2011 HOUSE APPROPRIATIONS

HB 1014

2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division
Medora Room, State Capitol

HB1014
January 10, 2011
Recording Job# 12724

☐ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A Bill to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission.

Minutes:

Chairman Thoreson opened the hearing on HB1014.

Karlene Fine, Executive Director, North Dakota Industrial Commission: See attached testimony 1014.1.10.11A

Representative Klein: That oil and gas compact. Who's the point of contact? Are you the person individually?

Karlene Fine: The Governor serves on that commission. Lynn Helms is the individual that represents our state; as well as, at this time, representative Skarphol and former representative Wald continue to be on the interstate oil and gas compact commission. The Governor also appoints some other individual citizens, private citizens, that serve on that commission. Ms. Fine continued with her testimony.

Representative Kempenich: Do you analyze whether it would be more cost beneficial to use bond; in some instances, instead of paying cash?

Karlene Fine: What we do in the building authority office, is we analyze whether there's a benefit to refund and to lower the costs of the outstanding bonds. The analysis is done in the Office of Management and Budget; whether we should bond or pay cash. So that is a decision made in the executive budget office. I'm not involved in that process; but, that is something that the Office of Management and Budget looks at.

Testimony continued.

Representative Klein: Was their some funding provided last time through the federal government program for energy conservation; and is that included in here?

Karlene Fine: The funding that came through was in the department of commerce. We were not able to access any of the money through our renewable energy program; but, the department of commerce did get money for energy conservation.

Testimony continued.

Representative Kroeber: Just on the green sheet, before we get away from this, Becky talked about the increase in FTE's and that a number of those were ok'd during the interim through the budget section. What number are new and what number are already in place?

Karlene Fine: That is going to be covered by Lynn Helms.

Representative Kempenich: Karlene, what is that position? I see it isn't filled and you said it wasn't filled in the front. What are you trying to do with that?

Karlene Fine: What had been authorized last biennium, was a ½ full time position of .50. Before I had a chance to fill it, we realized we were going to need some more assistance over in the oil and gas area; and so, .19 of that position went over to oil and gas and they used it in that area as more critical. I'm still analyzing how to use that .31 in a good way, on a part time basis to bring someone in to assist in my office.

John Dwyer, Chairman, Lignite Research Council: I am dual headed in this role. I serve as the president and CEO of the Lignite Energy Council and I also service as chairman of the Lignite Research Council; which is an advisory group to the Industrial Commission. With me today are Mike Jones, who is the director of the RND Program for the State of North Dakota who's also dual headed. He also serves as the vice president of research/development for the Lignite Energy Council. And to back us up is Sandi Tabor, who you've already heard is the transmission authority director. She's dual headed as well as, serving as the vice president of government relations for the Lignite Energy Council; she also has a role with the Lignite Vision 21 Program. See attached testimony 1014.1.10.11A.

Representative Dahl: You talked about the 1 to 6 ratio; is that a bench mark or is there some flexibility?

John Dwyer: It's sort of a bench mark; but, it's not a requirement. We're just saying that you summarize all the projects. That's what it's equated to be; some projects leverage more and some projects leverage less. So, it's not a requirement; but, that's what it's resulted in the last several years. Mr. Dwyer continued with testimony.

Representative Klein: So what you're saying is that you look at each one individually and evaluate how much private investment has to go in or company investment versus state dollars.

John Dwyer: That's sort of correct. We look at each project individually, for sure; but, we require a match of at least one industry dollar for every dollar of state money or in kind match. The program has worked well and we've been able to reduce administrative costs because of that requirement. We plan to continue it as we go forward.

Testimony continued

Chairman Thoreson: John, what is beneficiated lignite?

John Dwyer: Beneficiated lignite is lignite that is...where you drive out the moisture and raise the BTU value.

Representative Kempenich: What is that going to cost the industry about on that mercury?

John Dwyer: I don't know the answer to that; maybe, Mike Jones might have a little idea.

Testimony continued.

Representative Thoreson: John, any time timetable on the projects listed here?

John Dwyer: That's shown on the next page; on page 6.

Mike Jones started with his attached testimony. See attached testimony 1014.1.10.11A.

Representative Glassheim: Is there any federal assistance for research on environmentally mandated things or are we all on our own?

Mike Jones: There are a number of activities. John cited some of the ones that we have been pursuing; which have included large amounts of federal money. As you're probably well aware, from being from Grand Forks as I am; and having a long history with EERC, a lot of work has been done there which has included a lot of federal support on issues like mercury control, carbon capture and sequestration through things like PCORP and the partnership for CO2 capture; which we have participated in and looked to try to find the answers that are specific to our challenges in the State of North Dakota.

Representative Kempenich: Do you think that pilot project was put on hold the basin was going to do on carbon capture? Do you think that people in Washington are understanding that is in the infancy?

Mike Jones: I am a technical person and I would have to give my opinion as that today there are some people; certainly in Congress, who understand that very well. That's why they're pushing to try to delay action by EPA so that there is a chance to develop the technologies. It's hard to say exactly what EPA does understand. I think they're on a mission right now and unfortunately, it's not supportive of coal.

Representative Kempenich: What would the basin project. Would that drive us to a California level?

Mike Jones: It would essentially do that.

Representative Klein: Just your perception. The way I understand it, some of the rules are EPA is delegating it to the states and saying use the latest and best technology. The states, of course, are not set up to do that kind of work. What do you find out from your

counterparts in other areas as to how are we going to approach this? Are they going to combine some resources?

Mike Jones: We don't know the technology. So, we don't know what best available technology means. How do you make investments if you don't know what that means? That's the problem we face, by all states. But, they've already got a rule in effect that says 25,000 tons or is it 75,000 tons.

Sandi Tabor, Lignite Energy Council: Effective Jan 1 the threshold is 75,000. There's two different levels. It's 75,000 for one level, 100,000 for the other level. The issue right now, the tabling rule is effective at this time; which means that everyone is subject to the potential for being regulated for green house gasses right now. They've issued a guidance document, the EPA has issued the guidance document; which right now is focusing on energy efficiency as the best available control technology. I think the dilemma that John speaks to is the fact that they have a lot of other ideas. Basically, what they're doing, is telling the states; you're the ones who will decide and we're going to leave it up you. What we're suggesting is that all along, over the course of the last two years, all we've heard from EPA is how terrible the states are at regulating; and now we get a best available control document (guidance document) saying it's up to you guys.

Representative Klein: The question becomes: If you proceed with design of a plant using the best available technology at that time; realizing that 5 or 7 years later, you're going to put the plant online. What if the technology changes? What's the interpretation there?

John Dwyer: That's a good question. That's why it's a vexing issue. It's a moving target; that's the problem we face. Mr. Dwyer continued with his testimony.

Representative Klein: John, looking at that chart, has there been any changes in percentages that we should make?

John Dwyer: That's evolved over the years. Ok, 1987 it was just a $.02 a ton statutory tax; then there's a 1990 constitutional amendment passed that took care of 20% of the coal trust fund. Then, it was added to that in 1994 50% of the coal trust fund revenue; there hasn't been any significant changes since 1994/1995.

Representative Klein: Would you recommend any changes at this time?

John Dwyer: What I would recommend is that you put all the coal tax money in research and development. $.10 of the coal severance tax goes to research and development program, $.30 goes to the counties for impact development.

Representative Kroeber: On the coal tax, the collections are far short of what we thought they were going to be. So has this given you some extra dollars that can be used in research and development; and if so, are you already doing some or planning to do some with the extra dollars from the coal conversion tax credit?

John Dwyer: Coal conversion tax is melded into the existing program; so, it's used for existing research and development programs. But, another reason for the dollars was for litigation purposes.

Representative Kroeber: What is that amount now, do you know?

John Dwyer: If you look page 10, you'll see that the 2009-11 biennium we've got litigation costs that are projected at $416,000.00. We plan about another $300,000.00 or more in the next biennium. But, it's also melded into the research and development program. I can't tell you that the specific coal conversion dollars have been used for this specific project, because it's all been melded together.

Representative Kempenich: John, you made a comment about your research. Is it something that we need to know about; because if it disappears, it's irrelevant.

John Dwyer: If you give us another $20 million, what I'd spend the money on is; if you look at that EPA chart, the way to solve regulatory issues is technology. So I'd spend a good share of the money in the EPA regulatory challenges. The second thing I'd do is that carbon control is coming. I'd spend the rest of my dollars in getting the existing fleet with the latest carbon capture technology.

Representative Dahl: Just for clarification, you may have gone over this, there's almost $6 million left in your R & D fund; and I was just wondering why that's so high.

John Dwyer: Those are carry over dollars, but, we have commitments to three existing plants which are outlined on page 10 of my testimony.

Testimony continued.

