19.8001.02000

FISCAL NOTE

Requested by Legislative Council
01/24/2019

Amendment to: SB 2065

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.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues		$80,000		$80,000		$80,000
Expenditures		$0		$0		$0
Appropriations		$0		$0		$0

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

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 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).*

Amend Section 4.1-21-04 of the North Dakota Century Code to increase the maximum fund balance limit in the State Forester Reserve Account from $1 million to $1.5 million. The new maximum would ensure adequate funds are available for emergencies at the state nursery including seedling crop losses.

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.*

Engrossed SB 2065 would amend Section 4.1-21-04 of the North Dakota Century Code to increase the maximum fund balance limit in the State Forester Reserve Account from $1 million to $1.5 million. In addition, the minimum fund balance limit would be raised from $700,000 to $1.2 million to more realistically reflect the current cost of tree production at Towner State Nursery. The new maximum would ensure adequate funds are available for emergencies at the state nursery including seedling crop losses. Revenues for the reserve fund are derived from the sale of seedlings. The State Forester has authority to change 110% the cost of production and extra revenues that exceed the cost of production must be deposited into the reserve account. No fiscal impacts are anticipated as revenues for the reserve fund are derived from the sale of nursery stock.

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.*

Revenues for the reserve fund are derived from the sale of nursery stock. The agency anticipates approximately $80,000 in revenue generated in excess of the cost of production that will be required to be deposited into the reserve fund for each of the next 3 biennia.

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.*

The agency does not anticipate any expenditures from the reserve fund unless there is an emergency resulting in seedling crop losses.

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.*

The proposed legislation does not require any additional appropriations as revenues for the reserve fund are derived from the sale of nursery stock.

Name: Tom Claeys

Agency: North Dakota Forest Service

Telephone: 701-328-9945

Date Prepared: 12/31/2018

19.8001.01000

FISCAL NOTE

Requested by Legislative Council
12/31/2018

Bill/Resolution No.: SB 2065

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.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues		$80,000		$80,000		$80,000
Expenditures		$0		$0		$0
Appropriations		$0		$0		$0

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

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 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).*

Amend Section 4.1-21-04 of the North Dakota Century Code to increase the maximum fund balance limit in the State Forester Reserve Account from $1,000,000 to $2,000,000. The new maximum would ensure adequate funds are available for emergencies at the state nursery including seedling crop losses.

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.*

The proposed legislation would amend Section 4.1-21-04 of the North Dakota Century Code to increase the maximum fund balance limit in the State Forester Reserve Account from $1,000,000 to $2,000,000. In addition, the minimum fund balance limit would be raised from $700,000 to $1,700,000 to more realistically reflect the current cost of tree production at Towner State Nursery. The new maximum would ensure adequate funds are available for emergencies at the state nursery including seedling crop losses. Revenues for the reserve fund are derived from the sale of seedlings. The State Forester has authority to change 110% the cost of production and extra revenues that exceed the cost of production must be deposited into the reserve account. No fiscal impacts are anticipated as revenues for the reserve fund are derived from the sale of nursery stock.

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.*

Revenues for the reserve fund are derived from the sale of nursery stock. The agency anticipates approximately $80,000 in revenue in excess of the cost of production that will be required to be deposited into the reserve fund for each of the next 3 biennia.

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.*

The agency does not anticipate any expenditures from the reserve fund.

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.*

The proposed legislation does not require any additional appropriations as revenues for the reserve fund are derived from the sale of nursery stock.

Name: Tom Claeys

Agency: North Dakota Forest Service

Telephone: 701-328-9945

Date Prepared: 12/31/2018

2019 SENATE GOVERNMENT AND VETERANS AFFAIRS

SB 2065

2019 SENATE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee
Sheyenne River Room, State Capitol

SB2065
1/10/2019
30646

☐ Subcommittee
☐ Conference Committee

Committee Clerk: Pam Dever

Explanation or reason for introduction of bill/resolution:

A bill relating to the state forester reserve account.

Minutes: Att #1 - Michael Kangas

Chairman Davison: Let's open the hearing on SB2065. As for supporter to come forward.

Michael Kangas, North Dakota Nursery/State Forest Team Leader: (.33) We are here in support. (see att #1) Traditional crop insurance does not provide adequate liability coverage in event of a catastrophic loss. Right now we are near the $1 million mark. Currently this would not cover so we ask for $2 million in this bill. We can use this money for big losses only.

Chairman Davison: I understand the director that retired submitted this testimony that you are presenting before he retired. What are your expenses for the year?

Michael: This account is our insurance policy because traditional crop insurance does not provide adequate for multi-year crops.

Chairman Davison: If I don't know the cost, then I can't make a decision whether I think the $2 M is appropriate.

Michael: I understand. Right now we have three years of inventory in the field. That value is $4.6 million. That is replacement cost. It is approximately $600,000/year. (7.27) We sell seedlings at age three or four. But if we lose that crop, it takes three years of growth to get it back up there. We would have nothing to see for two years.

