports in the loan program. AAND is the professional organization for North Dakota Airports and it serves to promote airports, aviation, and safety across North Dakota. Among its members are all eight commercial service airports, 70 of 81 general aviation airports and aviation engineering and planning firms.

The commercial airports in the state are facing the challenge of funding millions of dollars' worth of capital projects to meet new demand and to replace aging infrastructure. As the commercial airports look to fund these projects they are limited in the funding resources they have. Currently, our commercial service airports typically have access to four forms of funding when developing their capital projects budget. The main source of funding for capital projects is Airport Improvement Program (AIP) grant funding through the Federal Aviation Administration (FAA). Federal funding normally covers 90% of eligible projects, but with such a high demand

of projects the FAA is unable to fulfill those requirements. The second is the North Dakota Aeronautics Commission's (NDAC) airport grant funding program, which aims to cover a portion of the 10% remaining after federal funding. The third is local funding, which can come from revenue earned on the airport or local mills levied through the governing body. Typically, mills and earned revenue are used for the operations and maintenance of the airfield. The fourth, is Passenger Facility Charges (PFC) and these are collected at 6 of the 8 commercial service airports. PFCs are a \$4.50 fee applied to an airline ticket and given back to the airport for terminal, runway, and equipment improvements. The FAA regulates how PFCs can be used at an airport and considers PFCs to be part of local funding.

Although North Dakota has seen an uptick in the amount of AIP grant funds coming into the state, the program is unable to meet the all the needs of the commercial airports. The NDAC's grant program is underfunded and it cannot meet current needs. This leaves local funding to fill the gap left by the shortfall in state and federal funding. Once an airport has exhausted the local funding identified above, there are few funding resources available. There is bonding, and local bank loans. Typically, these options are at a higher interest rate than what the Bank of North Dakota can provide with its Infrastructure Loan Program. By allowing airports to utilize the Infrastructure Loan Program you would be providing our commercial airports another resource to evaluate when developing their capital projects budget.

If an airport is unable to fill the gap left by the shortfall in state, federal, and local funding, it must delay the project until there is more funding available. Delaying vital projects will hinder our commercial airports which are a vital driver of the state's economic development, and quality of life. North Dakota's 8 commercial airports generate \$1.44 billion annually in economic impact and touch all major industries including agriculture, healthcare, manufacturing, tourism, energy, and technology.

There are several airports throughout the state with large capital projects in the upcoming biennium:

- Bismarck Airport has a main runway reconstruction project that will total \$70 million when complete. The City of Bismarck is funding \$30 million dollars of this project because of limited federal funding.
- Fargo Airport has \$81 million in upcoming projects.
- Williston's new airport broke ground last fall and is scheduled to be completed in 2018.
- The Dickinson and Grand Forks Airports are starting to develop runway project
- In addition to these major projects, there are several capital projects that are not included on the capital improvement plans because they are ineligible for grant funding and must be funded solely by the airport.

In conclusion, I ask that you consider including commercial service airports in SB 2178. There is not enough federal and state grant funding to cover all the airport projects identified in the state. It is vital that our commercial airports have as much flexibility as possible when developing their capital projects budget. This bill would provide that flexibility if commercial service airports are included. I thank you for the opportunity to testify on SB 2178. I will take any questions at this time.

Respectfully,



Matthew Remyse
President, AAND

**Bank of North Dakota
Infrastructure Survey Results**

Jan. 19, 2017
From Kelvin Hallet, BND

SB 2178
Attachment #6
1/2

Responses from Eligible Participants on Priorities

Eligible	Response Percent
Repair of existing infrastructure	83.3%
Developing new infrastructure	16.7%

Priorities for Eligible Participants

Answer Options	Response Percent	Response Count	Cumulative Count	Cumulative %
Sewer lines and water lines	83.3%	25	25	27.8%
Road repair	73.3%	22	47	52.2%
Storm water infrastructure	40.0%	12	59	65.6%
Transportation infrastructure – includes curb and gutter	26.7%	8	67	74.4%
New road/street development	23.3%	7	74	82.2%
Other (please specify)	23.3%	7	81	90.0%
Water treatment plant	16.7%	5	86	95.6%
Wastewater treatment plant	10.0%	3	89	98.9%
Pedestrian/traffic safety (e.g. lights, signage, etc.)	3.3%	1	90	100.0%

Eligible Respondents

Application Scoring Matrix Applications will be scored based on a scoring matrix. Please rank these categories based on the importance you feel they should have when scored (1 is highest importance, 4 is lowest importance). You may suggest deleting a category and add other options in the comments section. Drag to sort list.