Representative Glassheim: Is coal still profitable?

John Dwyer: Coal is profitable; but, it's a question of whether or not it can operate. That's the issue.

Representative Glassheim: Did I understand you to say that you think the future of involves almost total control of emissions; did I understand that?

John Dwyer: If you're going to have future coal plants, you're going to have near zero emission plants.

Mike Anderson, Executive Director, North Dakota Housing Finance Agency: See attached testimony 1014.1.10.11A.

Chairman Thoreson: That $25 million, approximately in HUD grants; is that money we have? Any changes on the federal level?

Mike Anderson: That is under contract authority as we speak right now. That should not be impacted by federal policies going forward.

Testimony continued.

Representative Kempenich: Mostly what you do is low income type housing, is that what you finance? What are the schedules of how you do that?

Mike Anderson: Our primary mission is providing financing programs for affordable housing, yes. Our statute was amended to allow us assist rural communities, developing communities with any housing needs, without respect to income targeting. In rural North Dakota, we're trying to look at trying to deal with more than just affordable housing.

Representative Kempenich: Dickinson and Williston wouldn't be considered rural, would it?

Mike Anderson: Depending on what resources we're using, Williston and Dickinson still could be considered rural. But, most of our in house funded programs are trying to reach the lower end of the income groups who have less resources and flexibility in dealing with that.

Testimony continued.

Representative Kempenich: What does it take to get into a house? We've heard a $150,000.00/$200,000.00; I mean, those are new houses. What have you been hearing?

Mike Anderson: You're talking single family homes, I presume?

Representative Kempenich: Yes.

Mike Anderson: $150,000.00 is a very conservative number, today, when you're starting with raw land to turnkey. It's very difficult to build homes under $200,000.00; although, it can be done with the appropriate amount of assistance and some sort of help with that.

Representative Kempenich: We can do manufactured housing now, can't we? I think that's more of the option of what's going on out there than building a house?

Mike Anderson: Yes, mobile homes, manufactured housing. Mobile homes that are not attached to foundations; as well as, manufactured housing that is placed on a foundation has come into big play. Especially out West; because you've got a home that can be moved intact and just set on a foundation; rather than having to bring in a crew to build at the local level.

Representative Kempenich: It's a cheaper option, too. Isn't it?

Mike Anderson: For the benefit of the manufacturing housing industry, yes, they will say that. It just depends on the type of housing; manufactured versus mobile homes. It may not be much cheaper.

Representative Klein: Two questions. Could you provide us with a list of the members on your advisory board? Where is your agency housed at this time?

Mike Anderson: Yes, I can provide a list of our members. I don't have it with me; but, I can get that for you. We're housed down on SE Bismarck right now; we're not housed in the capitol.

Representative Klein: Where's that at?

Mike Anderson: 2624 Vermont Avenue.

Representative Kroeber: I see you at $30 million in stimulus funding. Last biennium, are you still distributing that or has it all been distributed?

Mike Anderson: Those funds haven't completely been funded. Those funds that we're going to be able to utilize, have been locked down and committed; but they haven't all been dispursed at this point.

Representative Klein: That $30 million, was there a specific tie to that as to what you would use it for? Or was that just for your usual operation.

Mike Anderson: The $30.3 million was in aggregate for two programs that are targeted to stimulate the low income housing tax credit program. One of them was to provide an exchange for credits for a direct grant. The other one, provide additional GAP assistance because the value of the credits were so low in the capital markets over this time period.

Lynn Helms, Director, Department of Mineral Resources: See attached testimony 1014.1.10.11A.

Representative Kempenich: We were talking about this the other day. One of the questions that came up, was what happens to ramp back down. How do we phase back out again? Have you given any thought to that process?

Lynn Helms: I certainly have. We brought along a map. See attached testimony 1014.1.10.11B. Everything inside those colored boundaries is going to get drilled; just for the Bakken and three forks. We're just now leasing the Tyler; and part of what we're going to do is talk about additional unconventional resources the state has. This is sustainable for a long period of time; ten years even at $50 oil. I do think it's important to include, what we call, a group of contingency positions; where, we basically, set a foundation level of 170 drilling rigs, expecting 9,000 drilling wells at the end of the biennium; but we build in some positions that can be added then leave if we go to 200 rigs. But we're through that phase and back down to 170 or below. We're talking five contingency positions.

Testimony continued.

Representative Kempenich: On the techs, what are you basically looking for?

Lynn Helms: We're seeing a paradime shift in terms of the way we've done things. We've always hired petroleum engineers or geological engineers for our field inspectors. To make these routine visits; we anticipate by the end of this drilling period in the Bakken/three forks somewhere between 21,000 and 47,000 well boars on the landscape. To make those routine visits, you don't need an engineering degree or geology degree. We're looking for people like graduates from North Dakota State School of Science or from the two year power plant; the two year program at Bismarck State College. I've spent numerous hours with them talking about inserting some petroleum related courses into that program; so that a two year graduate from their power plant technology program will know how to read pressure gauges, know what oilfield equipment looks like, and how it aught to look when operating properly, what it looks like when it's leaking. So those folks would not only be able to work for us; but, they'll be able to go to work at the power plants, wind farm, they'll be able to work at a transmission company.

Representative Dahl: Mr. Helms just going back to something earlier in your presentation, you have a graph on the large spike in the cases heard in the Industrial Commission. Can you talk about how that impacts your staff in your department?

Lynn Helms: In order to drill a well in North Dakota, one has to set up either a drilling unit or a spacing unit first. In North Dakota, typically, it is two square miles of surface area and a layer of rock that is about 200 ft to 300 ft thick. And that's the legal place where that well can locate and produce the oil and gas from. Initially, you have to approach the Industrial Commission and get a drilling or spacing unit approved as a legal entity; then we know who's going to have to help pay for the well, who's going to get paid royalties from the well, and we also know how to keep the well from draining it's neighbors. So the large number of hearings deal mostly with that; setting up that spacing unit or drilling unit; and then we permit the well. Once it gets drilled, that spacing unit has to go through a process called pooling where all of the mineral owners that have a interest inside that spacing unit then are pooled together so that you get paid royalties. So it's a legal contract of who owns what. That's the largest share of this 2,000 cases.

Representative Dahl: Just one follow up question. Has that spiking cases affected the time frame by which you can execute that order?

Lynn Helms: It has indeed. It used to be that cases rarely waited for more than 45 days to issue an order; as of Friday afternoon, we had 591 waiting for an order.

Testimony continued

Representative Kempenich: Do we have any rare earth minerals in this state?

Lynn Helms: We do indeed have some rare earth minerals. The uranium mining business, a couple of the by product minerals, would be considered rare earth; germanium and molybedenum.

Testimony continued.

Representative Klein: Mr. Helms, some time ago, I remember seeing some pictures of the broken boxes and moving from the core library. Is that all taken care of?

Lynn Helms: It has not been taken care of; it is an ongoing process. That is a big part of why we requested a couple of things. We requested an engineering technician for the core library; which was not granted in the executive budget recommendation. We also requested a high amount of temporary salaries; because, we like to hire UND students for that project as much as we possibly can. We're a long way from completing the broken box project. We're about 15% done.

Testimony continued.

DeAnn Ament, Executive Director, North Dakota Public Finance Authority. See attached testimony 1014.1.10.11A.

Representative Kempenich: For how long do you think the stimulus money will play out?

DeAnn Ament: The stimulus money that our agency helping was $40 million for clean water and drinking water programs. Those programs had existing regulations, it's money from the EPA, and they have further added to those programs that a certain portion need to be green, a certain portion need to have subsidization; things that hadn't been in place in the cap grants in the past. Going forward, those restrictions or rules, will be carried forward into future capitalization grants; they won't be just with the stimulus money, but they will go with capitalization grant money that used to be a little less stringent in the past.

Representative Klein: The stimulus money, how much of it has been spent up to this time; or do you still have to go?

DeAnn Ament: Currently we have spent all except about $10 million of it; I could give you exact numbers, but, most of the projects were shut already and I believe there is less than $1 million of the clean water money left. I know, for pretty certain, that the drinking water program that we're under $10 million.

Representative Klein: Do you have a list of these projects that you funded?

DeAnn Ament: Yes, we do.

Representative Klein: Would you provide that to us please?

DeAnn Ament: We certainly will.

Representative Kroeber: How long has your FTE position been open?

DeAnn Ament: Originally back in the 1999-2001 we had 4 FTE; we reduced on FTE. I'm not sure which biennium. I can back to you on that also.

Representative Glassheim: Is everything up to date on being paid back? Do you have any defaults?

DeAnn Ament: The current to date we've had no defaults under any of our programs.

Vance Taylor, General Manager, North Dakota Mill and Elevator: See attached testimony 1014.1.10.11A.