Sen. Shawn Vedaa: You have three years of crops. You do a great job and I drive by all the time. When you talk about a catastrophic lose, at what age are those tree vulnerable?

Michael: From age three all the way down. It effects sale ability.

Sen. Shawn Vedaa: You provide these trees for all conservation districts in North Dakota.

Michael: That is correct.

Sen. Shawn Vedaa: After trees are planted, can they come back to you and say you were at fault for bad trees? Do you replace all those trees?

Michael: We have a great working great working relationship with our customers. Each year some trees struggle and we make good fair and provide what they need. This does not come out of the reserve fund. The reserve fund are revenues we generate at the nursery that we hope are not used for catastrophes. Cost of production is going up with cost of fuel, labor cost, packing material, fertilizers, etc. Our true prices go up. If all our seeding got wiped out, our $1 M would not cover to replace.

Sen. Kristin Roers (11.33) If you had a great loss, you would not be able to provide for your customers? Or do you buy elsewhere.

Michael: I have a hard time speculating. There have been times when our inventory was low, we will look at buying from other nurseries. We only break even so we don't like to do that. We don't know if the quality from other nurseries is good quality to survive North Dakota. W Montana and MN may have some good trees. PH soil is high in North Dakota.

Chairman Davison: I feel I don't have enough information. There is a fiscal note. Have you ever taken money from reserve fund before?

Michael: In two situations on projects we needed done and we did not have funds and we got legislative approval to utilize $115,000 to make improvements to a building in 2005. We did a small addition in 2007. It drew it down to the minimum amount. This reflects the cost of production. (14.47)

Vice Chair Meyer: How do private nurseries handle the situation?

Michael: Most are not production nurseries like us. They buy trees from other buyer nurseries like Oregon. They don't assume the liability if they did not grow it. (15.36) Conservation trees are not a high profit deal.

Sen. Shawn Vedaa: When pipelines go through and have to take out trees, I heard the oil companies have to replace. Are you aware of that?

Michael: There is a mitigation program that is established through the PSC to replace trees on a 2 to 1 basis during pipe line construction. They administrator through us because we have expertise in tree planning.

Sen. Shawn Vedaa: They can't find enough ground to plant the trees they are supposed to plant. Did you know that?

Michael: I know that sometimes they can't get them in the same place. They can choose another location within the county.

Chairman Davison: Why is there a fiscal note?

Michael: I do not know, but we provided to the best of our ability. (17.55)

Chairman Davison: Is it more referred to a fund within? I will find that answer. Thanks. Any more testimony. Any against? Would the interim director want to come forward?

Tom Claeys, Interim State Forester of North Dakota: (18.53) Here to answer questions.

Chairman Davison: In the University System we have local funds that is generated from different sales. These funds are used for faculty for special things outside of typical budget. If this reserve fund a special that is regulated. IOs this part of your budget?

Tom: Yes, it is considered a local fund. It is 10% above the coast of production and there are guidelines within the legislation. There is no minimum we can spend in legislation. No numbers. State Forester has authority to pay for catastrophic losses. We do not currently have a definition but use the definition in the legislation.

Chairman Davison: I just needed to understand. Any more testimony? Against? Hearing is closed.

Sen. Erin Oban: I want to note that on the fiscal, it is $80,000 revenue not expenses.

Chairman Davison: Not sure why fiscal. Come back to this bill later.

2019 SENATE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee
Sheyenne River Room, State Capitol

SB2065
1/11/2019
30699

☐ Subcommittee
☐ Conference Committee

Committee Clerk: Pam Dever

Explanation or reason for introduction of bill/resolution:

Relating to the state forester reserve account.

Minutes:

Chairman Davison: Let's discuss SB2065. I will share the information I received on SB2065. I got it late last night. I will put a little sheet together. I have been employed by the University system for 20 years and been contracted out for the last 14 years as executive director for the SE Education Cooperative. I kind of understand the accounting and will put a little document together to help you in the legislature to understand the difference local and special fund and general funds. They did not have the answers yesterday when I asked the questions. You will see in the document I got from them last night, you will see the whole breakdown. As legislators making decisions, it is the taxpayers' dollars, so we need to see how the process works. We can learn the system and have a better background.

Sen. Erin Oban: What does their insurance cover? I should have asked Michael yesterday. He said not the full amount, but what portion does it cover?

Chairman Davison: (2.05) My guess if they go through North Dakota ENDURF. It was the interim director that sent me the e mail last night, not Michael.

Sen. Erin Oban: I understand why they would want to go to $2 million if they have $1.7 inventory, but if insurance covers part of that then is $2 million necessary?

