2023 HOUSE POLITICAL SUBDIVISIONS

HB 1292

2023 HOUSE STANDING COMMITTEE MINUTES

Political Subdivisions Committee
Room JW327B, State Capitol

HB 1292
1/26/2023

Relating to capital construction projects.

Chairman Longmuir opened the hearing on HB 1292 at 3:30 P.M. Members present: Chairman Longmuir, Vice Chairman Fegley, Rep. Hatlestad, Rep. Heilman, Rep. Holle, Rep. Jonas, Rep. Klemin, Rep. Motschenbacher, Rep. Ostlie, Rep. Rios, Rep. Toman, Rep. Warrey, Rep. Davis, Rep. Hager

Discussion Topics:

- Amendment
- Infrastructure loan fund
- HB 2330 effect
- Financing low interest loans

Rep. Porter: Introduced the bill. No written testimony

Heidi Merkland, Bank of ND: No written testimony

Shannon Schutt, Executive Director, ND Recreation & Park Association: Testimony #16913

Stephanie Dassinger Engebretson, League of Cities and Chief of Police Association: No written testimony

Hearing closed at 3:47 PM.

Delores Shimek, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Political Subdivisions Committee
Room JW327B, State Capitol

HB 1292
1/27/2023

Relating to capital construction projects.

Chairman Longmuir opened the hearing on HB 1292 at 10:41 A. M. Members present: Chairman Longmuir, Vice Chairman Fegley, Rep. Hatlestad, Rep. Heilman, Rep. Holle, Rep. Jonas, Rep. Klemin, Rep. Motschenbacher, Rep. Ostlie, Rep. Rios, Rep. Toman, Rep. Warrey, Rep. Davis, Rep. Hager

Discussion Topics:

- Committee action

Rep. Motschenbacher moved a Do Pass
Seconded by: Rep. Warrey

Representatives	Vote
Representative Donald W. Longmuir	Y
Representative Clayton Fegley	Y
Representative Jayme Davis	Y
Representative LaurieBeth Hager	Y
Representative Patrick Hatlestad	Y
Representative Matt Heilman	Y
Representative Dawson Holle	Y
Representative Jim Jonas	Y
Representative Lawrence R. Klemin	A
Representative Mike Motschenbacher	Y
Representative Mitch Ostlie	A
Representative Nico Rios	Y
Representative Nathan Toman	Y
Representative Jonathan Warrey	Y

Roll Call Vote: 12 Yes 0 No 2 Absent Carrier: Rep. Warrey

Hearing closed at 10:43 AM.

Delores Shimek, Committee Clerk

REPORT OF STANDING COMMITTEE

HB 1292: Political Subdivisions Committee (Rep. Longmuir, Chairman) recommends **DO PASS** (12 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). HB 1292 was placed on the Eleventh order on the calendar.

2023 SENATE INDUSTRY AND BUSINESS

HB 1292

2023 SENATE STANDING COMMITTEE MINUTES

Industry and Business Committee
Fort Union Room, State Capitol

HB 1292
3/14/2023

A bill relating to capital construction projects.

11:00 AM Chairman D. Larsen called the meeting to order. Members present: Chairman D. Larsen, Vice Chairman Kessel, Senator Barta, Senator Klein, Senator Boehm.

Discussion Topics:

- Loan fund language
- Property tax relief
- Savings

11:00 AM Representative Todd Porter, District 34, Mandan, North Dakota, introduced HB 1292, and testified in favor. No written testimony.

11:09 AM Cole Higlin, Public Policy Chairman, NDPRA, testified in favor of HB 1292. #24483

11:17 AM Kylee Merkle, Business Banker, Bank of North Dakota, testified in favor of HB 1292. #24948

11:36 AM Chairman D. Larsen closed the hearing on HB 1292.

11:37 Senator Klein moved DO PASS HB 1292. Senator Boehm seconded the motion.

Roll call vote:

Senators	Vote
Senator Doug Larsen	Y
Senator Greg Kessel	Y
Senator Jeff Barta	Y
Senator Keith Boehm	Y
Senator Jerry Klein	Y

Vote 5-0-0 Motion Passed HB 1292

Senator Boehm will carry the bill.

11:38 Chairman D. Larsen closed the meeting.

Brenda Cook, Committee Clerk

NOTE: Committee reconsidered actions on March 20, 2023 at 11:08 AM.

REPORT OF STANDING COMMITTEE

HB 1292: Industry and Business Committee (Sen. Larsen, Chairman) recommends **DO PASS** (5 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1292 was placed on the Fourteenth order on the calendar. This bill does not affect workforce development.

2023 SENATE STANDING COMMITTEE MINUTES

Industry and Business Committee
Fort Union Room, State Capitol

HB 1292
3/20/2023

A bill relating to capital construction projects.

11:08 AM Chairman D. Larsen opened the meeting. Members present: Chairman D. Larsen, Vice Chairman Kessel, Senator Barta, Senator Klein, Senator Boehm.