Representative Klein: Can you explain why in 2008-2009 the shipments went down? What was the reasoning?

Vance Taylor: That was, in general, affected by the big spike in durham and spring wheat prices. The prices shot up because of the high cost of food; at the same time, we saw the general economy take a bit of a downturn.

Testimony continued.

Chairman Thoreson: What are those increases?

Vance Taylor: They generally been 20%.

Representative Klein: In view of the additional WAPA generating capacity, hasn't that changed?

Vance Taylor: That is true. The amount of WAPA power that we are offer, and that is our least expensive power, doesn't go up. We've requested additional allocations, but, we've actually received less over the years.

Representative Kempenich: Are the benefits increasing?

Vance Taylor: The benefit side of it has increased in cost. I don't have that exact percentage with me.

Testimony continued.

Chairman Thoreson: What's the timetable for replacing that equipment if it was purchased in fiscal year '01?

Vance Taylor: I think that equipment was depreciated over 20 years. It may or may not be ready to be replaced at 20 years.

Testimony continued

Representative Kempenich: When did your fiscal year begin?

Vance Taylor: Back in July 1st.

Testimony continued.

Representative Kroeber: I see that according to your budget section you have now transferred the full $6.2 million was in the Governor's budget. Will there be additional dollars transferred into the general fund or not?

Vance Taylor: That number was actually generated and calculated from our profits in the last fiscal year. We first make a transfer of 5% to that first fund and then 50% of what's left is transferred to the general fund. That's actually a calculation from our profits.

Chairman Delzer: Will there be another one at the end of the biennium?

Vance Taylor: Will be another one at the end of this biennium based on the profits that we have in this fiscal year.

Representative Kempenich: Let me get that straight, you've got 6.2 million into this past biennium or is it going forward?

Vance Taylor: That 6.2 million was already transferred based on the last biennium; and that was done around June 30th.

Representative Kempenich: On a yearly basis? What do you do with the profits, just put them back into the plan or put it on the credit line with the Bank of North Dakota?

Vance Taylor: That's right. Back into the plan, that's the funds where capital projects would come from.

Representative Klein: In regard to the profits, do you still have the plan where a certain percentage of that is shared with the employees?

Vance Taylor: We do continue to have our gain sharing program; and in general once profits exceed $2 million, 1% of our total profits are paid out to the employees.

Representative Glassheim: Do I get this right, is that transfer made annually? Was the $6 million a one year calculation or is that for 2 years?

Vance Taylor: That was based on one year.

Representative Glassheim: So we could be receiving $12 million a biennium if things go well?

Vance Taylor: If things go very well, yes.

Representative Glassheim: But significantly more than the $6 million which was the one year transfer?

Vance Taylor: Yes.

Representative Glassheim: If you continue to be profitable, then it could be additional?

Vance Taylor: Could be.

Chairman Thoreson: You are looking at 4 additional FTE's. Is that correct?

Vance Taylor: Yes.

Chairman Thoreson: I see there's a sales representative position added. Is that a new position to go out and market? What area would they handle?

Vance Taylor: That would be a new position.

Representative Kempenich: How's the program been working in light of what's been going on now?

Vance Taylor: I think that our results would say that it's going very well. The plant has been extremely busy, busier then we have been; so, the sales are being made. Our profits are at a level that are at least equal to the highest to levels that we've probably ever seen at the plant.

Representative Kempenich: I guess one other thing. What are your plans with the plant? Capacity wise, are you still looking at some major projects coming forward?

Vance Taylor: We are looking at some projects for the future that will allow us to be more efficient and to grow the plant.

Ron Ness, North Dakota Petroleum Council: See attached testimony 1014.1.10.11A

Chairman Thoreson recessed the hearing.

Chairman Thoreson opened the hearing on HB1014.

Karlene Fine: See attached testimony 1014.1.10.11B, 1014.1.10.11C.

Representative Klein: These projects that were funded with stimulus money, did these different cities apply and then you analyze them? Did all that applied receive money or did you run out of money after awhile?

Karlene Fine: They all go to the Health Department first, they do the analysis and then we do the financing part of it. They were basically shovel ready projects that was already on the Health Department's list; and, so, yes. We haven't funded all the projects that are on that list that the Health Department has, but, these got in because they were ready to go the quickest.

Eric Hardmeyer, President CEO, Bank of North Dakota: See attached testimony 1014.1.10.11A.

Chairman Thoreson: So what's the $5 million for unaudited 2010?

Eric Hardmeyer: The $5 million represents the amount that transferred over to help/technology fund; it was $13 million in total.

Chairman Thoreson: So we have another $8 million on that coming. Is that correct?

Eric Hardmeyer: That's correct. As you look over at projected 2011, you'll see $23 million as a transfer. That takes into consideration the $8 million plus another $15 million as part of our $60 million transfer.

Chairman Thoreson: So we're talking we're talking a total of $68 million coming out of the bank?

Eric Hardmeyer: That's correct.

Testimony continued.

Representative Kroeber: So Eric, then,having met the 8% goal; it wouldn't be a great deal of advantage for us not to take and transfer the $60 million this time because we have met that goal. Is that correct?

Eric Hardmeyer: Well there's a couple of things that fall into that argument. One would be the size of the bank. As you look at my numbers that we projected in 2011 we continue to see growth at the Bank of North Dakota. So we are now looking at year end for the bank to about $4.3 billion. The bank averaged a much larger than the $4 billion that we ended the year at; we averaged probably closer to $4.2 billion throughout the whole year. At the end of the year there were some adjustments made by some of the banks that do business with us; took a lot of money out right at year end. The next day we were back up to $4.2 billion. What we have to be concerned about is the capital level of the bank keeping up with the growth of the bank.

Testimony continued.

Representative Dahl: Do you think you can achieve 8.5% without impacting ability to loan?

Eric Hardmeyer: That is a common question that I get asked. We have all sorts of capacity to lend. The $60 million is equity; basically, it goes to our cost of funds. The Bank of North Dakota has, at this point, $500 million to $600 million sitting at the fed earning .25%. We have a long ways to go. We have available lines of credit, other financing sources that we could tap which would give us upwards of another $800 million to $1 billion. So we have at this bank a capacity to draw on another $1.3 billion plus we see deposits continuing to grow of $30 million to $40 million a month. So, the $60 million transfer will not impact our ability to make loans.

Testimony continued.

Chairman Thoreson: With the feds stepping in, is that system going to get as much utilization as you expected?

Eric Hardmeyer: That's a good question, if you look at page 4, you'll see our charts of the two different programs. One is the FFELP that has been growing to 2009 we did $139 million; and then it fell $81.2 in 2010. That is because July 1 we are done; so, we would have been on pace for $160 million plus. In 2011 that will be down to zero. If you look at the bottom graph, that's the DEAL Progam, that's our alternative loan program. We did $87 million in loans just this year. I continue to believe that this program is going to be very robust and so we're going to see activity and be able to utilize this system.

Representative Kempenich: Is this just in state or is this students out of state?

Eric Hardmeyer: The deal program represents a significant portion of in state; but, there are some out of state North Dakota students going to school outside of our borders, we finance those. There are a few in Minnesota that has a school in North Dakota, they want to do business with us, so they said we want all our students, no matter what their location, to use your program. We have rate a different rate for out of state students then we do for in state students. There's a variable rate and a fixed rate option under the Deal Program; today the variable is at 1.8%. The fixed rate is at 6.3%. The federal program is at 6.8%.

Representative Kempenich: Notes are on what 25 years?

Eric Hardmeyer: Ten year. But you can easily extend those to 15 to 20 years.

Representative Kempenich: What are you projecting for 2011-2012?

Eric Hardmeyer: We continue to forecast growth.

Representative Kempenich: What if they pulling money out?

Eric Hardmeyer: Well let me be clear about something when we talk about the rates. 1.8% is fairly low, it's probably the lowest rate around the country.

Testimony continued.

Chairman Thoreson: What's the status on it now?

Eric Hardmeyer: I think our first indication would be February or March. Now this is open all the way through 2014; our ability to get a contract.

Chairman Thoreson: What is your turn over for FTE's? Do you have quite a bit of people coming out of there or do you keep them for awhile?

Eric Hardmeyer: There has been a fair amount of turnover in the last year. Four of our top executive crew retired.

Testimony continued.

Chairman Thoreson: Do you know the bill number on that by any chance?

Eric Hardmeyer: SB2078.

Testimony continued.

Chairman Thoreson: But this would be something new for the bank? A new line of business you'd be getting into, is that correct?

Eric Hardmeyer: This would be; this would be new.

Testimony continued.

Representative Kempenich: Just over all the last couple of year?

