

COMMERCE AND AGRICULTURE COMMITTEE

The Commerce and Agriculture Committee was assigned two studies. Section 12 of Senate Bill No. 2019 (1997) directed a study of economic development functions in this state, including the Bank of North Dakota programs, Technology Transfer, Inc., the North Dakota Development Fund, the Department of Economic Development and Finance, and other related state agencies. Senate Bill No. 2019 also provided that the study should include a review of the most appropriate, effective, and efficient method for the state to deliver economic development assistance in light of changing economic conditions and considerations. House Concurrent Resolution No. 3046 directed a study of the availability of affordable housing for middle income households, for the elderly, and in rural areas of this state. By directive of the Legislative Council, the study was expanded to include the availability of housing for all income levels.

In addition to its assigned studies, the chairman of the Legislative Council requested the committee to receive reports from Job Service North Dakota relating to any administrative changes, statutory changes, and changes in the unemployment insurance tax structure that may be proposed by Job Service for consideration by the 1999 Legislative Assembly and to review the current laws and rules regarding animal confinement feeding operations in the state. The Legislative Council designated the committee as the interim committee to receive the following reports that are required by law to be submitted to the Legislative Council or a committee designated by the Legislative Council:

1. The annual evaluation of research activities and expenditures by the Agricultural Research Board (North Dakota Century Code (NDCC) Section 4-05.1-19).
2. The annual report of the State Board of Animal Health (NDCC Section 36-01-08.3).
3. The annual report of the Department of Economic Development and Finance regarding loan performance and performance of the department (NDCC Section 54-34.3-04).
4. The report from the Workers Compensation Bureau regarding its safety audit of Roughrider Industries work programs and its performance audit of the modified workers' compensation program (NDCC Section 65-06.2-09).
5. The report from the Workers Compensation Bureau regarding its study of wage-loss benefit structure (1997 S.L., ch. 527, § 7).
6. The reports from the State Board for Vocational and Technical Education regarding its progress in coordinating statewide access to work force training programs (1997 S.L., ch. 32, § 17 and ch. 49, § 7).
7. The report of the Agricultural Experiment Station regarding the study of the feasibility and desirability of industrial hemp production in the state (1997 S.L., ch. 56, §1).

Committee members were Senators Duane Mutch (Chairman), Meyer Kinnoin, David O'Connell, Harvey Sand, and Herb Urlacher and Representatives Jack Dalrymple, Glen Froseth, Pat Galvin, Lyle L. Hanson, Dennis Johnson, George Keiser, John Mahoney, Eugene Nicholas, Jim Poolman, Earl Rennerfeldt, Arlo E. Schmidt, and Lynn J. Thompson.

The committee submitted this report to the Legislative Council at the biennial meeting of the Council in November 1998. The Council accepted the report for submission to the 56th Legislative Assembly.

ECONOMIC DEVELOPMENT STUDY

Background

Although North Dakota's 2.8 percent unemployment rate in 1996 ranked as the lowest among the 50 states, evaluations of the state's economic momentum vary. *Congressional Quarterly's* State Fact Finder Rankings Across America for 1997 ranked the September 1996 index of economic momentum for North Dakota as the 19th best in the nation. On the other hand, a report by the Corporation for Enterprise Development in July 1996 gave the state a "D" in economic performance based on a rating of employment, wage levels, and job quality.

1991 "Growing North Dakota" Legislation

Senate Bill No. 2058 (1991) replaced the Economic Development Commission with the Department of Economic Development and Finance. The bill required the Governor to appoint a director of the Department of Economic Development and Finance and provided for a division of finance, a division of marketing and technical assistance, and a division of science and technology. The bill provided for the following funds:

1. The agriculture partnership in assisting community expansion (Ag PACE) fund for the purpose of buying down the interest rate on loans to on-farm businesses.
2. The partnership in assisting community expansion (PACE) fund for the purpose of buying down the interest rate on loans made by lead financial institutions in participation with the Bank of North Dakota.
3. The primary sector development fund (North Dakota Economic Development Finance Corporation) for the purpose of

taking equity positions in, providing loans to, or using other innovative financing mechanisms to provide capital for new or expanding businesses in the state or relocating businesses to the state. Every full-time employee of a business receiving moneys or other assistance from the primary sector development fund was required to be paid an income at least equal to 100 percent of the federal poverty level for a family of four for the life of the loan, equity position, or other financial relationship. (This requirement was often referred to as the "living wage" requirement.)