Discussion Topics:

- Committee action

11:08 AM Chairman Larsen provided information on HB 1292. No written testimony.

11:10 AM Senator Klein moved to adopt an amendment to add an emergency clause.
11:10 AM Senator Barta seconded the motion.
11:10 AM Senator Klein withdrew his motion and the second was withdrawn.

11:10 AM Senator Klein moved to reconsider previous committee action on HB 1292.
11:10 AM Senator Barta seconded the motion.
Roll call vote:

Senators	Vote
Senator Doug Larsen	Y
Senator Greg Kessel	Y
Senator Jeff Barta	Y
Senator Keith Boehm	Y
Senator Jerry Klein	Y

Vote 5-0-0 Motion to reconsider passed.

11:15 AM Senator Klein moved to Amend HB 1292. LC 23.0897.01001
Senator Barta seconded the motion.

Roll call vote:

Senators	Vote
Senator Doug Larsen	Y
Senator Greg Kessel	Y
Senator Jeff Barta	Y
Senator Keith Boehm	Y
Senator Jerry Klein	Y

Vote: 5-0-0 Motion passed to Amend HB 1292 with LC 23.0897.01001.

11:15 AM Senator Klein moved to DO PASS HB 1292 AS AMENDED.

11:15 AM Senator Barta seconded the motion.

Roll call vote:

Senators	Vote
Senator Doug Larsen	Y
Senator Greg Kessel	Y
Senator Jeff Barta	Y
Senator Keith Boehm	Y
Senator Jerry Klein	Y

Vote 5-0-0 DO PASS HB 1292 AS AMENDED.

Senator Boehm will carry the bill.

11:18 AM Chairman D. Larsen closed the meeting.\

Brenda Cook, Committee Clerk

23.0897.01001
Title.02000

Adopted by the Senate Industry and Business Committee

March 20, 2023

DK
1/1
3-20-23

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1292

Page 1, line 2, after "projects" insert "; and to declare an emergency"

Page 3, line 4, insert:"

SECTION 2. EMERGENCY. This Act is declared to be an emergency measure."

Renumber accordingly

REPORT OF STANDING COMMITTEE

HB 1292: Industry and Business Committee (Sen. Larsen, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (5 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1292 was placed on the Sixth order on the calendar. This bill does not affect workforce development.

Page 1, line 2, after "projects" insert "; and to declare an emergency"

Page 3, line 4, insert:"

SECTION 2. EMERGENCY. This Act is declared to be an emergency measure."

Renumber accordingly

TESTIMONY

HB 1292

Testimony of Shannon Schutt
North Dakota Recreation & Park Association
To House Political Subdivisions Committee
In Support to HB 1292
Thursday, January 26, 2023

Chairman Longmuir and members of the Committee, my name is Shannon Schutt, and I am the executive director of the North Dakota Recreation & Park Association (NDRPA). We represent more than 900 members, primarily park districts, and work to advance parks, recreation and conservation for an enhanced quality of life in North Dakota.

We are in support of adding infrastructure for recreation and community facilities to the list of capital construction projects eligible for loans under the infrastructure revolving loan fund through the Bank of North Dakota (BND).

Park district revenue is generated from programs and fees, and property taxes and state aid. They use these funding mechanisms for their infrastructure projects. Allowing political subdivisions to apply for low interest loans for infrastructure, such as parking lots that provide access to facilities and recreation, will assist park districts both large and small in completing projects in their communities that affect the quality of life of your constituents and visitors.

For example, the Mandan Park District constructed a $4.1 million tennis center and wanted to special assess the parking lot and infrastructure needed to support the facility. They special assessed the improvements; however, the parking lot portion did not qualify for the BND 2% infrastructure loan. The new street qualified, but the parking lot did not, even though the city managed the project and had the same contractors complete the task. Mandan Park District will end up with estimated financing at 5.5% on the parking lot portion and 2% for the street improvement. This is an additional interest cost of nearly $500,000 if they pay over the 20-year term. The lower interest rate would have saved the taxpayers this money.

Thank you for the opportunity to express our support for HB 1292 for park district infrastructure needs.

Testimony of Cole Higlin
North Dakota Recreation & Park Association
To Senate Industry, Business and Labor Committee
In Support to HB 1292
Tuesday, March 14, 2023

Chairman Larsen and members of the Committee, my name is Cole Higlin, and I am the public policy chair of the North Dakota Recreation & Park Association (NDRPA). We represent more than 900 members, primarily park districts, and work to advance parks, recreation and conservation for an enhanced quality of life in North Dakota.

We are in support of adding infrastructure for recreation and community facilities to the list of capital construction projects eligible for loans under the infrastructure revolving loan fund through the Bank of North Dakota (BND).

Park district revenue is generated from programs and fees, property taxes and state aid. They use these funding mechanisms for their infrastructure projects. Allowing political subdivisions to apply for low interest loans for infrastructure, such as parking lots that provide access to facilities and recreation, will assist park districts both large and small in completing projects in their communities that affect the quality of life of your constituents and visitors.