Eric Hardmeyer: I think two things. Yes I think deal flow is down. I think the national economy, while we don't feel a big effect here, we certainly see some of that activity slow down. The other thing that falls in place, is the historical interest rates. They are incredibly low right now.

Testimony continued.

Representative Kempenich: Is there anything on the packing plant that's getting kind tossed around?

Eric Hardmeyer: You know it depends on their OSHA structure.

Testimony continued.

Chairman Thoreson closed the hearing.

2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division
Medora Room, State Capitol

HB1014
January 19, 2011
Recorder job# 13061

☐ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A Bill for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide legislative intent; to provide an appropriation; and to authorize transfers.

Minutes:

Roll call was conducted and Chairman Thoreson opened the hearing for further testimony from the North Dakota Housing Finance Agency on HB1014.

Mike Anderson, Executive Director, North Dakota Housing Finance: See attached testimony 1014.1.19.11A, 1014.1.19.11B.

Representative Klein: With the low interest rates now, you don't see any more refinancing?

Mike Anderson: We always experience some prepayment run off. Two things have changed that environment today: one is our portfolio loans, right now, are more current and our interest rates are low enough; that where the market's at today, there's not that big of an incentive to do refinancing. The other thing is with the capital mortgage crisis there's been a significant credit tightening; and so a lot of individuals whose loans are fairly new, don't have the capacity to refinance today.

Representative Kempenich: Do you sell or do you hold your mortgages?

Mike Anderson: We buy mortgages and hold them. We use our bond funding for funding those loans; but, we hold those. We rely heavily on the revenues we earn; so, it's important that we keep those loans.

Representative Klein: So you don't repackage and resell the mortgages; you hold them?

Mike Anderson: That's correct. We do look at the possibility of doing that if it's to our economic advantage. Right now, it's important that we keep mortgages to get the earnings off those.

Testimony continued.

Representative Kempenich: The majority of funding is in the bonds isn't it?

Mike Anderson: That's correct. We have some assets outside of the indenture that we earn; including some small amount of mortgage loans that we do earn on. Most of our programs, we draw against the indenture for administrative fee and we draw only what we need to in order to operate. We try to keep everything else in the indenture to protect our rating.

Representative Kempenich: The laws passed in the last year, that isn't effecting your agency at all?

Mike Anderson: Directly, probably not, but indirectly our loans are originated by the vector; and all the standards and requirements that follow that apply to our loans also. So to the extent that that tightening of credit inhibits originations, that has a risk of inhibiting our activity also.

Testimony continued.

Representative Klein: I'm looking at the numbers for 2009, why the major changes between the totals of both assets and liabilities? What caused that?

Mike Anderson: The 2009 resolution is a young resolution and we've only been issuing bonds under that resolution since 2009. That's why the significant difference in lower dollar amounts. We created that resolution as a response to one of the federal stimulus programs that's called NIBP, it's New Issue Bond Program. Treasury will buy our long bonds; but, we're required to do that. We had to create this just to operate with our stimulus dollars.

Representative Klein: Since the new guidelines, those are the numbers since 2009?

Mike Anderson: That's correct.

Representative Glassheim: These are 2 separate bond issues; it's not that one has gotten smaller. Is that correct? The '94 is one bond issue, and the 2009 is a separate one?

Mike Anderson: That's correct. These are general resolutions and we issue a series of bonds, the '94 general resolution may have 12-15 different outstanding series of bonds. But you have a general resolutions that basically authorizes the program and each time you do a bond issue; you create a series of resolutions.

Representative Glassheim: You have an awful lot of the 2009 in cash investment rather than mortgages. Is that because your waiting to use them?

Mike Anderson: That's correct. We always have some investments in our debt service reserve funds. You'll have a heavy cash investment look to any series of resolutions until you place them in the mortgages.

Representative Glassheim: The 2009 isn't as highly rated as the other one; is there some explanation of that?

Mike Anderson: That was by choice; because of the treasury participation in those bond issues, we didn't need as high a rating to get the same presence in the market place. Without that we would've had to seek the AA2 rating that we have under our '94 general.

Representative Klein: I'm looking at the ratings and you just explained; I believe, a part of it. Is this going to continue that the 2009 resolution will have a lower bond rating?

Mike Anderson: That is our intent at this point in time; because the expected use of that general resolution has a life expectancy because of the treasury participation. So, there's no reason for us to seek any different type of rating.

Testimony continued.

Representative Glassheim: You fund the agency out of this fund balance? Is that how your staffing is funded?

Mike Anderson: That's correct. We have summarties within the assets that are outside of the indenture we use. But we also rely heavily on our ability to drive administrative fees out of the indenture.

Testimony continued.

Representative Klein: I'm looking at 2009. Would you explain why the decrease on the right hand side?

Mike Anderson: One of the reasons, is we had a treasury bond that we were enjoying some high returns on. That bond matured. Not only did we lose a significant amount of interest earnings; that was on our books at a premium; and we had to write off that premium when that treasury matured. There's also other small things that have happened.

Pat Nagel, CFO, North Dakota Housing Finance Agency: The other two items that were very significant in 2009 is with the financial meltdown. We have variable rate bonds and because those primarily were insured; the insurer was down graded. So the investors of those bonds put them back to our liquidity facility; which pushed our interest costs up over 7%. That cost us about an additional $500,000.00. Since that point in time, we've terminated the insurer; with the low variable rates we receive today, we've earned that back and then some.

Representative Klein: The bond insurance, most of them have gone out of business or are there still any available?

Pat Nagel: There's a couple that haven't gone out of business; but, they're doing their best to survive.

Testimony continued from Mike Anderson.

Representative Klein: I'm looking at ROOTS; what are we talking about there?

Mike Anderson: ROOTS is an agency funded program where we offer friendly financing terms for people moving to North Dakota or returning to North Dakota. We created that program in the late '90's. It's not within our bond indenture; it's agency assets.

Testimony continued.

Representative Kempenich: This is statewide right?

Mike Anderson: That's correct.

Representative Kempenich: What about the major cities; where are those at?

Mike Anderson: I don't have those statistics off hand; but, I'm going to say is within our major communities that number is more of a $150,000.00 on average; rural you probably get down to less than $100,000.00 on average.

Testimony continued.

Representative Klein: I'm looking at PMI. What does that stand for and why the big drop?

Mike Anderson: PMI stands for private mortgage insurance. That's conventional loans are insured by private mortgage insurance companies. You'll notice that we've always had a high frequency of FHA insured loans. You see a growth in about 2006-2007 and the PMI; that was at the front end of some of the mortgage origination things that were happening that were considered subprime. The pressure was to do conventional insured loans and we had not limitations on that; so the growth in the PMI loans was a result of going into the mortgage meltdown. The drop is that they're no longer relevant and they're not good business for us today; not only is it harder to get that kind of loan, but we placed a restriction on how much we will buy.

Representative Klein: I'm looking at the uninsured; there you seem to have a slight rise. How do you explain that?

Mike Anderson: Uninsured loans have to have at least 20% equity down to be uninsured. Where these borrowers are coming up with that kind of equity to buy these homes; I can't answer that. We see more people going that direction.

Representative Kempenich: Is this representing first time home buyers?

Mike Anderson: This would be first time home buyer activity.

Testimony continued.

Representative Klein: I'm looking at the last 3 years and I see that administrative expense has a major part. What do attribute that to?

Mike Anderson: We've had increased staffing going into that area; so that we can do more outreach. Our occupancy costs and overall agency costs have gone up; because that division grown, it's showing that higher cost.

Representative Klein: So that basically ties in with your FTE's going from 43 to 46?

Mike Anderson: That's correct. Most of that growth has been outside that 3 increase. Those 3 FTE's are still unfilled positions. We will only fill it when we get to the point where we absolutely need it. Those projections at the time that they were made were appropriate. Some things have changed including the mortgage meltdown since then that's causing us to hold off on filling those positions.

Representative Dahl: So just to be clear, you haven't actually hired any new FTE's; and yet your administrative expenses have expanded in the last 3 years?

Mike Anderson: From a timing stand point, those FTE's; but we added staff going into timeframe that we didn't have previous to that. We added staff in 2009 from a former authorized FTE and the year before that we added staff to that division.

Representative Kempenich: Is your operating line decreasing from last year?

Mike Anderson: Our overall budget is decreasing. We're required to have a loan loss reserve fund in our operating funds. That requirement has substantially reduced by $3 million over the biennium. That was a significant portion; our projected interest costs were down $500,000-$600,000.00.

Representative Klein: I'm looking down at 2010 and your project costs per unit dropping from 2009. Is this smaller units or why would that be?

Mike Anderson: Are you referring to page 11 on the tax credit program? I can't speak specifically. There's about $11,000.00 difference in price other than the fact maybe the size of these units that we allocated credits to last year were smaller.