Chairman Davison: We will discuss next week.

adjourned

2019 SENATE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee
Sheyenne River Room, State Capitol

SB2065
1/17/2019
30987

☐ Subcommittee
☐ Conference Committee

Committee Clerk: Pam Dever

Explanation or reason for introduction of bill/resolution:

Relating to the state forester reserve fun.

Minutes:

Att #1 – Chairman Davison: Att #2 –Sen Meyer

Chairman Davison: Let's look at SB2065. I have some documents to share with you. (see att# 1) The forest want an increase from $1 million to $2 million in the reserve fund. I asked for additional information. You have different types of funds. Special funds come from federal. They cannot carry over those funds. In the bill, it says that they get 10% over the cost, line 14. If they meet their revenue goals, those are the additional below that they can carry over in the nursery carryover fund. Fund 326. That reserve account is the one addressed in this bill. We have a job to oversee tax dollars.

Sen. Kristin Roers: Did they really lay out what the actual production per year was?

Chairman Davison: I think you can get from this chart that their costs are around $600,000 - $750,000. I did not get that number. They have never had a catastrophic event. Do we want them to have a separate count or do we, the legislator cover it? How much is reasonable? It may be 20 years before they need to come back to us.

Vice Chair Meyer: I have a proposed amendment here. (see att# 2) You can see in line 12 the language is reduced from $2 million to $1,500,000.

Chairman Davison: If you change, then you would have to change line 14, would have to be lowered. $1,200,000. On line 14, I guess.

Sen. Kristin Roers: They can only charge the actual cost unless their balance gets below the $700,000. Then they can charge the 110%. Maybe that is what happened in 1993-95.

Sen. Erin Oban: If you compare what they previously had. $1 million in their reserve account, compared to the $700,000, and you go up proportionately**,** you would be at $1.25 million.

Sen. Kristin Roers: If we leave the floor at $1 million, that will be hit next year.

Chairman Davison: We would have to move to Appropriations.

Sen. Kristin Roers: What is the $80,000 from?

Chairman Davison: It is average of what they generate in a biennium.

Sen. Kristin Roers: It wouldn't be an appropriation, but a revenue?

Chairman Davison: I don't know why they don't have the 2015-2017 in here.

Sen. Kristin Roers: When I look and you say $981,000 and subtract the $1315, you are still above it, so they shouldn't have had any money that year either.

Chairman Davison: I will ask Sen Holmberg about this one. (16.19) Does anyone care about that? I do not want to miss anything. It is your amendment so you decide. Can split the amount. Hang on to this one.

Adjourned.

2019 SENATE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee
Sheyenne River Room, State Capitol

SB2065
1/24/2019
31377

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature : Pam Dever

Explanation or reason for introduction of bill/resolution:

Relating to the state forester reserve account.

Minutes: Att #1 – Sen Meyer amendment

Chairman Davison: Let's take up SB2065 and see where we are. Is the amendment done, Vice Chair Meyer?

Vice Chair Meyer: I was reducing it to $1.5 million. (see att #1)

Vice Chair Meyer: I move amendment 19.8001.01002. **Sen. Shawn Vedaa**: I second.
Roll: YES - 7 No - 0 -0- absent amendment PASSED.

Chairman Davison: What are the committee wishes?

Vice Chair Meyer: I move a DO PASS as AMENDED. **Sen. Shawn Vedaa**: I second.

Chairman Davison: Please take the roll: **YES – 7 NO -- 0 -0- absent**
PASSED as AMENDED. **Vice Chair Meyer** will carry the bill

19.8001.01002
Title.02000

Prepared by the Legislative Council staff for
Senator Meyer
January 23, 2019

SK
1961

PROPOSED AMENDMENTS TO SENATE BILL NO. 2065

Page 1, line 12, remove the overstrike over "~~one~~"

Page 1, line 12, remove "two"

Page 1, line 12, after "million" insert "five hundred thousand"

Page 1, line 14, remove "one million"

Page 1, line 14, overstrike "seven" and insert immediately thereafter "one million two"

Renumber accordingly

Date: 1/24/19
Roll Call Vote #: 1

2019 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2065

Senate Government and Veterans Affairs Committee

☐ Subcommittee

Amendment LC# or Description: 19.8001.01002

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 Meyer Seconded By Sen Vedaa

Senators	Yes	No	Senators	Yes	No
Chairman Davison	Y		Senator Marcellais	Y	
Vice Chairman Meyer	Y		Senator Oban	Y	
Senator Elkin	Y				
Senator Roers	Y				
Senator Vedaa	Y				

Total (Yes) 7 No 0

Absent -0- ab

Floor Assignment _____

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

Amend. passed

Date: 1/24/19
Roll Call Vote #: 2

2019 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2065

Senate Government and Veterans Affairs Committee

☐ Subcommittee

Amendment LC# or Description: 19.8001.01002

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 Meyer Seconded By Sen. Vedaa

Senators	Yes	No	Senators	Yes	No
Chairman Davison	✓		Senator Marcellais	✓	
Vice Chairman Meyer	✓		Senator Oban	✓	
Senator Elkin	✓				
Senator Roers	✓				
Senator Vedaa	✓				

Total (Yes) 7 No 0

Absent -0-

Floor Assignment Sen. Meyer

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

REPORT OF STANDING COMMITTEE

SB 2065: Government and Veterans Affairs Committee (Sen. Davison, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2065 was placed on the Sixth order on the calendar.