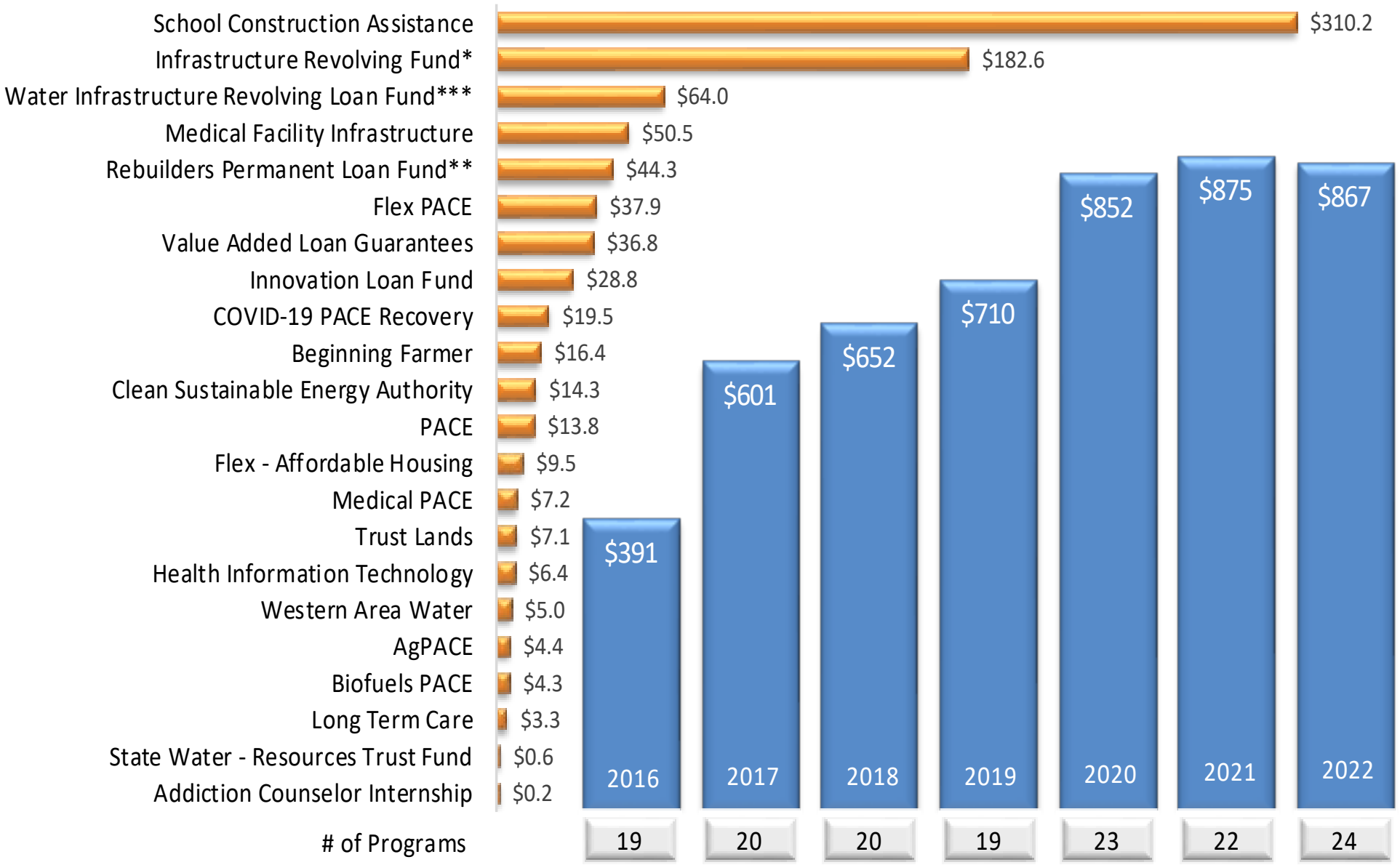
For example, the Mandan Park District constructed a $4.1 million tennis center and wanted to special assess the parking lot and infrastructure needed to support the facility. They special assessed the improvements; however, the parking lot portion did not qualify for the BND 2% infrastructure loan. The new street qualified, but the parking lot did not, even though the city managed the project and had the same contractors complete the task. Mandan Park District will end up with estimated financing at 5.5% on the parking lot portion and 2% for the street improvement. This is an additional interest cost of nearly $500,000 if they pay over the 20-year term. The lower interest rate would have saved the taxpayers this money.

Thank you for the opportunity to express our support for HB 1292 for park district infrastructure needs.