4. The regional rural development revolving loan fund for the purpose of providing financial assistance, research and development assistance, and loans or equity or debt financing on a matching basis to new or expanding primary sector businesses in areas in the state which are not located within five miles of any city with a population of more than 8,000. Funds in the regional rural development revolving loan fund were to be divided equally among the eight planning regions. Repayments from projects funded by the regional rural development revolving loan fund were to be credited to the local region.

The 1991 Legislative Assembly appropriated approximately \$21 million for economic development purposes for the 1991-93 biennium. Funding for the economic development program came from transfers from earnings of the Bank of North Dakota to the general fund.

1993 "Growing North Dakota II" Legislation

The Growing North Dakota program established in 1991 was partially revised in 1993 by Senate Bill No. 2021. That bill changed the name of the Science and Technology Corporation to Technology Transfer, Inc., and changed the name of the North Dakota Economic Development Finance Corporation to the North Dakota Future Fund, Inc.

In 1993, legislation also eliminated the requirement that the Department of Economic Development and Finance include a division of marketing and technical assistance. The legislation authorized the director of the department to establish additional divisions as necessary; however, the legislation required the department to contain an office of North Dakota American Indian Business Development and an office of North Dakota Women's Business Development.

In 1993 the Legislative Assembly appropriated additional funds for the Future Fund and Technology Transfer, Inc., for the remainder of the 1991-93 biennium because all the funds appropriated by the 1991 Legislative Assembly had been expended. In addition, the 1993 Legislative Assembly appropriated approximately \$18.5 million for economic development programs for the 1993-95 biennium.

1995 Economic Development Legislation

In 1995 the Legislative Assembly continued to make significant changes to the state's economic development tools. In House Bill No. 1021 (1995), the regional rural development revolving loan fund and the North Dakota Future Fund, Inc., were replaced with the North Dakota Development Fund. However, the Legislative Assembly provided that \$6 million of the funds in the North Dakota Development Fund must be dedicated for the purpose of providing financial assistance, research and development assistance, and the loans or equity or debt financing on a matching basis to new or expanding primary sector businesses in areas in the state which are not within five miles of any city with a population of more than 8,000. Those funds were to be allocated for the benefit of each of the eight planning regions. The approximately \$2 million balance in the fund was to be dedicated for projects as follows: 40 percent businesses in rural areas, 40 percent businesses in urban areas, and 20 percent American Indian businesses. However, the director of the Department of Economic Development and Finance was allowed to reallocate up to 20 percent of any region's allocation to another region during the biennium. The director was also permitted to reallocate among the Technology Transfer, Inc., fund and the North Dakota Development Fund for rural and nonrural development projects up to 10 percent of the amounts appropriated.

The Legislative Assembly also repealed the "living wage" requirement and appropriated to the Department of Economic Development and Finance approximately \$2 million for grants, \$1,454,000 for Technology Transfer, Inc., and \$1,968,750 for the Development Fund.

1997 Economic Development Legislation

In 1997 the Legislative Assembly included within the appropriation for the Department of Economic Development and Finance (Senate Bill No. 2019) a provision that repeals Technology Transfer, Inc., as of July 1, 1999. The bill also appropriated to the department \$1,909,875 for the North Dakota Development Fund, \$500,000 for Technology Transfer, Inc., and \$4,097,462 for the Agricultural Products Utilization Commission.

Senate Bill No. 2019 (1997) allows the director of the Department of Economic Development and Finance to reallocate among the Technology Transfer, Inc., fund and the North Dakota Development Fund for rural and nonrural development projects up to 10 percent of the amounts appropriated for the biennium. The bill provided that the money transferred to the North Dakota Development Fund must be dedicated for projects as follows: 40 percent businesses in rural areas, 40 percent businesses in

urban areas, and 20 percent American Indian businesses. However, any unused funds in any category may be transferred to another category during the second year of the biennium, and the director of the department is permitted to reallocate up to 20 percent of any region's available remaining balance of regional rural development revolving loan funds to another region or regions. The bill further provides of the amount available in the North Dakota Development Fund, \$4 million or the unobligated balance on July 1, 1997, relating to the transfer of regional rural development loan fund moneys, must continue to be dedicated for the purposes of providing financial assistance, research and development assistance, and loans or equity or debt financing on a matching basis to new or expanded primary sector businesses in areas of the state which are not within five miles of any city with a population of more than 8,000.

Senate Bill No. 2019 includes a provision stating that a political subdivision or economic development authority may adopt a minimum wage requirement for any new business or business expansion in which a majority of the capital is provided by the North Dakota Development Fund and its own local development funds. The bill also provides that the Agricultural Products Utilization Commission is now a division of the Department of Economic Development and Finance. The bill includes an agricultural prototype development program within the programs that the Agricultural Products Utilization Commission may administer.