Page 1, line 12, remove the overstrike over "~~one~~"

Page 1, line 12, remove "two"

Page 1, line 12, after "million" insert "five hundred thousand"

Page 1, line 14, remove "one million"

Page 1, line 14, overstrike "seven" and insert immediately thereafter "one million two"

Renumber accordingly

2019 HOUSE GOVERNMENT AND VETERANS AFFAIRS

SB 2065

2019 HOUSE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee
Fort Union Room, State Capitol

SB 2065
2/28/2019
33025

☐ Subcommittee
☐ Conference Committee

Committee Clerk: Carmen Hart

Explanation or reason for introduction of bill/resolution:

Relating to the state forester reserve account

Minutes: Attachments 1, 2

Chairman Kasper opened the hearing on SB 2065.

Michael Kangas, Nursery and State Forest Team Leader, North Dakota Forest Service appeared in support. Attachment 1. (:14-4:15)

Vice Chair Steiner: You need 1.2 and asking for 1.5. Is that in anticipation that it could go to 1.5, or are you looking for a little bit of pad there?

Mr. Kangas: That is correct. We don't want to come back every legislative session and ask for an increase in the reserve account.

Rep. Laning: Does that increase to 1.5 come entirely through sales?

Mr. Kangas: That is correct. All of the deposits that go into the state forestry reserve are from revenues derived from the nursery at the _ of cost of production.

Rep. C. Johnson: All the funds in this reserve account are strictly used for seedling production cost?

Mr. Kangas: Currently the only extent we anticipate utilizing this fund is for a catastrophic event that would wipe out our field inventory. The reserve account is essentially a savings account that we establish to provide the income necessary to recover operating costs if all of our seedlings in the field were wiped out. We do not use any of that money for the actual production cost.

Rep. P. Anderson: You just have the one location?

Mr. Kangas: We own the land just north of Towner. It is a 160-acre facility. We do not have the land base to relocate.

Rep. B. Koppelman: Did you say it was increased to $1 million in 2011?

Mr. Kangas: It was increased in 2007. It went from $500,000 to $1 million.

Rep. Karls: Isn't there a nursery in Bismarck, Lincoln-Oakes?

Mr. Kangas: There is. That is owned by the association of soil conservation district. We specialize in the conifers or the evergreens. They specialize in the deciduous stock. I have a long standing working relationship with our soil conservation district.

Rep. Schauer: What kind of losses have you had?

Mr. Kangas: We have not had significant losses yet. We have had some minor losses from some hail events.

Chairman Kasper: What could kill a conifer besides wind, hail, or tornado? Freezing?

Mr. Kangas: Frost could create damage that would make those trees unsaleable.

Attachment 2 was handed out by the law intern.

Chairman Kasper closed the hearing.

Rep. Laning made a motion for a DO PASS and rerefer to appropriations.

Rep. Schauer seconded the motion.

Rep. B. Koppelman: It seems like a large sum to make. That is my concern.

A roll call vote was taken. 10-4, 0 absent.

Rep. Schneider will carry the bill.

Date: 2-28-19
Roll Call Vote #: 1

2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2065

House Government and Veterans Affairs 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. Laning Seconded By Rep. Schauer

Representatives	Yes	No	Representatives	Yes	No
Chairman Jim Kasper	X		Rep. Pamela Anderson	X	
Vice Chair Vicky Steiner		X	Rep. Mary Schneider	X	
Rep. Jeff Hoverson	X				
Rep. Craig Johnson	X				
Rep. Daniel Johnston		X			
Rep. Karen Karls	X				
Rep. Ben Koppelman		X			
Rep. Vernon Laning	X				
Rep. Scott Louser	X				
Rep. Karen Rohr		X			
Rep. Austen Schauer	X				
Rep. Steve Vetter	X				

Total (Yes) 10 No 4

Absent 0

Floor Assignment Rep. Schneider

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

REPORT OF STANDING COMMITTEE

SB 2065, as engrossed: Government and Veterans Affairs Committee (Rep. Kasper, Chairman) recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (10 YEAS, 4 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2065 was rereferred to the **Appropriations Committee**.

2019 HOUSE APPROPRIATIONS

SB 2065

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

SB 2065
3/19/2019
33974

☐ Subcommittee
☐ Conference Committee

Committee Clerk: Risa Bergquist

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to amend and reenact section 4.1-21-04 of the North Dakota Century Code, relating to the state forester reserve account.