BND
Bank of North Dakota

Infrastructure Programs Administered by BND

Legislatively Directed Loan Programs



- BND currently administers $867 million in net assets for legislatively directed loan programs. These programs serve a wide range of purposes, including school construction, water projects, general and medical infrastructure, and disaster recovery.
- *Infrastructure Revolving Fund includes $52 million to be transferred from BND's capital.
- ** HB 1187 created The Rebuilders Permanent Loan Fund (RPLF) during the 67th Legislative Session. This permanent revolving loan fund was established by transferring $50 million in loans and cash from the Small Employer Loan Fund (SELF) created by BND during the Covid 19 pandemic to the RPLF.
- ***The Water Infrastructure Revolving Loan Fund was created by HB 1431. The Fund combined previously reported Community Water and State Water – Revolving Loan Fund.

BND
Bank of North Dakota

On Balance Sheet vs Legislative Directed Programs

Balance Sheet
$ in thousands

	6/30/2022
Cash and due from banks	950,452
Federal funds sold	18,895
Securities	4,150,254
Loans	
Commercial	2,721,823
Agriculture	693,005
Residential	375,190
Student Loans	1,121,733
	4,911,751
Less allow. for credit loss	(107,543)
	4,804,208
Other assets	106,338
Total assets	10,030,147
Deposits -	
Non-interest bearing	618,816
Interest bearing	8,001,799
	8,620,616
Federal funds purchased and repurchase agreements	445,860
Other liabilities	3,966
Total liabilities	9,070,442
Equity	959,705
Total liabilities and equity	10,030,147

Loans "On Balance Sheet" in which BND participates with a Lead FI and takes the Risk / Reward that contributes to the earnings at the end of the year.

The funding for these loans is backed by the "Equity" of BND.

Infrastructure Revolving Loan Fund--$230m

- BND Earnings--$100m (2015)
- SIIF--$50m (2015)
- SIIF--$25m (2017)
- Bonding--$50m (2021)

Why "Off Balance Sheet"

1. Long-term Fixed Interest Rate at 2%.
2. Provides for up to 30 / 40 Year Terms.

Procedurally:
BND underwrites and administers loans
Provides for Audits of the Funds
Principal and interest returned to the Fund
BND receives a .50bp service fee

BND
Bank of North Dakota

Definition of Essential Infrastructure

Revised Definitions of Essential Infrastructure

- Eligible infrastructure projects under this subsection are capital projects to construct new infrastructure or to replace infrastructure and which provide the fixed installations necessary for the function of a political subdivision. Capital construction projects exclude routine maintenance and repair projects, but include:

Previous Definitions

- a. Water treatment plants;
- b. Wastewater treatment plants;
- c. Sewer lines and waterlines, including lift stations and pumping stations;
- Water storage systems, including dams, water tanks, and water towers;
- e. Storm water infrastructure, including curb and gutter construction;
- **f. Road and bridge infrastructure, including paved and unpaved roads and bridges;**
- g. Airport infrastructure;
- h. Electricity transmission infrastructure;
- i. Natural gas transmission infrastructure;
- j. Communications infrastructure;
- k. Emergency services facilities, excluding hospitals;
- **l. Essential political subdivision building and infrastructure; and**
- **m. The Red River valley water supply project**
- **Flood control; Conveyance projects; Rural water supply; Water supply; and General water management.**