Other 1997 legislation relating to economic issues includes Senate Bill No. 2373, which provides a framework for investment in community development corporations by banks; Senate Bill No. 2398, which provides that the Industrial Commission, acting as the Farm Finance Agency, may establish the first-time farmer finance program to encourage first-time farmers to enter and remain in the livelihood of agriculture and to provide first-time farmers a source of financing at favorable rates and terms generally not available to them; Senate Bill No. 2396, which allows a corporation or a limited liability company to own and operate the low-risk incentive fund, which makes loans to primary sector businesses; and House Bill No. 1401, which amended the seed capital investment credit provisions to eliminate the requirement of gross sales receipts of less than \$2 million in the most recent year and to allow the credit to apply for a business that does not have a principal office in the state but has a significant operation in North Dakota of more than 25 employees or \$250,000 of annual sales in a North Dakota operation.

Although the Department of Economic Development and Finance administers most of the major economic programs such as the North Dakota Development Fund, Technology Transfer, Inc., the American Indian Business Development Program, and the Women's Business Development Program, the Bank of North Dakota also administers economic development programs. The PACE fund is available to buy down the interest rate on loans made by lead financial institutions in participation with the Bank of North Dakota. The 1997 Legislative Assembly appropriated \$4,000,600 for the PACE fund.

The Ag PACE fund is a fund through which the Bank of North Dakota assists in buying down the interest rate on loans to on-farm businesses. The 1997 Legislative Assembly appropriated \$397,100 to the Bank of North Dakota for the Ag PACE fund.

The beginning farmer revolving loan fund provides direct loans through the Bank of North Dakota to first-time purchasers of agricultural real estate for the purchase of agricultural real estate. The 1997 Legislative Assembly appropriated \$921,500 to the Bank of North Dakota for the beginning farmer revolving loan fund.

Testimony

The committee received reports from representatives of the Department of Economic Development and Finance regarding the restructuring of the department, loan performance, and the programs administered by the department. A representative of the department testified that a reorganization of the department and its focus was necessary because the economic situation in the state differs greatly from 1991 when most of the economic development programs administered by the department were adopted. Therefore, the department is changing its focus from jobs creation to wealth creation and attempting to respond to the needs of existing businesses by assisting in work force training and development programs. Although 90 percent of the state's business assistance programs address financing, the department is attempting to become more of an information agency to help businesses make good business decisions.

The representative of the Department of Economic Development and Finance testified that the department has experienced difficulty in hiring individuals to fill project manager positions because the department is not able to compete with salaries paid in the private sector. The representative of the department indicated that the department's 1999 budget proposal will attempt to address the salary concerns.

The director of the department also testified that although the department shares information and cooperates with the area's economic development programs outside the department, more of those programs should be administered within the department to promote efficiency.

As of June 30, 1997, the North Dakota Development Fund had funded 99 projects in the amount of \$19,475,600. In addition, there was approximately \$3,403,726 committed to 16 pending projects. The Development Fund and the regional rural revolving loan fund charged off approximately \$2,700,000 in investments that were made between 1992 and 1994. The director of the

Department of Economic Development and Finance testified that after the Development Fund made managerial changes and policy changes regarding investments in 1994, there have been very few chargeoffs.

The 1997 Legislative Assembly provided for the dissolution of Technology Transfer, Inc., as of July 1, 1999. The Department of Economic Development and Finance has transferred the administration of Technology Transfer, Inc., to employees within the department and is attempting to absorb the functions of Technology Transfer, Inc., within the department. The director of the department testified that although there will likely be a gap in financing of projects that would have been eligible for funding from Technology Transfer, Inc., the department will continue to nurture the investments made by Technology Transfer, Inc., in an attempt to recover the investments made by Technology Transfer, Inc.

Since Technology Transfer, Inc., began functioning in 1991, it has invested in 296 projects. The director of the department testified that the outstanding projects have the potential in the long term to return approximately \$2.5 million to the Development Fund.

The committee received testimony from representatives of the Bank of North Dakota regarding economic development programs administered by the Bank. From 1993 through 1997, the loan volume tripled from \$211 million to \$624 million. Including the contributions made by local banks toward economic development loans, the Bank of North Dakota loan programs have provided over \$800 million in economic development funds in a five-year period. As of December 31, 1997, the total amount of loans owned and administered by the Bank was approximately \$900 million. The Bank has participated in the financing of over 1,000 projects in the previous six years.

Representatives of the Bank of North Dakota testified that in addition to the loan programs specifically authorized by statute, the Bank attempts to establish other programs to assist in creating jobs in the state and representatives of the Bank regularly meet with other economic development entities to attempt to coordinate funding activities. Representatives of the Bank indicated that because the Bank is a lending institution, the administration of economic development grant programs such as those administered by the Department of Economic Development and Finance may not be appropriate for the Bank of North Dakota.