Minutes:

Chairman Delzer: Called the meeting to order for SB 2065, This bill deals with state forest reserve account, changing it from 1 million to 1 ½ million. Representative Kasper is here to present the bill.

Representative Kasper: The compelling argument to increase this had to do with conifer trees. Testimony was that the North Dakota Forestry Services operates the only conifer evergreen forestry in North Dakota, producing a million seedlings annually. The seedlings are sold to farmstead making living snow fences, shelter for wildlife, wind breaks, ect. ect. Their concern is if they have some kind of massive disease or something that would kill a large amount of this trees they want it big enough reserve to be able to provide for the replacement.

Chairman Delzer: Did they say where they would have to go to purchase? Or would they stop distribution for a while?

Representative Kasper: If it was a weather related disaster or other unexpected event it could reduce their income by more than a million dollars in a biennium.

Chairman Delzer: What are some of the reasons that some of the committee voted no?

Representative Kasper: It was more that they felt they had enough.

Chairman Delzer: Reading the bill, it's just how much they can have on hand and they can't charge anything but production cost if they are at that upper limit. That says what they can charge but does that set an upward limit?

Representative Kasper: Bill say if the balance of reserve account exceeds 1.5 million dollars' charges for state nursery seedlings must not exceed estimated production cost until the account balance is less than 1.25 million.

Chairman Delzer: If they are charging a production how would it go down?

Representative Kasper: A loss of trees.

Chairman Delzer: And none of this money goes anywhere else? It stays in the reserve account.

Representative J. Nelson: This is the nursery in Towner? Dieses would be the only thing that would effect that.

Chairman Delzer: Senate must have changed from 2 million to 1.5? Or did your committee do that?

Representative Kasper: Senate did that.

Representative Kempenich: It is disease, and once it starts it moves very rapidly.

Chairman Delzer: Further questions? We will close this hearing.

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

SB 2065
3/19/2019
33991

☐ Subcommittee
☐ Conference Committee

Committee Clerk: Risa Bergquist

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to amend and reenact section 4.1-21-04 of the North Dakota Century Code, relating to the state forester reserve account.

Minutes:

Chairman Delzer: This bill is for the forester, changing their account up to 1.5 million dollars. After they reach that level they can only charge production cost until it's down to 1.25 million. Committee what are your wishes?

Representative Kempenich: I will do a Do Pass; I think they are trying to get a little bit more of a cushion.

Representative Monson: Second

Chairman Delzer: I am not sure that we would have had to have this one down here but we have it before us. We have a motion for a Do Pass.

Representative Bellew: They want this just in case?

Chairman Delzer: Whoever buys from them is helping to support this, it doesn't go anywhere it is just a little extra room for them. No other discussion we will call the roll.

A Roll Call vote was taken. Yea: 19 Nay: 1 Absent: 1

Motion carries, Representative Schneider will carry the bill.

Date: 3/19/2019
Roll Call Vote #: 1

2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2065

House Appropriations 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 **Representative Kempenich** Seconded By **Representative Monson**

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer	X				
Representative Kempenich	X				
Representative Anderson	X		Representative Schobinger	X	
Representative Beadle	X		Representative Vigesaa	X	
Representative Bellew		X			
Representative Brandenburg	X				
Representative Howe	X		Representative Boe	X	
Representative Kreidt	X		Representative Holman	X	
Representative Martinson	X		Representative Mock	X	
Representative Meier	X				
Representative Monson	X				
Representative Nathe	X				
Representative J. Nelson	X				
Representative Sanford	X				
Representative Schatz	X				
Representative Schmidt	A				

Total (Yes) 19 No 1

Absent 1

Floor Assignment **Representative Schneider**

Motion Carries

REPORT OF STANDING COMMITTEE

SB 2065, as engrossed: Appropriations Committee (Rep. Delzer, Chairman) recommends **DO PASS** (19 YEAS, 1 NAYS, 1 ABSENT AND NOT VOTING). Engrossed SB 2065 was placed on the Fourteenth order on the calendar.

2019 TESTIMONY

SB 2065

SB 2065
1/10/19
att #1
pg 1

66th LEGISLATIVE ASSEMBLY
Senate Government and Veterans Affairs Committee
Senator Kyle Davison, Chairman

Senate Bill 2065 - "Relating to the balance in State Forester Reserve Account"

10:15 a.m., Thursday, January 10, 2019

Testimony Submitted by: Michael Kangas, Nursery and State Forest Team Leader, North Dakota Forest Service

Purpose:
The NDSU-North Dakota Forest Service pre-filed SB 2065 and supports the amendment to forestry legislation in Chapter 4.1-21 of the North Dakota Century Code. The proposed change would amend language in Section 4.1-21-01 relating to the balance in State Forester Reserve Account.

Background:
The Forest Service is seeking legislative approval to increase the balance of the State Forester Reserve Account.