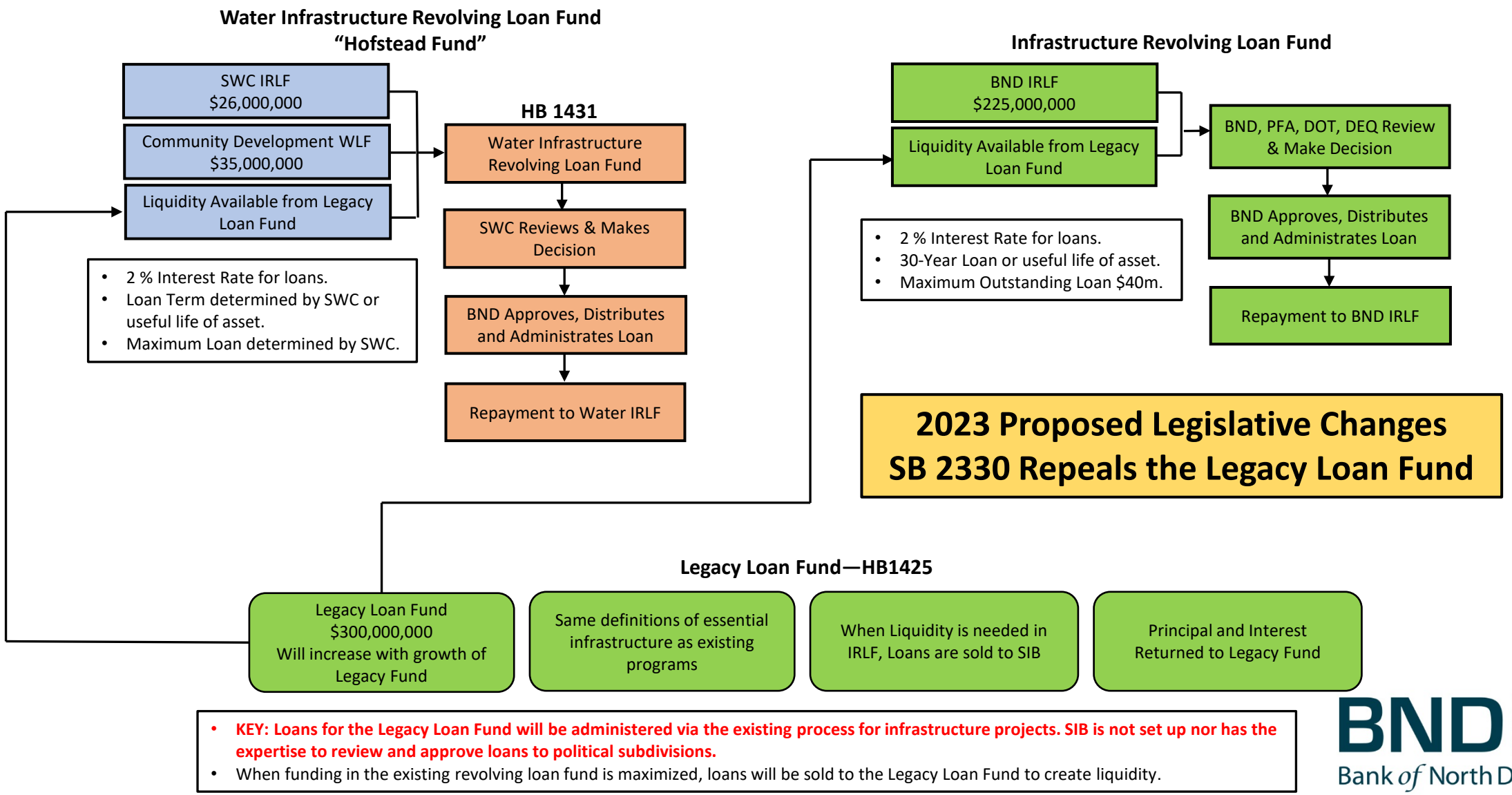
ND Department of Transportation will create program policy and guidelines and approve projects for transportation infrastructure

Essential buildings and infrastructure such as fire stations, municipal court facilities not including recreational facilities

ND Department of Water Resources will create program policy and guidelines and approve project for water related infrastructure

BND
Bank of North Dakota

Water and Infrastructure Funding Process



- **KEY: Loans for the Legacy Loan Fund will be administered via the existing process for infrastructure projects. SIB is not set up nor has the expertise to review and approve loans to political subdivisions.**
- When funding in the existing revolving loan fund is maximized, loans will be sold to the Legacy Loan Fund to create liquidity.

BND
Bank of North Dakota

Status of Loan Funds

Including Proposed 2023 Legislative Changes

Infrastructure Revolving Loan Fund

Cash Balance		24,417,967.99
Bond Proceeds Remaining		59,396,252.25
BND Capital Remaining		52,000,000.00
Available Funds		135,814,220.24
In Construction Commitments		30,820,197.83
Approved Commitments		13,893,026.00
Pending Applications		42,328,910.31
Current Available		**48,772,086.10**
2023 - 2025 Repayments		19,999,366.72
Available for New Loans 2023-2025		**68,771,452.82**
Bond Proceeds Returned to DOT	HB 1012	35,000,000.00
WAWSA Refinance	SB 2196	42,723,429.00
After Pending Legislation		**(8,951,976.18)**

Water Infrastructure Revolving Loan Fund

Cash Balance		27,137,971.57
In Construction Commitments		14,902,038.65
Pending Applications		1,700,000.00
Current Available		**10,535,932.92**

BND
Bank of North Dakota

Revolving Loan Funds

By Term of Loan

Infrastructure Revolving Loan Fund				
Term	**Approved Amount**	**Outstanding Balance**	**Number of Loans**	**% of Approved**
5 Years	$1,775,000.00	$459,345.70	2	0.92%
10 Years	$5,704,381.00	$2,849,451.62	8	2.96%
15 Years	$19,156,731.00	$11,367,828.81	15	9.94%
20 Years	$78,581,714.00	$43,411,260.64	24	40.77%
25 Years	$35,332,120.00	$28,216,301.48	7	18.33%
30 Years	$52,202,050.00	$34,770,167.61	21	27.08%
	$192,751,996.00	**$121,074,355.86**	**77**	

Water Infrastructure Revolving Loan Fund				
Term	**Approved Amount**	**Outstanding Balance**	**Number of Loans**	**% of Approved**
10 Years	$350,000.00	$315,600.27	1	0.53%
20 Years	$14,132,385.00	$9,726,624.52	8	21.37%
25 Years	$600,000.00	$395,904.75	1	0.91%
30 Years	$18,704,814.00	$12,291,105.81	16	28.28%
40 Years	$32,343,400.00	$14,649,204.56	26	48.91%
	$66,130,599.00	**$37,378,439.91**	**52**	