Answer Options	1	2	3	4	Rating Average
Health and safety: Demonstration that the project would improve water and sewer conditions, improve pedestrian and vehicle traffic safety or address health and safety needs determined to be a critical nature for your community.	24	6	0	0	1.20
Economic impact: Criteria to be scored include population growth experienced, jobs creation, housing, number of people who will benefit and cost per capita.	4	12	8	6	2.53
Project readiness: Preference will be given to projects that will be shovel-ready in 2016.	2	7	12	9	2.93
Ability to leverage other financing options: Preference will be given to projects that utilize other private, public, state or federal programs as a part of the financing package or projects without other funding options.	0	5	10	15	3.33

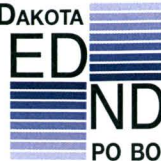
Row Labels	Count of Type	Sum of Total project cost:	infrastructure fund request:
Water	24	\$ 91,619,000	\$ 35,755,000
Road	17	\$ 47,886,000	\$ 28,216,000
Flood	1	\$ 50,000,000	\$ 15,000,000
Both	1	\$ 1,500,000	\$ 1,250,000
Unknown	1		
Grand Total	44	\$ 191,005,000	\$ 80,221,000

Bank of North Dakota – Infrastructure Revolving Loan Fund

When determining eligibility for a loan application to the Bank of North Dakota for utilization of loan funds from the **Infrastructure Revolving Loan Fund** the process begins with the bank submitting the Borrower applications to the Health Department, Public Finance Authority, and the Department of Transportation for scoring and review in the applicable categories of Health and Safety, Economic Impact, and the Ability to Leverage Other Financing Options.

The following illustration describes the applicable scoring methods that were used to rate each of the respective projects submitted for approval. This matrix is utilized to determine where a specific project fits within the respective categories.

Possible Score	Category	Score 0	Score 5	Score 10	Score 15	Score 20
0–20	Health and Safety BND	No health or safety impact	Low health or safety impact	Medium health or safety impact	High health or safety impact	High health AND safety impact
0–20	Health and Safety DOT/PFA	DOT/PFA scored No health or safety impact	DOT/PFA scored Low health or safety impact	DOT/PFA scored Medium health or safety impact	DOT/PFA scored High health or safety impact	DOT/PFA scored High health AND safety impact
0–20	Economic Impact BND	No economic impact	Low economic impact	Medium economic impact	High economic impact	High economic impact to community and beyond
0–20	Economic Impact DOT/PFA	DOT/PFA scored No economic impact	DOT/PFA scored Low economic impact	DOT/PFA scored Medium economic impact	DOT/PFA scored High economic impact	DOT/PFA scored High economic impact to community and beyond
0–20	Ability to Leverage Other Financing Options	Other 100% funding available that was not utilized. Did not attempt to use other options		Utilized other funding source but not to the maximum extent		Maximum utilization of other sources OR No other funding available



SB 2178

#1

3-9-17

**Testimony of Jennifer Greuel, Executive Director
Economic Development Association of North Dakota (EDND)
In Support of SB 2178
March 9, 2017**

Chairman Klemin and members of the House Political Subdivisions Committee:
My name is Jennifer Greuel and I am the executive director of the Economic Development Association of North Dakota (EDND). I would like to express our support for SB 2178, which expands the eligible projects for the infrastructure revolving loan program.

EDND represents more than 80 state economic development organizations on the front line of economic development efforts throughout North Dakota. The primary purpose of the organization is to support the creation of new wealth and the diversification of North Dakota's economy.

Bank of North Dakota programs are very important to the growth of our state and further development of the businesses in every community regardless of size. The revision outlined in this bill allows towns and cities across the state to upgrade or build new essential infrastructure projects. With your support of this bill, communities will have access to affordable financing to replace or improve the necessary water, sewer, and transportation infrastructure.

Local developers understand the importance of infrastructure facilities to meet the needs of both homeowners and business. At the same time, we do not want to overburden our taxpayers. This bill allows affordable financing for continued growth of our communities.

Thank you for your time, and I urge the committee's support of SB 2178.

Testimony in Support of Senate Bill 2178

March 9, 2017

House Political Subdivisions Committee

Bill Wocken on behalf of the North Dakota League of Cities

SB 2178

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3-9-17

Good Morning Mr. Chairman and members of the House Political Subdivisions Committee. For the record, my name is Bill Wocken, appearing on behalf of the North Dakota League of Cities, representing the 357 incorporated cities across the state. Approximately 77% of the population of North Dakota lives in those cities.

Senate Bill 2178, relating to the infrastructure revolving loan fund, with an emergency clause, would allow a variety of infrastructure projects to proceed or get started as soon as plans are finalized and the weather permits. Senate Bill 2178 is an update to House Bill 1443 which the Assembly passed last session.

House Bill 1443 was restricted to new infrastructure and this impacted the usability of the revolving loan fund. The North Dakota League of Cities was a member of a small group of representatives from various political subdivisions that the Bank of North Dakota asked to formulate guidelines for the use of these funds. Unfortunately, the guidelines suggested did not fit the intent of the language of HB 1443 as interpreted by the North Dakota Industrial Commission so utilization was not nearly what was expected. SB 2178 addresses that obstruction and is now much more "user-friendly".

Serendipity came into play early in the project request time frame, before the Industrial Commission made final intent interpretations. We now have data to support a greater need for replacement of existing infrastructure (78%) as well as the need for new infrastructure covered in the original bill (22%).

On behalf of the North Dakota League of Cities I request a DO PASS recommendation on Senate Bill 2178. And, I would be remiss if I did not suggest this committee advocate for additional funds to be put into the Revolving Loan Fund. What can be better business than borrowing from yourself to build infrastructure to grow the economy!