The proposed legislation would amend Section 4.1-21-04 of the North Dakota Century Code to increase the maximum fund balance limit in the State Forester Reserve Account from $1,000,000 to $2,000,000. The new maximum would ensure adequate funds are available for emergencies at the state nursery including seedling crop losses. In addition, the minimum fund balance limit would be raised from $700,000 to $1,700,000 to more realistically reflect the current cost of tree production at Towner State Nursery.

The North Dakota Forest Service operates the only conifer (evergreen) nursery in North Dakota producing 1.0 million seedlings annually. The trees are sold for farmstead, living snow fence, field windbreaks, wildlife, forestry and other conservation plantings. Tree seedling production at Towner State Nursery is supported by revenue generated from tree sales and tree production costs have risen significantly since the creation of the State Forester Reserve Account. A weather-related disaster or other unanticipated event resulting in the loss of this multi-year crop could reduce nursery income by more than $1,000,000 for a biennium. The current balance in the State Forester Reserve Account is $977,224.01. Anticipated 2017-2019 biennial deposits will increase the fund balance to over $1,000,000.

The 1991 Legislative Assembly created the State Forester Reserve Account establishing a special fund in the state treasury. All funds received for charges in excess of the cost of production for seedlings from the state nursery must be deposited in the reserve account. The State Forester has legislative authorization to charge up to 110% of the cost of production. Deposits are made in the reserve account at the end of each biennium. The reserve fund has a maximum balance limit of one million dollars. Reserve funds may be used for expenses related to nursery seedling losses or other unanticipated events requiring additional funding as determined necessary by the State Forester.

Chairman Davison, we greatly appreciate this opportunity to submit testimony in support of SB 2065.

###

SB 2065
1/10/19
Att # 1
pg 2

19.8001.01000

FISCAL NOTE
Requested by Legislative Council
12/31/2018

Bill/Resolution No.: SB 2065

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.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues		$80,000		$80,000		$80,000
Expenditures		$0		$0		$0
Appropriations		$0		$0		$0

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

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 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).*

Amend Section 4.1-21-04 of the North Dakota Century Code to increase the maximum fund balance limit in the State Forester Reserve Account from $1,000,000 to $2,000,000. The new maximum would ensure adequate funds are available for emergencies at the state nursery including seedling crop losses.

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.*

The proposed legislation would amend Section 4.1-21-04 of the North Dakota Century Code to increase the maximum fund balance limit in the State Forester Reserve Account from $1,000,000 to $2,000,000. In addition, the minimum fund balance limit would be raised from $700,000 to $1,700,000 to more realistically reflect the current cost of tree production at Towner State Nursery. The new maximum would ensure adequate funds are available for emergencies at the state nursery including seedling crop losses. Revenues for the reserve fund are derived from the sale of seedlings. The State Forester has authority to change 110% the cost of production and extra revenues that exceed the cost of production must be deposited into the reserve account. No fiscal impacts are anticipated as revenues for the reserve fund are derived from the sale of nursery stock.

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.*

Revenues for the reserve fund are derived from the sale of nursery stock. The agency anticipates approximately $80,000 in revenue in excess of the cost of production that will be required to be deposited into the reserve fund for each of the next 3 biennia.

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.*

The agency does not anticipate any expenditures from the reserve fund.

Chairman

SB 2065
att #1
1-17-19
pg 1

Davison, Kyle

From: Claeys, Thomas <thomas.claeys@ndsu.edu>
Sent: Thursday, January 10, 2019 5:07 PM
To: Davison, Kyle
Subject: SB 2065

CAUTION: This email originated from an outside source. Do not click links or open attachments unless you know they are safe.

Dear Senator Davison:

I am writing to offer additional information regarding SB 2065 "Relating to the balance in State Forester Reserve Account." The Bill was heard in the Senate Government and Veterans Affairs Committee this morning.

Appropriated funding for North Dakota's forestry programs is derived from two sources: the state general fund and income, including the sale of nursery products. The 2017-2019 original appropriated budget for the North Dakota Forest Service was $15,077,175 including $4,426,427 in general funds and $10,650,748 in special funds. Special funds included $1.2 million in estimated income from tree seedling sales.

Collections from the sale of trees are held in OMB Fund 326 "Nursery Revenues/Carryover" which supports salaries and operating for the production of trees at Towner State Nursery. The nursery charges 110% of production costs for seedlings. When income projections are met each biennium, a deposit equal to 10% above the cost of production is made into the Reserve Account - OMB Fund 346.