The committee received testimony from individuals involved in economic development activities at the local level indicating that the Department of Economic Development and Finance and the Bank of North Dakota are cooperating well with local developers and that the state has the tools necessary to promote and sustain development. Although there has been a shortage of skilled employees in some areas, development officials stated that they have been working with institutions of higher education, particularly the two-year schools, to train employees.

Conclusion

The committee makes no recommendation with respect to its study of economic development functions in the state.

AFFORDABLE HOUSING STUDY

Background

According to the United States Bureau of the Census, the home ownership rate in North Dakota in 1996 was 68.2 percent. The national home ownership rate in 1996 was 65.4 percent. North Dakota ranked 25th nationally with its 68.2 percent rating. Between 1986 and 1996, the North Dakota home ownership rate decreased 1.45 percent, which was 43rd in the national rankings with respect to the percentage change.

The United States Bureau of the Census estimates the median home value in North Dakota in 1990 was \$50,800, compared to the national median of \$79,100. Census data figures also indicate that North Dakota ranked 49th nationally in the percentage change in the number of new housing units authorized from 1995 to 1996. The Morgan Quitno Press publication *State Rankings 1997* reports that the percentage change in the number of new housing units authorized from 1995 to 1996 in North Dakota was minus 32.46 percent. However, *State Rankings 1997* also indicates that North Dakota ranked third nationally in the percentage change in the existing home sales from 1995 to 1996 with a 13.21 percent change.

State Rankings 1997 ranked North Dakota 14th for per capita state and local government expenditures for housing and community development for 1993, which was the last year available. According to the ranking, North Dakota state and local government expenditures per capita were \$73.29, which exceeded the national per capita average by about \$1.25.

1992 Housing Needs Assessment

In 1992 the North Dakota Housing Finance Agency and the Office of Intergovernmental Assistance prepared a *North Dakota Housing Needs Assessment*. The purpose of the report was to provide a comprehensive picture of housing needs in the state by

gathering information regarding housing market demand and supply, structural conditions of housing, financing and affordability of housing, and the effectiveness of federal, state, and local housing programs. The report concluded that in most areas of the state there was a sufficient supply of owned and rental units that were affordable and in good repair. However, the report also indicated that some aspects of the housing market could be improved, such as housing for young families making the transition from renting to owning and improvement of rental markets in growing cities.

The report identified 13 specific action areas.

1. **Increase the affordability of home ownership.** Approximately seven percent of the state's homeowners are considered cost-burdened because the homeowners pay more than 28 percent of their monthly income in mortgage payments. If new construction does not become more affordable, new homeowners will become cost-burdened and many persons will remain "involuntary renters."
2. **Increase the quality and condition of the housing stock.** Over 16 percent of all homeowners in the state believe that their homes have a need for repairs that the homeowners cannot afford. In addition, almost 15 percent of the renters in the state claim that rental units have a need for repairs that the landlords are not undertaking.
3. **Make home construction, rehabilitation, buying, selling, and renting cost-effective and accessible.** Private sector financing is difficult to obtain in some parts of the state and developers and financiers often do not have the information needed to recognize changes in housing demand. The state is not taking full advantage of its potential share of housing assistance moneys.
4. **Address the need for multifamily housing in selected communities.** Several larger cities in the state are experiencing an increase in the number of low-income households, and private sector developers are sometimes slow to respond to the need for more affordable rentals because of perceived thin profit margins. In addition, it was often difficult acquiring multifamily construction loans in communities in the state that had uncertain economic futures.
5. **Provide assistance in housing in economically developing areas.** Rural economic development in some areas resulted in an overwhelming burden on the local housing markets.
6. **Expand transitional housing for homeless and special needs groups.** Some individuals leaving institutional settings or the homes of family or friends are not ready to live independently, and there is a need for transitional housing for those individuals. Many of those individuals remain institutionalized, continue to live with family or friends, or become homeless as a result of the lack of transitional housing.
7. **Increase homeless shelter operating funds.** Although data on the number of homeless persons is not readily available, the budgets of homeless shelters are strained. The lack of stable, long-term funding sources threatens to close some shelters.
8. **Move toward independent living for special needs groups.** The goal of maximum feasible independence for special needs groups requires affordable housing and community-based services that allow individuals to live independently but still receive appropriate levels of support. Because of the lack of adequate housing, those individuals often "cluster" into public housing complexes, which is deemed inadvisable by special needs advocates.
9. **Coordinate housing and community-based services.** Subsidized services for special needs and low-income households often are not available where there is a need. In addition, funding is not adequate to meet the need for all programs, and service providers are overwhelmed by the variety of programs available.
10. **Continue to make physical accessibility improvements.** There is a statewide shortage of housing units with physical accessibility improvements.
11. **Improve Indian reservation housing.** There is a shortage of housing units on all the Indian reservations in the state, and the existing housing is often poorly constructed and undermaintained. In addition, much of the reservation housing is unaffordable.
12. **Provide migrant worker housing.** Migrant worker housing often is not available.
13. **Make a range of senior housing available in urban areas.** North Dakota has gaps in its continuum of senior housing. There is a shortage of affordable assisted living units that sometimes results in elderly persons entering nursing homes prematurely.