Representative Kempenich: Are you tracking to make sure that we don't get to the point where we sitting with empty buildings?

Mike Anderson: That's always a concern of ours. First of all, under the tax credit program the applicant or developers require to do a third party feasibility analysis in their application. That's looking at feasibility today not where it was 10 years ago. Today we see an inventory of affordable housing units is decreasing; that's demand as much as anything. A lot of times it's a matter of relevance; if the project is old enough, dated people want to live there and that's driving vacancies. The credit program is also targeted preservation of existing units; where they can be updated and be viable today in terms of amenity and quality standpoints.

Testimony continued.

Representative Glassheim: Are you able to play a major role in financing the oil patch needs for housing or if you can't, who can?

Mike Anderson: Are we involved? Definitely. Our primary focus is affordable housing; but, we do play a role in the smaller communities as well to help them bring together resources, developers to help them with their plan. Our funding sources significantly limited in our ability, in terms of brick and mortar financing; getting beyond affordable.

Representative Glassheim: By law or covenants?

Mike Anderson: By regulation, our source of funding; if it's authorized under federal regulation. Whether it's authorized by tax credits or mortgage bonds, they're limited in terms household income as well as first time home buyer. We've tried the North Dakota ROOTS program; we try to do what we can with limited resources that isn't driven by federal regulations. We don't have a lot of financial assets available to us that we can do that.

North Dakota Public Finance Authority then came to testify on their part of HB1014.

DeAnn Ament, Director, Public Finance Authority: See attached testimony 1014.1.11.10A.

Chairman Thoreson: What is that FTE position that's vacant at this time?

DeAnn Amant: The vacant FTE position is a loan officer position

Chairman Thoreson: And how long has that been vacant?

DeAnn Amant: That position has been since the 2003-2005 biennium.

Representative Kempenich: Is that a full time or part time position?

DeAnn Amant: That is a full time position.

Testimony continued.

Representative Kempenich: How are your bonds paid? Who follows this outside your office?

DeAnn Ament: What we do is, the PFA goes out and issues a pool of bonds. That money we take and we loan that to political subdivisions and water districts. This program is used to finance clean water and drinking water projects, sewer and water projects mainly with cities and water districts. Those entities issue bonds to our agency. When they make expenditures for their project, we pay them the money; and then they repay that loan to us over 20 years. We use that money to repay the bonds that we went out to issue.

Representative Kempenich: How fast do you usually react to these requests?

DeAnn Ament: This program is run by the health department and they have an intended use plan. So, the projects have to be under the intended use plan; there are emergency things that they can follow. The EPA gives us the grant money; and so, there are only certain projects that are eligible. To expand a water system isn't an eligible project under this program. Generally, if they're on our intended use plan; if they make the application, in 6 weeks we can usually have it approved. It varies how each political subdivision operates. We get some cities that will internally finance a project, come in with an application, and have the project basically done. We have other cities that are thinking about working on a project; they will get the application in, it make take 5 years.

Representative Kempenich: Are there a match for the political subdivisions to meet?

DeAnn Amant: We do not require any match. In general, the interest rates are 2 ½% with a ½% administrative fees. We do work in combination with a lot of other projects to help make affordable projects.

Representative Brandenburg: I'm from Edgeley, could you talk about this project?

Deann Amant: This is the stimulus money project. The city of Edgely came in for a $1.72 million loan from the state revolving fund. We issued bonds in 2008 and each year we get cap grants. So that is the source of the money that we are going to loan to the city of Edgeley. The health department went through, they ranked the projects using economic factors for this money; because this money had subsidization portions to it. The ARRA required us to provide subsidization in the form of either principal forgiveness or ½% loan. So the city of Edgely, based on their ranking, their economic factors, qualified for $1,269,000.00 in principal forgiveness. That's money that the city doesn't have to repay. They way the clean water program worked, the balance of that money that was borrowed, $450,921.00 that is at our regular rate of 2 ½% interest; and will be repaid over the next 20 years.

Testimony continued

Chairman Thoreson: Where was that again?

DeAnn Amant: Page 1-10 of the annual report.

Chairman Thoreson: So this is every one of the 214?

DeAnn Amant: Yes.

Chairman Thoreson: Jamestown is $16 million; is that correct?

DeAnn Amant: Yes, that's correct. We currently do not have any limitations on the borrowings. To date, we've been able to fund all loans that have been requested. There are 50 SRF programs in the United States; each state has a program and a lot of them aren't as fortunate to be able to fund the projects that ready to go.

Chairman Thoreson: Is that do to the economic situation in these other states? Why are we in a better position than others?

DeAnn Amant: It's a combination of things.

Testimony continued.

Representative Kempenich: Are you a year to year program or are those biennial numbers?

DeAnn Amant: The capitalization grants follow the federal budget. Those are year to year. The intended use plan; projects have to come in each year, but, it's essentially a rolling plan. If the project hasn't started, you have to send in the letter to the health department stating we're still interested in doing this project; here's our updated information.

Representative Kempenich: You really don't know what the numbers are on that; if it's going to be the same or less?

DeAnn Amant: That's exactly it. We don't know what comes from year to year; it varies. We're special funds and we'd like to retain that FTE; because we do work with other programs. We don't want to fill it unless there's going to be a demand.

Representative Kempenich: We're going to have to explain why the money's not being used when we get into our committees.

DeAnn Amant: Yes we are aware and we're always looking at opportunities.

Testimony continued.

Representative Kempenich: That $7 million; does that have to be spent this year?

DeAnn Amant: This money all had to be committed by February 17, 2010. There's only $706,000.00 left.

Representative Kroeber: Where's your list on your ARRA?

DeAnn Amant: Karlene had provided a list after my testimony last week.

Testimony continued.

Chairman Thoreson: Any updates to those dates now?

DeAnn Amant: The hope that all money would be expended by the end of 2011.

Representative Brandenburg: That money that's left over is that going to back? What will happen with that?

DeAnn Amant: This money is all intended to be spent. The $706,000.00 is money for projects that have not completed.

Representative Brandenburg: Then the money is already committed, it's just a matter of the projects being done?

DeAnn Amant: That's correct.

Testimony continued.

Chairman Thoreson: Is this any political subdivision that can go to this?

DeAnn Amant: Yes it is.

Testimony continued.

Representative Kempenich: Are your rates increasing?

DeAnn Amant: This program with the A+ rating has been able to maintain some stable rates. This program hasn't been used real heavily.

Testimony continued.

Chairman Thoreson: What defines small issue?

DeAnn Amant: That is an IRS definition. They can borrow up to $10 million using this definition.

Testimony continued.

Representative Kempenich: How are these paid back? Is it interest first and then the principal?

DeAnn Amant: They have an interest and principle portion. We structure them how it fits them for their cash flow. Generally, it's a small principle payment in the beginning.

Representative Kempenich: Do these represent one company a piece or is this a combination of different companies?

DeAnn Amant: These are 3 loans to individual companies; there's no pooled financing. We've not done pooled financing under this program.

Representative Kempenich: Based on a 20 year payback?

DeAnn Amant: Yes. I believe 25 years.

Representative Kroeber: The three listed, the first is Prairie Gold Real Estate. Where's that?

DeAnn Amant: The Prairie Gold Real Estate is holding company for Killdeer Mountain Manufacturing.

Representative Kroeber: And Giant Snacks, that's Wahpeton right?

DeAnn Amant: That's correct.

Testimony continued.

Representative Brandenburg: Is that the lifetime of the 20 years?

DeAnn Amant: That is for the life of the loan. It's a fixed rate loan.

Representative Klein: I'm looking at the chart on ARRA projects. CWSRF and DWSRF; what does that stand for?

DeAnn Amant: CWSRF that stands for Clean Water State Revolving Fund; DWSRF stands for Drinking Water State Revolving Fund.

Representative Klein: The ARRA projects; are we completely done, is all that money gone?

DeAnn Amant: That money had to be committed by February 17, 2010. It's all committed.

Representative Klein: I see even Edgeley is there. Are they a good credit risk?

DeAnn Amant: Of course they are.

Representative Kroeber: Do you have a separate department number?

Chairman Thoreson: They are part of 405.

Chairman Thoreson closed the hearing.

2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division
Medora Room, State Capitol

HB1014
January 21, 2011
Recorder Job# 13350

☐ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A Bill for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide legislative intent; to provide an appropriation; and to authorize transfers.

Minutes:

Chairman Thoreson: Opened the hearing on HB1014 at the Bank of North Dakota.

Eric Hardmeyer, President, Bank of North Dakota: See attached testimony 1014.1.21.11A.

Representative Brandenburg: Why would the other banks take that money back?

Eric Hardmeyer: It's generally called year end window dressing. It's a common practice that does occur.