Reserve Account Deposits:

1989-91 and 1991-93 Bienniums	**$ 95,233.77**
1993-95 Biennium	**0.00**
1995-97 Biennium	**67,340.00**
1997-99 Biennium	**66,304.00**
1999-01 Biennium	**96,564.00**
2001-03 Biennium	**105,718.00**
2003-05 Biennium	**106,408.00**
2005-07 Biennium	**88,898.75**
2007-09 Biennium	**$86,833.00**
2009-11 Biennium	**$105,042.00**
2011-13 Biennium	**$81,062.00**
2013-15 Biennium	**$82,512.00**
Total Deposits	**$981,915.52**

Guidelines for the use of the State Forester reserve account are outlined within the Century Code. They state that *"The State Forester may use the reserve account within limits of legislative appropriations for expenses relating to nursery seedling losses or other anticipated events requiring additional funding as determined by the State Forester."*

A Fiscal Note was prepared at the request of the Legislative Council although there are no impacts on state general funds associated with SB 2065.

Closing, the Interim State Forester's Office is available to discuss SB 2065 or to provide additional information.

SB 2065
1-17-19
Att #2
p 1

19.8001.01001
Title.

Prepared by the Legislative Council staff for
Senator Meyer
January 14, 2019

PROPOSED AMENDMENTS TO SENATE BILL NO. 2065

Page 1, line 12, remove the overstrike over "~~one~~"

Page 1, line 12, remove "two"

Page 1, line 12, after "million" insert "five hundred thousand"

Renumber accordingly

not vote on this

SB 2065
1-24-19
AH #1
pg1

19.8001.01002
Title.

Prepared by the Legislative Council staff for
Senator Meyer
January 23, 2019

PROPOSED AMENDMENTS TO SENATE BILL NO. 2065

Page 1, line 12, remove the overstrike over "~~one~~"

Page 1, line 12, remove "two"

Page 1, line 12, after "million" insert "five hundred thousand"

Page 1, line 14, remove "one million"

Page 1, line 14, overstrike "seven" and insert immediately thereafter "one million two"

Renumber accordingly

#1
SB 2065
2-28-19

66th LEGISLATIVE ASSEMBLY
House Government and Veterans Affairs Committee
Representative James Kasper, Chairman

Engrossed Senate Bill 2065 - "Relating to the balance in State Forester Reserve Account"

2:00., Thursday, February 28, 2019

Testimony Submitted by: Michael Kangas, Nursery and State Forest Team Leader,
North Dakota Forest Service

Purpose:
The NDSU-North Dakota Forest Service pre-filed SB 2065 and supports the amendment to forestry legislation in Chapter 4.1-21 of the North Dakota Century Code. The proposed change would amend language in Section 4.1-21-01 relating to the balance in State Forester Reserve Account.

Background:
The Forest Service is seeking legislative approval to increase the balance of the State Forester Reserve Account.

The proposed legislation would amend Section 4.1-21-04 of the North Dakota Century Code to increase the maximum fund balance limit in the State Forester Reserve Account from $1,000,000 to $1,500,000. The new maximum would ensure adequate funds are available for emergencies at the state nursery including seedling crop losses. In addition, the minimum fund balance limit would be raised from $700,000 to $1,200,000 to more realistically reflect the current cost of tree production at Towner State Nursery.

The North Dakota Forest Service operates the only conifer (evergreen) nursery in North Dakota producing 1.0 million seedlings annually. The trees are sold for farmstead, living snow fence, field windbreaks, wildlife, forestry and other conservation plantings. Tree seedling production at Towner State Nursery is supported by revenue generated from tree sales and tree production costs have risen significantly since the creation of the State Forester Reserve Account. A weather-related disaster or other unanticipated event resulting in the loss of this multi-year crop could reduce nursery income by more than $1,000,000 for a biennium. The current balance in the State Forester Reserve Account is $977,224.01. Anticipated 2017-2019 biennial deposits will increase the fund balance to over $1,000,000.

The 1991 Legislative Assembly created the State Forester Reserve Account establishing a special fund in the state treasury. All funds received for charges in excess of the cost of production for seedlings from the state nursery must be deposited in the reserve account. The State Forester has legislative authorization to charge up to 110% of the cost of production. Deposits are made in the reserve account at the end of each biennium. The reserve fund has a maximum balance limit of one million dollars. Reserve funds may be used for expenses related to nursery seedling losses or other unanticipated events requiring additional funding as determined necessary by the State Forester.

Chairman Kasper, we greatly appreciate this opportunity to submit testimony in support of SB 2065.

###

#2
SB 2064
SB 2065
2-28-19

CHAPTER 4.1-21
FORESTRY

4.1-21-01. State forester - Appointment - Qualifications - Duties.
The board of higher education shall appoint the state forester.

1. The state forester must be a graduate of an accredited school of forestry with a minimum education of a bachelor of science degree in forestry. The office of the state forester must be located in Bottineau. The state forester shall serve as the director of the state forest service and, subject to the approval of the board of higher education and the president of North Dakota state university, may employ assistants and secure office facilities and equipment necessary for the administration of this chapter and the performance of the powers and duties of the office.
2. The state forester shall:
   a. Supervise the raising and distribution of seeds and forest tree planting stock as provided in this chapter.
   b. Promote practical forestry and compile and disseminate information relative to practical forestry to landowners, community groups, schools, and other organizations interested in forestry.
   c. Encourage the development, use, and wise stewardship of forest resources.
   d. Provide assistance to landowners, producers, and public bodies relating to forestry, reforestation, protection of forest resources, prevention and suppression of fires, planting of trees and shrubs, and the growing, harvesting, marketing, and management of forest resources.