BND
Bank of North Dakota

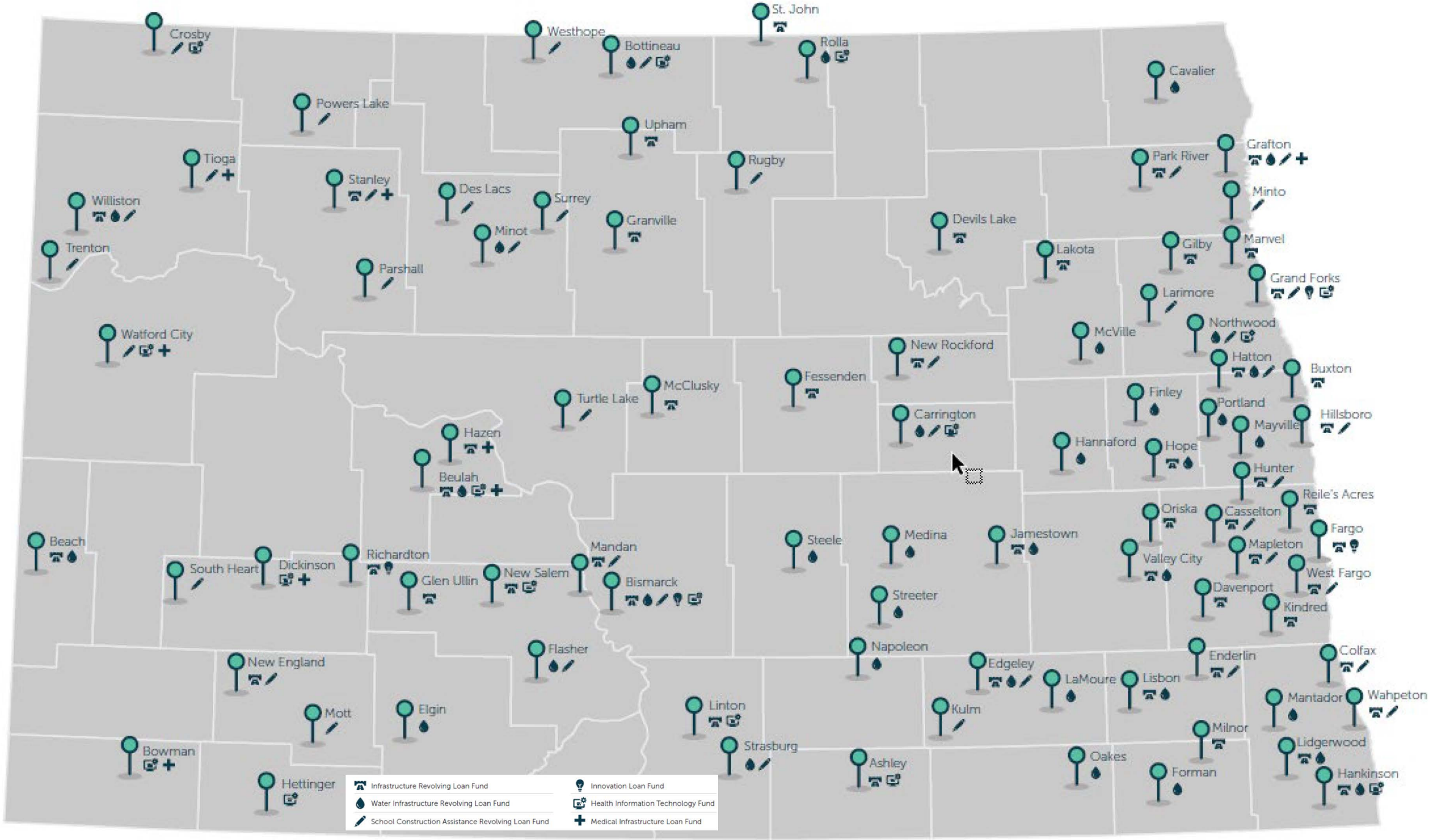
Revolving Loan Funds

By Population of Borrower

Infrastructure Revolving Loan Fund				
Population	**Approved Amount**	**Outstanding Balance**	**Number of Loans**	**% of Approved**
Under 1,000	$38,219,400.00	$31,804,168.77	27	19.83%
1,001 to 5,000	$48,821,800.00	$26,153,330.55	24	25.33%
5,001 to 10,000	$7,079,931.00	$4,703,689.67	9	3.67%
10,001 to 25,000	$17,210,865.00	$12,524,891.27	7	8.93%
Over 25,000	$81,420,000.00	$45,888,275.60	10	42.24%
	$192,751,996.00	**$121,074,355.86**	**77**	

Water Infrastructure Revolving Loan Fund				
Population	**Approved Amount**	**Outstanding Balance**	**Number of Loans**	**% of Approved**
Under 1,000	$7,294,500.00	$3,487,890.43	17	11.03%
1,001 to 5,000	$18,566,985.00	$13,702,213.33	27	28.08%
5,001 to 10,000	$12,054,114.00	$8,155,050.62	6	18.23%
10,001 to 25,000	$0.00	$0.00	-	0.00%
Over 25,000	$28,215,000.00	$12,033,285.53	2	42.67%
	$66,130,599.00	**$37,378,439.91**	**52**	