State Consolidated Housing Plan

The National Affordable Housing Act of 1990, Public Law 101-625, requires each state and local jurisdiction that receives housing assistance under the Act and the community development block grant program to prepare and to submit to the Department of Housing and Urban Development a comprehensive housing affordability strategy to cover a five-year period with annual updates. The comprehensive housing affordability strategy must examine the need for housing and homeless assistance in the jurisdiction and devise a strategy to supplement and expand upon existing programs. The strategy must include:

1. A description of the estimated housing needs for the ensuing five years and the need for assistance for very low-income, low-income, and moderate-income families.
2. A description of the nature and extent of homelessness within the jurisdiction and of the jurisdiction's strategy for addressing the needs of various categories of the homeless.
3. A description of the means of coordination among the state and local governments to implement the housing strategies.

The Office of Intergovernmental Assistance has replaced the comprehensive housing affordability strategy with a consolidated plan that combines the planning and application aspects of various Department of Housing and Urban Development programs with the requirements for the comprehensive housing affordability strategy. The consolidated plan for North Dakota fiscal years 1995 through 1999 is to further the following goals: (1) to provide decent housing; (2) to establish and maintain a suitable living environment; and (3) to expand economic opportunities for each citizen of North Dakota. The plan describes housing and community development needs and resources, establishes strategies, and prioritizes the use of housing and community development dollars for the state and each planning region. Because Bismarck, Fargo, and Grand Forks received housing assistance directly, those cities also are required to prepare comprehensive plans. The Indian reservations are not required to be included within the plan. However, the Office of Intergovernmental Assistance included Bismarck, Fargo, and Grand Forks and the Indian reservations in the plan to the extent possible.

With respect to affordable housing, the consolidated plan for fiscal years 1995 through 1999 identifies the following objectives:

1. Improve the quality and condition of the existing rental and owner-occupied housing stock for extremely low-, low-, and moderate-income households through rehabilitation.
2. Provide home ownership opportunities to more low- and moderate-income families.
3. Increase the supply of affordable multifamily housing units.
4. Assist more extremely low-income families in obtaining affordable rental units through the provision of security deposits.
5. Pursue the creation of a fair housing law that is substantially equivalent to the federal Fair Housing Act.
6. Strengthen landlord/tenant rights laws and update the *Landlord/Tenant Rights in North Dakota* handbook.
7. Create a mechanism to inform lenders, developers, nonprofits, cities, counties, and other interested entities about state and federal housing programs.

The plan identifies potential federal, state, and other funding resources that may be available to address housing priorities identified in the plan and lists the following state resources that may be available:

1. The state revolving fund program administered by the North Dakota Bond Bank and the State Department of Health to provide financing for the construction and improvement of wastewater treatment systems owned by political subdivisions through a below-market subsidized interest rate on loans.
2. The North Dakota Future Fund, Inc., (now the North Dakota Development Fund) administered by the Department of Economic Development and Finance to provide funds to primary sector businesses and grants to local development agencies.
3. The regional rural development revolving fund (now the North Dakota Development Fund) administered by the Department of Economic Development and Finance to provide funds to new or expanding primary sector businesses located outside cities having a population of 8,000 or more.
4. The PACE fund administered by the Bank of North Dakota to provide loans to businesses involved in manufacturing, processing, value-added processing, major destination tourist attractions, and targeted service industries.