4.1-21-02. State nursery - Maintenance - Purpose.
A state nursery, under the direction of the state forester, must be maintained at Towner. The nursery shall propagate seeds and forest tree planting stock adapted to the climatic conditions of this state.

4.1-21-03. Powers - Cooperative state agreements.
Under the general supervision of the board of higher education, the state forester may:

1. Establish procedures for the administration of this chapter.
2. Provide grants to, and enter cooperative agreements with, public and private entities for purposes consistent with this chapter.
3. Establish councils to advise the state forester on the administration of this chapter.

4.1-21-04. State forester reserve account.
The state forester reserve account is established as a special account in the state treasury. All moneys received for charges in excess of the cost of production of seedlings from the state nursery must be deposited in the reserve account. The state forester may use the reserve account within limits of legislative appropriations for expenses relating to nursery seedling losses or other unanticipated events requiring additional funding as determined necessary by the state forester. If the balance of the state forester reserve account exceeds one million dollars, charges for state nursery seedlings must not exceed estimated production costs until the account balance is less than seven hundred thousand dollars, at which time the state forester may charge one hundred ten percent of production costs.

4.1-21-05. Distribution of seeds and planting stock.
Seeds and planting stock from the state nursery may be distributed by the state forester to citizens and landowners of this state upon payment by them of a price not greater than one hundred ten percent of the cost to the state of production in the case of planting stock or collection in the case of seeds, and the cost of transportation from the nursery. The seeds and planting stock may be used to establish or reestablish forests, windbreaks, shelterbelts, living snow fences, farm woodlots, Christmas tree plantings, wildlife habitats, and other conservation tree plantings and for erosion control and water quality management.

4.1-21-06. State forester may accept land for forestry purposes.

The state forester may accept gifts, donations, or contributions of land suitable for forestry purposes and may enter agreements for acquiring, by lease, purchase, or otherwise, such lands as in the state forester's judgment are desirable for state forestry purposes.

4.1-21-07. Obligations incurred in acquiring land - Payment.

Obligations incurred by the state forester in the acquisition of land under this chapter must be paid solely and exclusively from revenues derived from that land, and may not impose any liability upon the general credit and taxing power of the state.

4.1-21-08. Powers of state forester when lands acquired or leased.

When lands are acquired or leased under section 4.1-21-06, the state forester may make expenditures from any funds not otherwise obligated for the management, development, and utilization of those areas. The state forester may provide recreational services within those areas and may charge a user fee in an amount sufficient to cover the cost of providing those services. The state forester may sell or otherwise may dispose of products from those lands and may make necessary rules to carry out the purposes of this chapter.

4.1-21-09. Revenue received from lands acquired or leased - Regulations governing - Payments in lieu of taxes.

All revenues derived from lands acquired or leased under this chapter must be segregated by the state treasurer for the use of the state forester in the acquisition, management, development, and use of such lands. However, from those revenues derived from agricultural leases there must be paid over to the governing body of the county in which those lands are located, an amount sufficient to cover the loss of tax revenues, if any, resulting from such acquisition or lease.

4.1-21-10. State forester may sell, exchange, or lease lands.

The state forester may sell, exchange, or lease lands under the state forester's jurisdiction when in the state forester's judgment it is advantageous to the best orderly development and management of state forests and state parks, except any sale, lease, or exchange may not be contrary to the terms of any contract that the state has entered.

4.1-21-11. Agreements for shelterbelt lands by state.

Any board or officer having the control or management of any real estate belonging to or controlled by this state or any of its political subdivisions may enter agreements with the officers and agents of the United States for the improvement by the United States of any of those lands by the establishment and maintenance on those lands of shelterbelts composed of trees, other plants, and necessary protective structures and works. Every agreement must describe particularly the land to be covered by the shelterbelt, must be recorded at the expense of the United States in the county where the land is situated, and thereafter all leases, sales, and other disposition of such land are subject to the agreement.

4.1-21-12. Trees for North Dakota program and trust fund.

The trees for North Dakota program is created for the public purpose of strengthening the tradition of tree planting and management in this state.

A special fund known as the trees for North Dakota program trust fund is established in the state treasury. Income earned on moneys in the fund must be credited to the fund. The state forester shall deposit all program funds received from governmental and private sources in the trust fund. Program funds may be expended for direct costs or distributed for grants and contracts by the state forester within the limits of legislative appropriations for defraying the costs associated with execution of the trees for North Dakota program.

Any political subdivision of the state may provide financial aid or supportive services to the trees for North Dakota program.