BND
Bank of North Dakota


Crosby
Westhope
Bottineau
St. John
Rolla
Cavalier
Powers Lake
Upham
Rugby
Tioga
Stanley
Des Lacs
Surrey
Minot
Granville
Park River
Grafton
Minto
Williston
Trenton
Parshall
Devils Lake
Lakota
Gilby
Manvel
Grand Forks
Larimore
Watford City
McVille
Northwood
New Rockford
Hatton
Buxton
Turtle Lake
McClusky
Fessenden
Finley
Portland
Hillsboro
Carrington
Mayville
Hannaford
Hope
Hunter
Hazen
Beulah
Reile's Acres
Oriska
Casselton
Fargo
Beach
Steele
Medina
Jamestown
Mapleton
Valley City
South Heart
Dickinson
Richardton
Mandan
Glen Ullin
New Salem
Bismarck
Streeter
Davenport
West Fargo
Kindred
Flasher
Napoleon
Enderlin
Colfax
New England
Edgeley
LaMoure
Lisbon
Linton
Kulm
Mantador
Wahpeton
Mott
Elgin
Milnor
Bowman
Strasburg
Ashley
Oakes
Forman
Lidgerwood
Hettinger
Hankinson
Infrastructure Revolving Loan Fund
Water Infrastructure Revolving Loan Fund
School Construction Assistance Revolving Loan Fund
Innovation Loan Fund
Health Information Technology Fund
Medical Infrastructure Loan Fund

BND Infrastructure Loan Project Cost Comparison

$5 Million Project - Total Savings: $2,380,000		
	30-Year Term Total Paid	**Interest Paid**
Market Rate Loan (4.50%)	$9,010,000	$4,010,000
BND Infrastructure Revolving Loan	$6,630,000	$1,630,000

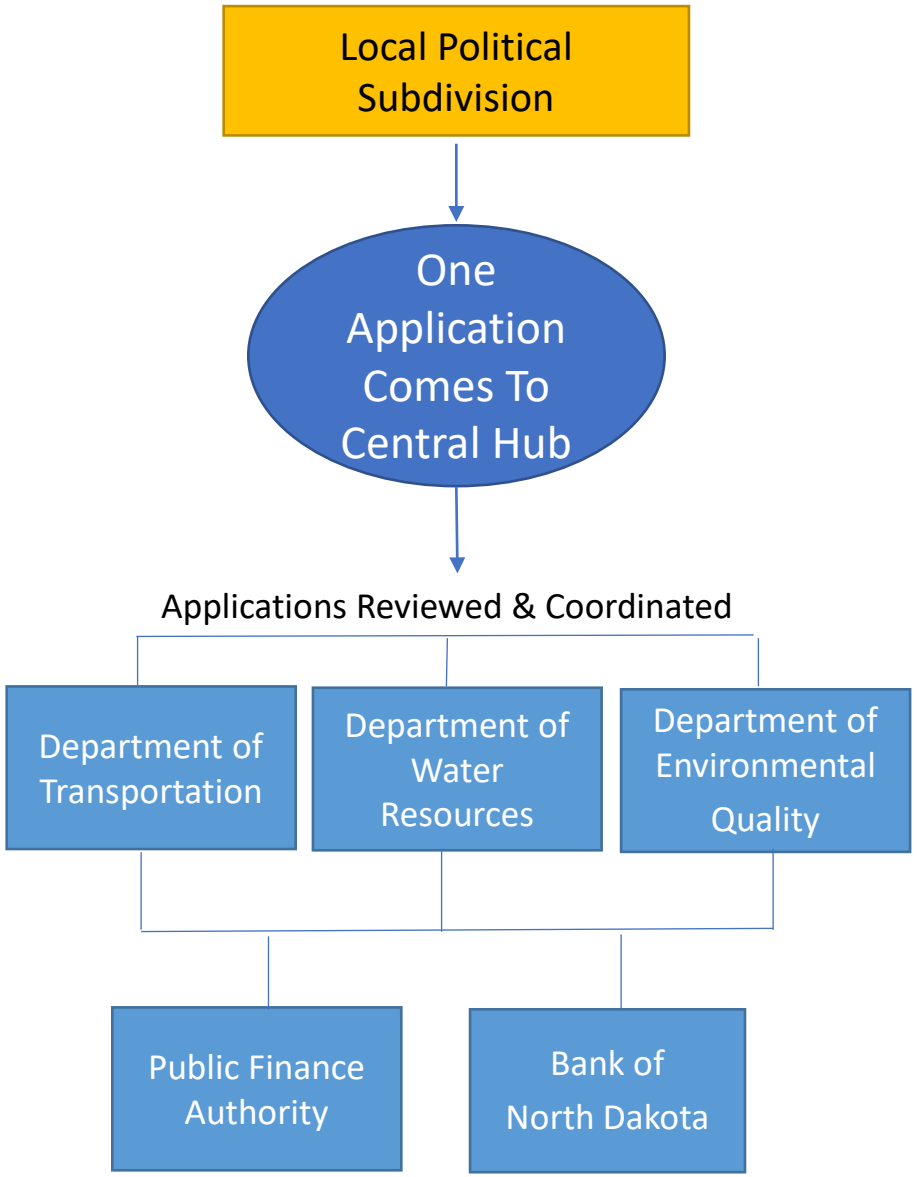
$15 Million Project - Total Savings: $7,135,000		
	30-Year Term Total Paid	**Interest Paid**
Market Rate Loan (4.50%)	$27,030,000	$12,030,000
BND Infrastructure Revolving Loan	$19,900,000	$4,895,000