North Dakota Housing Programs

The Industrial Commission, acting as the State Housing Finance Agency, is authorized under NDCC Section 54-17-07.3 to establish the following housing finance programs:

1. **Home mortgage finance program.** A program to provide financing or refinancing of loans made by lenders, including second mortgage loans and leasehold mortgage loans on tribal trust or other reservation lands, and leasehold mortgage loans that are insured or guaranteed through an affordable housing program, to persons or families of low and moderate income for the purchase or substantial rehabilitation of owner-occupied, single-family residential dwelling units, which includes mobile homes and manufactured housing.
2. **Mobile home and manufactured housing finance program.** A program to provide financing of loans made by lenders to persons or families of low and moderate income to finance the purchase of mobile homes and manufactured housing other than on a real property mortgage basis.
3. **Multifamily housing finance program.** A program to provide financing directly or indirectly of construction, permanent, and combined construction and permanent mortgage loans (including participations in mortgage loans) for the acquisition, construction, refurbishing, reconstruction, rehabilitation, or improvement of multifamily housing facilities.
4. **Mortgage loan financing program.** A program to provide for the purchase of mortgage loans originated by lenders on residential real property in addition to such mortgage loans acquired or to be acquired under subsections 1 through 3.
5. **Home improvement finance program.** A program to provide full or partial indirect financing of improvements to existing residential dwelling units.
6. **Housing grant program.** A program to provide grants other than those authorized by Section 54-17-07.6 to encourage and promote housing availability for persons of low or moderate income.

Section 54-17-07.4 authorizes the Industrial Commission to fund its housing finance programs by issuing and refunding revenue bonds or evidences of debt and indebtedness of the state. The section provides that the principal of and the interest on the

bonds are payable only from revenues generated under the housing financing programs and that the bonds do not constitute a debt of the state.

Section 54-17-07.10 authorizes the Industrial Commission to establish a program or programs to provide housing for persons of low or moderate income through the acquisition of residential real property and related personal property and to maintain, repair, improve, or convey leasehold interests in that real and personal property to, or for the benefit of, persons of low or moderate income.

Section 54-44.5-04 designates the Office of Intergovernmental Assistance as the state entity to administer federal block grant programs. In addition, the office is required to develop a state energy conservation policy and manage federal energy conservation program activities. The Governor designated the office as the lead agency for developing, facilitating, implementing, and monitoring the consolidated plan to comply with the requirements of the National Affordable Housing Act of 1990.

Among the housing-related programs administered by the Office of Intergovernmental Assistance are:

1. An emergency shelter grants program, which provides assistance to homeless and domestic violence shelters in the state.
2. A low-income shelter assistance program, which provides assistance with heating and cooling costs to shelters.
3. The HOME program, which provides federal funds for home ownership assistance and rental assistance.
4. The housing acquisition and rehabilitation program, which provides assistance to low-income families to purchase or rehabilitate homes.
5. A security deposit program, which assists families in providing funding for security deposits.
6. A weatherization program, which provides funding to improve the energy efficiency and comfort level of residences occupied by low-income persons.
7. The community development block grant program, which provides funding to cities and counties to assist with housing rehabilitation assistance.

Section 23-11-03 authorizes the governing body of a city or county to adopt a resolution declaring that there is a need for a housing authority in the city or county if it finds that unsanitary or unsafe inhabited dwelling accommodations exist in the city or county or that there is a shortage of safe or sanitary accommodations in the city or county available to persons of low income at rentals they can afford to pay. A local housing authority may operate housing projects and issue bonds and accept financial assistance from the federal government for housing projects.

Testimony

The Governor appointed a housing task force to address concerns regarding affordable housing in the state. The task force was considering a number of recommendations to help provide for availability of housing, provide the tools necessary to create available housing, and to address educational concerns with respect to housing needs.

The committee received testimony from a representative of the State Housing Finance Agency regarding the programs available to provide assistance for single-family housing. In addition to the home mortgage finance program, the State Housing Finance Agency administers programs to assist with downpayment and closing costs; to provide a secondary market for residential real estate mortgages guaranteed under the federal Rural Housing Service Section 502, Single Family Rural Housing Guaranteed Loan Program; to assist low-income households achieve affordable homeownership through homeowner education, assistance in finding an affordable home, and provision of rehabilitation funds; and to provide low interest rate mortgages for major home improvement programs. The Housing Finance Agency also administers a home buyer education incentive program, which is designed to help first-time home buyers be prepared for homeownership and an application processing service to provide application processing, loan underwriting, closing document preparation, loan closing disbursement, final packaging, and delivery services for participating lenders.

Conclusion

The committee makes no recommendation regarding its study of affordable housing.

AGRICULTURAL RESEARCH BOARD ANNUAL EVALUATION

North Dakota Century Code Section 4-05.1-19 requires the Agricultural Research Board annually to evaluate the results of research activities and expenditures and report the findings to the Legislative Council. The board was created by the 1997 Legislative Assembly (Senate Bill No. 2064) and consists of 15 members. The board is responsible, subject to the policies of the State Board of Higher Education, for the budgeting, supervision, and policymaking responsibilities associated with the supervision of the Agricultural Experiment Station.