Representative Dahl: Are there limits to how much they can transfer out?

Eric Hardmeyer: Not really. They have balances that they keep here; compensated balances for some other services that we have here.

Testimony continued.

Chairman Thoreson: How's the rate determined for what they earn?

Eric Hardmeyer: It's set by the federal reserve. It's the fed fund rate.

Chairman Thoreson: How often does that change?

Eric Hardmeyer: It can change daily. Right now it's set at .25%.

Testimony continued.

Representative Kempenich: A lot of this money really isn't earning a lot on the state side?

Eric Hardmeyer: The state treasure invests money in and we establish the rates, looking at 12 or so banks around the state. It's called rate watch and that's how we establish our rates. Our total cost of funds for what we pay on deposits, averages around 1% for 2011.

Representative Kroeber: What large funds do you keep at the bank?

Eric Hardmeyer: We have a portion of the budget stabilization fund. All permanent oil trust fund monies are kept here. The budget stabilization money, I think there's some component that goes to the state investment board. The state land department has some money here; but, they have flexibility and discretion where they can put their money.

Representative Kroeber: As far as the budget stabilization fund and the legacy fund they're stabile. Could those funds be handled differently?

Eric Hardmeyer: It depends on where they get the discretion to invest those funds. We don't know exactly what kind of parameters surround the legacy fund; whether they all have to go to the treasurer. If they go to her, she has to invest them here. If some is allocated to the state investment board, they have discretion.

Representative Kroeber: It seems that the Bank of North Dakota would have more expertise in that area than the treasurer does.

Eric Hardmeyer: If there is an opportunity for that money to be directed to the state investment board, they don't have to come here. They have the discretion to invest those where they see fit to maximize their return.

Representative Klein: What is that FHLD?

Eric Hardmeyer: Federal Homeowner Lenders Bank of Des Moines. We're a member of that bank and what we do is, we borrow money from them. Mr. Hardmeyer referenced testimony 1014.1.21.11A.

Representative Klein: Wouldn't that number be up instead of down?

Eric Hardmeyer: The numbers are up. Mr. Hardmeyer referenced testimony 1014.1.21.11A, 1014.1.21.11B.

Representative Klein: Do you foresee any time when this is projected to happen?

Eric Hardmeyer: We watch that very closely as you can imagine. Short term rates are set by the federal reserve at the fed fund rate. The market will sometimes get out ahead and they'll be fluctuations in the long term rates, short term rates. I would say for at least the next year, we look for rates to be fairly stabile.

Testimony continued.

Representative Kempenich: What area are your concerned about for long term?

Eric Hardmeyer: We're not concerned about agriculture right now. We're not concerned about schools. We are concerned about commercial real estate. We are reserving for losses; whether they occur or not, we'll see.

Testimony continued.

Representative Kempenich: On salaries and benefits, did the retirements affect the salaries; and where did you fill in?

Eric Hardmeyer: Some of the people that you met today stepped up into those roles. We're working very hard on establishing a couple of programs like the leadership program. Inaudible.

Chairman Thoreson: When you filled those positions, you said you filled them from within. Was that at your discretion or were they advertised to the outside also?

Eric Hardmeyer: For the most part, we filled from within. Some of those we advertised outside. We think there's some morale things, if you hire from within and move people up that's good also. It's good to new blood into the bank as well.

Chairman Thoreson: I was interested in what the process is should another vacancy occur, would you advertise throughout the financial services community for that position?

Eric Hardmeyer: We could. I'll use Lori as and example, she came from MDU before she came here. There are a number of people on the lending side that come from banks.

Chairman Thoreson: With the situation with the banking industry, do you have people unsolicited; contacting you about employment at the bank from out of state and from other areas?

Inaudible.

Representative Klein: Looking at your comment on the student loan accounting system; did you do develop that or did you do it in conjunction with ITD? Are they going to charge you another 20% increase?

Eric Hardmeyer: The new student loan accounting system, we just converted over from a system we've had in place since 1993. It was on the mainframe; and as you recall ITD had required state agencies move off of the mainframe.

Representative Klein: Do you have your own system here now?

Joe Hershlip: The system is still on servers at ITD. We bought the system from a company called 5280 out of Nebraska. It's a proven system and they moved it on to some new technology for us. We brought it up to ITD where they maintain the servers for it.

Representative Kempenich: Do you have a breakdown for what you have ITD budgeted and can we get that some point in time?

Eric Hardmeyer: We would have that for you.

Representative Klein: Your laptops, how often do you replace those?

Eric Hardmeyer: We are on a 4 year rotation cycle.

Testimony continued.

Representative Klein: Do you see a relationship that could jeopardize the Bank of North Dakota or North Dakota banks?

Eric Hardmeyer: I can't see anything that's going to jeopardize the Bank of North Dakota. I don't see anything on the Bank of North Dakota that would be any cause for concern today. In terms of other North Dakota banks; a lot of it has to do with investments that were made by banks as they attempted to diversify their loan portfolios. A lot of them went into Arizona and Nevada; and bought participations and they're now struggling with that.

Representative Dahl: What accounts for the difference on the leverage ratio between North Dakota banks and the Bank of North Dakota?

Eric Hardmeyer: Ther'e actually a very significant difference. Most banks are privately held family owned businesses and they retain their earnings, they have access to other forms of equity that we don't have. I would say by and large that North Dakota banks are a cautious, conservative bunch that leave capital in their bank. There are some banks that carry an enormous amount of capital.

Chairman Thoreson: Are there enough of those that skew the average for the others or do they take that into effect?

Eric Hardmeyer: Probably a little bit.

Representative Dahl: Are there any federal regulations that provide a minimum?

Eric Hardmeyer: Federal regulation F does require a minimum to be well capitalized at 5%. We're at 7.95%.

Testimony continued.

Chairman Thoreson: Are they still referred to as Stafford loans?

Eric Hardmeyer: They are referred to as direct loans.

Unintelligible.

Representative Kempenich: Are you just getting access or isn't that a problem for the most part?

Eric Hardmeyer: That's no problem. They can access through the university system. They'll council the students: here's what you can get in direct loans, here's what's available in alternative loans, here's your option with alternative loans.

Representative Kempenich: We're pretty competitive with the direct loans?

Eric Hardmeyer: The deal loan program was meant to be a companion loan. The direct loan has features that we don't have; that we can't afford to have.

Testimony continued.

Chairman Thoreson: Why is it that the conventional loan is the smallest number?

Eric Hardmeyer: For the most part, we've elected to claim the FHA/VA; those are guaranteed conventional loans. There's a very active market out there for that activity.

Chairman Thoreson: So you're just looking where the need is greatest?

Eric Hardmeyer: And risk reduction.

Representative Kempenich: What are we running, more acres or just higher prices?

Eric Hardmeyer: A couple of things; land values, we increased the loan amount that borrow now.

Representative Klein: If the changes proposed come about in the Fanny Mae and Freddy Mac; are you going to be left out in the cold? What I'm talking about is the federal guarantee is going to go away is that going to affect you?

Eric Hardmeyer: Fanny and Freddy have bought a lot of conventional unguaranteed loans. There is going to be some reform. There has to be some sort of secondary market that continues on after this because of the demand. I think if Fanny and Freddy go away, they'll be replaced by something similar to that. Can we handle some of that activity if it goes away? Within reason.

Representative Klein: That's one of the things to on the docket now is to take away the federal guarantee.

Eric Hardmeyer: The federal FHA is a guarantee, we buy those loans; those are guaranteed.

Testimony continued.

Representative Thoreson: What do you do in terms of promotion in this?

Eric Hardmeyer: Our efforts really lie with the colleges and universities. They're financial aide offices are directing the activity.

Testimony continued.

Representative Kempenich: What if they are successful? What do they do here in these states; what goes on there?

Eric Hardmeyer: We've talked about that here; good question.

Chairman Thoreson: This is part of the federal healthcare law; if the court would overturn it, that would also overturn this portion of that bill.

Eric Hardmeyer: It's unlikely that this is going to happen.

Testimony continued.

Representative Kempenich: Is this a direct program with the bank?

Eric Hardmeyer: This would be a direct program, it's administered through a company called You Promise, which is based out of Boston. The investment side is all handled by Vandgard. You Promise is very active in this market; they 13-14 other states.

Representative Kempenich: Does this count against when you fill applications for direct loans?

Eric Hardmeyer: I imagine that this would be part of it.

Chairman Thoreson: With the capitol losing power on Tuesday, what impact did that have on the Bank of North Dakota?

Eric Hardmeyer: All of our operations stopped.

Representative Thoreson: So is that telephone service provided outside of ITD; the analog lines you have?

Unintelligible.

Representative Kempenich: Did you lose any data?

Tim: I was mid sentence on the phone when it crashed.