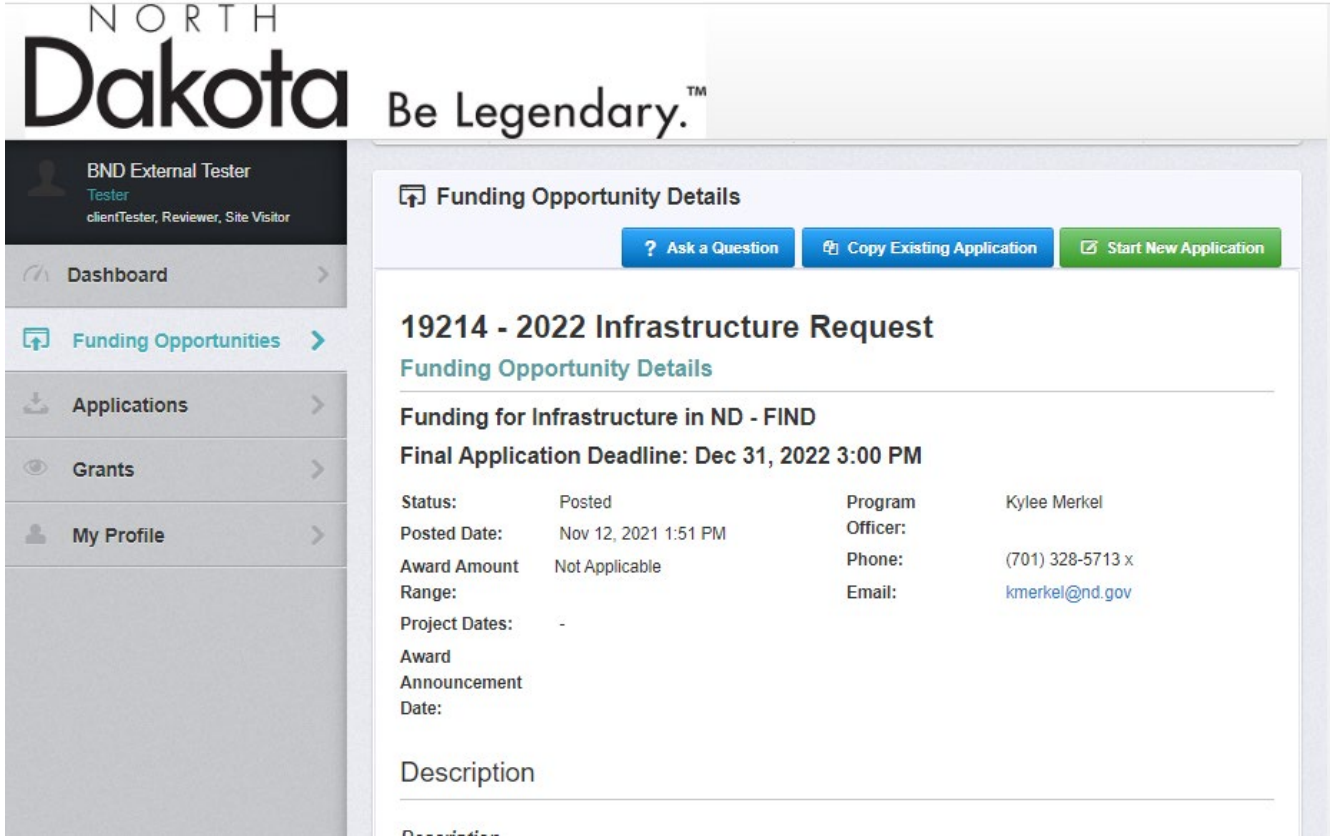
$40 Million Project -Total Savings: $19,025,000		
	30-Year Term Total Paid	**Interest Paid**
Market Rate Loan (4.50%)	$72,080,000	$32,080,000
BND Infrastructure Revolving Loan	$53,050,000	$13,055,000

BND
Bank *of* North Dakota

The Vision. One Application.

FIND—Funding for Infrastructure in North Dakota





Apply online at:
grants.nd.gov

BND
Bank of North Dakota

Questions?