A representative of the board informed the committee that the board conducted a thorough review of the entire research program at North Dakota State University, established priorities for the programs, and prepared a budget to implement the initiatives that were identified as being most important.

Section 4-05.1-16 provides that the 10 appointive members of the board be appointed by the State Board of Higher Education from lists of candidates provided by the Ag Coalition and the extension services multicounty program units advisory groups. Representatives of the Agricultural Research Board testified that the board has experienced some difficulty working with the State Board of Higher Education in the selection of candidates and that the State Board of Higher Education may not be the group best able to determine the qualification of the members of the Agricultural Research Board.

ANNUAL REPORT OF STATE BOARD OF ANIMAL HEALTH

The Legislative Council assigned the committee the responsibility of receiving the annual report of the State Board of Animal Health required by NDCC Section 36-01-08.3. The board submitted two annual reports to the committee and a copy of the 1997 evaluation of the State Veterinarian.

A representative of the Board of Animal Health testified that the merger of the Board of Animal Health with the Department of Agriculture has progressed well, but it also has been the source of some problems, particularly with respect to the lack of statutory guidance to determine the powers of the board and the Commissioner of Agriculture with respect to the fiscal authority of the board and the State Veterinarian. Representatives of the board also expressed concern that the State Veterinarian may need additional assistance to ease some of the administrative burden of the position and allow the State Veterinarian to perform more veterinary work.

WORKERS' COMPENSATION REPORTS

North Dakota Century Code Section 65-06.2-09 requires the Workers Compensation Bureau to perform a safety audit of the Roughrider Industries work programs and a performance audit of the program of modified workers' compensation coverage and submit the report with recommendations to an interim committee designated by the Legislative Council no later than 30 days before the commencement of each regular session of the Legislative Assembly. The Legislative Council assigned the committee the responsibility to receive the report.

The modified workers' compensation coverage program was established for inmates incarcerated at the State Penitentiary who are engaged in work in a prison industries work program. The bureau, in cooperation with the Department of Corrections and Rehabilitation, has adopted administrative rules and a fee schedule for the modified coverage. However, because Roughrider Industries has not applied for or requested an account to be established for the modified coverage, the bureau has not conducted a performance audit of the program.

The Legislative Council also assigned to the committee the responsibility to receive the report of the Workers Compensation Bureau required by Section 7 of Chapter 527 of the 1997 Session Laws, regarding the bureau's study of its wage-loss benefit structure. The 1997 Legislative Assembly directed the bureau to conduct the study to determine if the current structure provides for equitable compensation for wage-loss resulting from a work-related injury. The bureau was directed to identify the advantages and disadvantages of the current system and of any proposed system and to include recommendations on how the bureau's benefit structure could be refined to provide an appropriate balance between adequate benefits and return-to-work incentives.

The bureau's report concluded that the wage-loss benefits received by injured workers in North Dakota are comparable to or slightly higher than the average benefit rates in other states and the wage-loss benefit structure is fundamentally sound. The report also concluded that many disabled workers receive benefits that are actually higher or lower than the rate recommended by the 1972 National Commission on State Workmens Compensation Laws because of the minimum benefit floor and the maximum benefit cap. The report indicated that the Legislative Assembly could ensure that a higher percentage of disabled workers receive benefits at the statutory rate by increasing the maximum benefit cap or decreasing the minimum benefit floor. With respect to the comparison of postinjury benefits to preinjury benefits for long-term benefit recipients, the report concluded that benefit levels are sufficient for most cases. However, approximately 27 percent of the cases surveyed were receiving over 125 percent of the preinjury net wages. The report concluded that the current workers' compensation benefit levels and yearly Social Security disability cost-of-living adjustments allow most injured workers to save toward retirement at least to the degree that the workers were able to before the injury.

STATE BOARD FOR VOCATIONAL AND TECHNICAL EDUCATION REPORT

Section 17 of Chapter 32 and Section 7 of Chapter 49 of the 1997 Session Laws require the State Board for Vocational and Technical Education to provide, during the 1997-98 interim, periodic reports to the Legislative Council or its designated

committee, regarding the agency's progress in coordinating statewide access to work force training programs. The Legislative Council assigned the committee the responsibility to receive the reports from the State Board for Vocational and Technical Education.

A representative of the State Board for Vocational and Technical Education presented a report to the committee indicating that progress in coordinating statewide access to work force training programs has been excellent. The representative of the board testified that representatives of the following entities were involved in the coordination of access to work force training programs: the North Dakota University System, the Department of Economic Development and Finance, the Work Force Development Council, the Secretary of State, the Labor Commissioner, the Department of Health, the Department of Corrections and Rehabilitation, the Highway Patrol, Job Service North Dakota, the Department of Human Services, the Superintendent of Public Instruction, the Agriculture Commissioner, the Department of Transportation, the Indian Affairs Commission, the State Board of Plumbing, and the Public Service Commission. In addition, the representative of the board testified that representatives from several industries were involved in the coordination process.