Eric Hardmeyer: I think power came back up around 6:30. So, we went as a team through the bank and implemented some disaster recovery methods we've been on working on; and assessed what we could do.

Representative Thoreson: What about the physical security of this facility? Did you lose video or anything that would have provided security for this building?

Eric Hardmeyer: I'm not aware that we did.

Chairman Thoreson: We're talking about what happened Tuesday; with the loss of power to the judicial wing at the capitol. I was asking a question about the physical security of this facility. You still had electricity, but, did you have cameras, security for locks; or is that all controlled through systems at ITD?

Joe Hershlip, Information Technology, Bank of North Dakota: Everything like video surveillance, card keys is done here at the bank. We have an uninterruptible power supply that will hold those systems until our generator kicks in. Our generator is powered off of natural gas; we test that monthly as well.

Representative Kempenich: Do you have remote security?

Joe Hershlip: Are security system is a dvr system; which they're running all the time. Monday-Friday the bank always has a bank employee in it; because, we have 8 to 5 regular staff, we have a night crew in the operations area that works until around midnight. There's also janitorial staff that the first shift starts at 3.

Chairman Thoreson: Do you have stuff in Mandan at the offsite server farm?

Joe Hershlip: We have core banking systems in Mandan.

Chairman Thoreson: The bank transfer, you were at the hearing on SB2015?

Tim: Yes.

Chairman Thoreson: Are they taking any action to make changes on that?

Tim: They skimmed past that very quickly.

Chairman Thoreson: You also have that $5 million transfer for health IT?

Eric Hardmeyer: At the end of last session, there was a bill that allowed Bank of North Dakota a transfer of $13 million; there are two components, $5 million and $8 million broken down for the health information technology fund. We have transferred $5 million already. That was done in 2010; the other $8 million, they've taken $500,000.00 of the $8 million. Mr. Hardmeyer referenced testimony 1014.1.21.11A.

Chairman Thoreson: Who are those big four?

Eric Hardmeyer: NellNet, Sally Mae, FETA, Great Plains.

Chairman Thoreson: Do they look at doing just in a regional area?

Eric Hardmeyer: All of them.

Chairman Thoreson: What is their fee?

Eric Hardmeyer: Their fee is $2.11 an account. It's a monthly fee that get.

Chairman Thoreson: So no matter what the level?

Eric Hardmeyer: As it goes into delinquency, their fee goes down; because they're incented to keep those loans current.

Chairman Thoreson: These other big four, they're all for profit?

Eric Hardmeyer: These others have 2, 3, 4 million accounts.

Chairman Thoreson: And roughly a couple of dollars per account?

Eric Hardmeyer: That is the issue yet is what that fee will be. We believe our cost to do that is $4.50 to $5.00; that's in terms of what we think we need.

Chairman Thoreson: Timeline wise where do you think you'll be?

Eric Hardmeyer: We had hoped to know by November or December; no contracts have been released. I believe, we'll know by February or March. The first contract they sign with a nonprofit entity; establishes the rate.

Chairman Thoreson: So at that point, you'd look at it and ask if it's worth your while?

Eric Hardmeyer: Yes.

Representative Kempenich: So these big players; would that be FFA also?

Eric Hardmeyer: No, they're locked in at their rate.

Representative Glassheim: I've noticed that commercial loans have been down in the last 3 years. You must have significant dollars for loans; but there's no demand, is that the right interpretation?

Eric Hardmeyer: If you go back to page 5, it is down from a year or two ago; but, it's still generated $637 million worth of loans.

Representative Dahl: If you don't transfer that $60 million where will you put it?

Eric Hardmeyer: If we don't transfer that money, it will go to retained earnings; which would go into capital. That capital gets spread out over various asset categories; it's not in any one place.

Chairman Thoreson closed the hearing.

2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division
Medora Room, State Capitol

HB1014
January 24, 2011
Recorder Job# 13243

☐ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A Bill for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide legislative intent; to provide an appropriation; and to authorize transfers.

Minutes:

Chairman Thoreson opened the hearing on HB1014. The clerk called roll.

Lynn Helms, Director, North Dakota Mineral Resources: See attached testimony 1014.1.10.11A .

Chairman Thoreson: This would be to investigate if we had resources within the state that could be used for fracking?

Lynn Helms: The oil industry consumes about 5 million tons per year.

Chairman Thoreson: Any idea what the dollar amount on what 5 million tons is that we're sending out of state?

Lynn Helms: I don't have the total on that. I can do some simple math for you. About 21/2 million tons is ceramic proppant and that's costing about $400.00 a ton; the sand is the other half, 21/2 million tons a year at $100.00-$150.00 a ton.

Chairman Thoreson: Many dollars that are leaving the state if I'm correct.

Lynn Helms: That's correct. That is all imported. The ceramic proppant is imported from China and Russia; sand proppant is imported primarily from Michigan and Texas. We believe that we have potential resources.

Representative Klein: The ceramic, that's a manufactured proppant; it's not a natural resource?

Lynn Helms: That is correct. What they do is mine a high aluminum content kaleinite clay, like over in the Hebron area; then they run it through a special extruder that produces tiny balls of clay. It goes through a high temperature kiln and is baked into a ceramic material. So it's all manmade and manufactured.

Testimony continued.

Representative Kroeber: When you talk about the pricing of natural gas; I've asked before when we've been to hearings, they said the price of natural gas follows the price of oil. Why does that make sense?

Lynn Helms: Your talking about the price of natural gas at your meter?

Representative Kroeber: Yes.

Lynn Helms: Because natural gas at the well head has disconnected from oil. It used to run about the BTU value disperence. There is a difference 6 to 1 between a barrel of oil and 1,000 cubic feet of natural gas. In today's market, at $90.00 crude oil we should be receiving $15.00 per thousand cubic feet at the well head; instead we're receiving between $3.00 and $4.00. That's largely because of what's happened in Pennsylvania and around Dallas, Texas. Where the unconventional natural gas resources have been discovered. That well head gas requires a great deal of processing to deliver it to your meter. The gas at your meter does tend to follow the price of crude oil because it competes directly with fuel oil.

Representative Brandenberg: How would you find out if you have that much there?

Lynn Helms: This initial survey was done on what we would call static wells. These were water commission test wells that were just sitting idle. They would tend to be on the low side of methane content. Having detected methane in these wells is a positive indicator. We've been trying to get people to tell us about their actual producing well; and we would like to come out and test it. We use a flame ionization detector that's got a probe we can lower down into the well.

Chairman Thoreson: Have you had quite a few people fill out that form?

Lynn Helms: The response has been disappointing. We provided some information about the form and website to their economic fellow in Ramsey county; and he's going to distribute it at some events he's going to holding this spring. We're going to start shipping that information out to the local economic development people and ask them to make it a part of their portfolio when they're working in their county.

Testimony continued.

Chairman Thoreson: How much is on display now and how much are we talking about once the whole project's done in 2014?

Lynn Helms: We have probably less than 10% of our specimens on display at this point in time. We hope in that geological time gallery to push it towards the 50% mark. That would allow us to refresh it periodically. We're intending with a major donation from Whiting Petroleum Corporation, we're going to buy a magic globe. It's a large white globe that's sets in the middle of the room and you use digital projector to project onto this globe pictures of different geological periods.

Represenative Kroeber: Is there concern as far as what as abandoned when the wells are no longer useable and how well the area is being reclaimed?

Lynn Helms: See attached testimony 1014.1.24.11A.

Representative Klein: What is GSD?

Lynn Helms: The Geological Survey Division.

Testimony continued.

Chairman Thoreson: If I'm correct, this $9,000.00 will be a portion still of that $50,000.00. We'll still have some federal funds we're relying on?

Lynn Helms: That's correct. In the absence of this, we would have relied on the federal government for about $63,000.00 of our budget. So this is a reduction from that $63,000.00 down to the $54,000.00.

Chairman Thoreson: Was there any discussion of just taking it to zero and not relying on federal funds at all?

Lynn Helms: There was. We have that discussion every 2 years; there are some projects that it's a benefit for us to stay engaged; for example, the surface mapping project, that's a nationwide project that's funded by the US Geological Survey. I don't ever get to zero; but, I'd like to get down to half of what we are right now. I'd like to get down to that $25,000.00 range.

Representative Kroeber: So the numerous field inspectors they do the inspection on the new and old wells?

Lynn Helms: They do. See testimony 1014.1.24.11A.

Speaker Drovdal: Do you have a minimum number of barrels or minimum amount of gas in order to keep it out of that abandoned status in a year's time? Is there any guideline that you look at?

Lynn Helms: There is none at this point. Any sale of oil or natural gas would keep it out of abandoned status.

Testimony continued.

Representative Klein: Are we still allowing the system of units?