INDUSTRIAL HEMP REPORT

Section 1 of Chapter 56 of the 1997 Session Laws required the Agricultural Experiment Station to study the feasibility and desirability of industrial hemp production in the state. The Experiment Station was required to include an analysis of required soils and growing conditions, seed availability, harvest methods, market economies, environmental benefits, and law enforcement concerns. The Legislative Council assigned the committee the responsibility to receive the report.

The report indicated:

1. The industrial hemp world market consists of over 25,000 products in nine submarkets: agriculture; textiles; recycling; automotive; furniture; food, nutrition, and beverages; paper; construction materials; and personal care.
2. World hemp fiber production has declined from over 400,000 tons in 1961 to 113,000 tons in 1996. India, China, Russia, and Korea are the major low-cost producers.
3. A revitalization of industrial hemp may be occurring as a result of technological advances in processing, an increase in prices, or interpretation of existing information.
4. The largest market opportunity for North Dakota may be hemp seed oil.
5. North Dakota may have a comparative advantage because a state-of-the-art multi-oil processing facility already exists that is capable of processing hemp seed.
6. Hemp hurds appear to be price competitive with wood chips, fine wheat straw, other types of animal bedding, and other high-end pet needs.
7. Certified seed production is a market opportunity.
8. Another recent study projects returns ranging from \$220 per acre for producing hemp seed for crushing to \$605 an acre for certified hemp seed.
9. Law enforcement agencies have legitimate concerns regarding the ability to enforce laws regulating industrial hemp production. However, advances in biotechnology may provide solutions to those concerns.

The report recommended that because industrial hemp may have potential as an alternative rotation crop, the Legislative Assembly should consider action that would allow controlled experimental production and processing so that necessary baseline production, processing, and marketing data could be collected and analyzed.

JOB SERVICE UNEMPLOYMENT TAX STRUCTURE

The Legislative Council chairman assigned the committee the responsibility to receive a report from Job Service North Dakota relating to any administrative changes, statutory changes, and changes in the unemployment insurance tax structure that may be proposed by Job Service North Dakota for consideration by the 1999 Legislative Assembly. In December 1997, Job Service North Dakota reported that the unemployment insurance trust fund balance was projected to drop below \$40 million. The executive director of Job Service North Dakota indicated that the agency would take a three-prong approach to restore the balance to the \$40 million target established by the 1995 Legislative Assembly. The approach included an increase in the unemployment insurance tax rate, administrative changes to speed the reemployment process, and other policy changes. However, the executive director testified that no specific proposals for legislation had been developed by the agency.

ANIMAL CONFINEMENT FEEDING OPERATIONS REPORT

The Legislative Council chairman assigned the committee the responsibility to receive a report from representatives of the State Department of Health and the Attorney General's office regarding current laws and rules relating to the regulation of animal confinement feeding operations in the state. The Department of Health has adopted administrative rules regarding the control of pollution from certain livestock enterprises, but the department does not have the authority to determine the location of concentrated animal feeding operations. The department may regulate certain aspects of concentrated animal feeding

operations, particularly with respect to air and water quality. Because county and township zoning authorities are generally limited in their authority to zone normal farming operations and because it is difficult to differentiate between a normal farming operation and an enterprise of an industrial nature that may be beyond what is considered a normal farming operation, there is often little that local authorities can do to regulate the siting of a concentrated animal feeding operation. However, representatives of the Department of Health indicated that the department attempts to address siting concerns through air and water quality requirements.

BARLEY DISEASE REPORT

The committee received testimony regarding concerns expressed by barley producers relating to barley diseases in the state. A representative of the North Dakota Barley Council testified that fusarium head blight is the worst crop disease to hit the Dakotas since the 1950s and has had an economic impact to barley producers in the midwest of approximately \$400 million since 1993. Before 1993, 60 percent of the barley produced in the midwest was used for malting and brewing. As a result of the problems experienced as a result of disease, less than 30 percent of the midwest-produced barley is now used for malting and brewing.

Representatives of barley producers testified that procedures for testing for disease in barley are generally set by the brewing companies and are inconsistent. As a result, many barley producers are unable to sell their barley for malting purposes and therefore receive a much lower price for the barley. The committee received testimony indicating that although the Barley Council and the federal Grain Inspection Service conducted a study to develop better sampling techniques for barley, the study did not identify any improved methods for testing for barley quality.