Lynn Helms: We're still allowing units. We have seen 4 or 5 units a year formed up in the Bottineau/Renville primarily; where they're trying to put together water floods.

Testimony continued.

Chairman Thoreson: What's the process when you have to do that; and the situation you do have to go in plug those wells. What period of time are we looking at?

Lynn Helms: If it's recognized as an abandoned well, the first thing that happens is a notice of violation goes out to the operator. They're given a period of time; 1 to 3 months to respond. If there's no response, then we put it on the hearing docket. We have to hold a public hearing and notify the public and the operator that we're going to confiscate the well, and the bond. About 2 months later, the industrial commission would sign an order confiscating the bond and confiscating any equipment or saleable oil on the well. At that point we go out for bids and we'd get a contractor to plug. We're talking about at least a year process; maybe 18 months.

Representative Klein: This $1.4 million; where did that come from?

Lynn Helms: The primary source is all permit fees go in there. Every well has a $100.00 permit fee and secondly on all of the cash bonds and surety bonds we charge an administrative fee; that also flows into that fund. Then confiscations; and occasionally, when we reach a settlement agreement on a complaint goes into that fund.

Representative Dahl: Are any of these wells capable of being produced again and do you evaluate that?

Lynn Helms: Many of these wells are capable of uneconomic production. For a long time, many of these wells were used as re-entries for horizontal drilling. The more common use these days is they're used for water injection if the field gets unitized. We allow companies to do temporary abandonment; where they secure the well bore and make sure it's not going to endanger the environment. It can stay in that status; it has to be renewed once a year and we charge a fee for that renewal. If they write us a letter, then we require the operator to come up with a plan for the future use of that well bore before we'll renew that TA.

Representative Dahl: Just one follow up question with regard to the $1.4 million in reserves. How much of that per year are you using?

Lynn Helms: About $250,000.00 a year.

Representative Kroeber: There's really not a large number of wells that would be going through this process?

Lynn Helms: That's correct. There a very small number of wells.

Speaker Drovdal: Can you give me the average cost of plugging a well?

Lynn Helms: I'll go off last year's; they cost us around $100,000.00.

Testimony continued.

Chairman Thoreson: Are we talking a few inches or a few hundred feet?

Lynn Helms: We're talking about a few hundred feet; 200-400 feet.

Chairman Thoreson: They're borrowing without asking?

Lynn Helms: They are and we always catch them at it . We make them come in for a hearing.

Chairman Thoreson: So 2 rigs per company per month?

Lynn Helms: Six per month. That's an additional 72 drilling rigs per year.

Chairman Thoreson: How long ago was it where we were talking 6 total in a year coming into the state?

Lynn Helms: Maybe 5 or 7 years ago.

Chairman Thoreson: You'll be providing the full appropriations committee with a breakdown of this information on Thursday?

Lynn Helms: I will.

Testimony continued: See attached testimony 1014.1.24.11B, 1014.1.24.11C.

Chairman Thoreson: Is that position in the Dickinson district?

Lynn Helms: Yes.

Testimony continued

Representative Glassheim: On the green sheets an FTE petroleum engineer is listed at $199,000.00 total but on your hand out it states $192,000.00. Are they the same people?

Lynn Helms: Mine is just based on todays' base salary.

Representative Dahl: You indicated that you don't think you'll have a hard time recruiting petroleum engineers, is that correct? Is the same thing true with field inspectors?

Lynn Helms: You heard me correctly on the petroleum engineers; because we've been doing that some, and we have a pretty good process. We have contacts within the departments at NDSU, UND and also Butte, Montana. We have yet to try recruiting the engineer tech field inspectors. I have spent a large number of hours with BSC helping them insert petroleum type courses into their power technician course. They're planning this fall to have a petroleum tech course. I think we'll be able to find them.

Chairman Thoreson: But you are feeling pressure from the private sector on these positions also I would guess.

Lynn Helms: We sure are; there's enough demand out there for BSC to start up a whole new program.

Testimony continued.

Chairman Thoreson: But this is because of what the EPA has done; is that correct?

Lynn Helms: Yes. I don't want to just do it their way; I think there rules contain of onerous things that don't belong in CO2 storage rule. I want to do some negotiating with them about what our rules say about CO2 storage wells.

Speaker Drovdal: You mentioned the salary+3+3; I assume that's what we're expecting the raises to be for state employees. Don't we also in our budget have to include the 2+2 for the increase in retirement benefits because we pay the employee's share also in the state?

Representative Kroeber: The way I understand it, is that the increase as it's written right now in the Governor's budget has 1% for the employee to pay and 1% for the employer to pay. Neither of those go into effect until January 1; they don't go into effect at the beginning of the biennium. So, the total dollars will be a little bit less this biennium than they would be the following biennium.

Chairman Thoreson: Tad is that correct?

Tad Torgerson, Office of Management and Budget: That's exactly correct.

Testimony continued.

Chairman Thoreson: Where do you think of next year; because we have to look at the budget for 2 years out?

Lynn Helms: We think it will stabilize. We believe that the infrastructure are going to stabilize that rig count in the 200 to 210 range.

Testimony continued.

Chairman Thoreson recessed the hearing.

Chairman Thoreson continued the hearing with the North Dakota Mill and Elevator Association.

Vance Taylor, President, North Dakota Mill and Elevator Association: See attached testimony 1014.1.24.11D.

Chairman Thoreson: How many railcar checker positions do you have on staff right now?

Vance Taylor: We now load cars on 2 shifts; first shift and second shift, each one of those crews has 2 load checker positions. Their main job is to clean the cars before they're loaded; for a total of 4.

Chairman Thoreson: And you want to go to 6 right?

Vance Taylor: Right.

Testimony continued.

Representative Dahl: What markets are you looking to expand into? Are there entirely new markets that you're looking into?

Vance Taylor: Most of sales occur in the northeast section; we ship mostly to the east. Our biggest markets are in New York City, Boston, Chicago, points east. We also ship quite a bit to the southeast like Florida for the most part. There's an area between the northeast and the southeast that we see as an area that would be a good area to grow business in the future.

Representative Dahl: Has there been any discussion about growing into foreign markets?

Vance Taylor: We not only discuss that; we work on that pretty hard. We do ship quite a bit of product to the Caribbean Islands. We've also worked on customers over in the Pacific Rim; Korea mostly, some Japan and we've worked on China. For a time we were shipping to customers in Brazil and we have shipped some product to Europe. Right now it's about 1% of our total sales for exports; we are trying to grow that also.

Representative Dahl: Do you work with a trade office on some of those export issues?

Vance Taylor: We do.

Testimony continued.

Representative Klein: This cost for this methyl bromide; is the cost increase due to the chemical that you need?

Vance Taylor: We see a large increase in the cost in methyl bromide. As methyl bromide is being phased off the market for our type of usage; and production is closely controlled, demand is still there. The price of the gas up each year.

Representative Klein: Going on to item 3, where you say WAPA continues to increase their rates, would the additional water in the system; what's happened in the past? At the present time, the generation our of Garrison and all the other dams is much higher than was projected; so, I would expect WAPA's rates would decrease or stay even. I wouldn't think that they would be raising their rates this coming year.

Vance Taylor: We did a budget for a 19% increase over the current biennium. We have tried to find out what our WAPA power will be going for in the next biennium; and had a tough time getting the number. What we're basing it on is the increase for the last few years in the WAPA power?

Chairman Thoreson: On the fumigations, you said the cost of our fall fumigation with methyl bromide increased. How often do you do the fumigations? Is it spring/fall, quarterly? What do you do and do you use methyl bromide each time?

Vance Taylor: In a normal year, it's 3 times per year. It's a spring fumigation, midsummer fumigation, then one in the fall.

Chairman Thoreson: How long does it take to do that and do you have to completely shut down portions of your business to do so?

Vance Taylor: Normally we do a 3 day shut down period. You have to totally clean out the mill and seal the building to hold the gas in. It takes a minimum of 24 hours for the gas to work.

Chairman Thoreson: So about 9 days a year you are doing fumigations? What's going on with your employees during that time; are they furlowed, do you have them doing other things or do they have to physically stay out of the facility?

Vance Taylor: Some of them work to help seal the building and do the cleaning; and then there's work to be done to open up the building and prepare it to run again. On the front and back ends of the fumigations there is some work being done; in the middle, they receive a day off.

Chairman Thoreson: Is that considered part of their vacation time?

Vance Taylor: Normally, it's on a weekend.

Representative Dahl: You talk about the additional sales representative and indicate that the 4 that are already there, are producing around $250 million in sales; is that correct?

Vance Taylor: That's correct.

Representative Dahl: With that additional position, what would you expect that number to be?

Vance Taylor: An estimate would be an additional 10% higher than that; so, an additional $25 million in the next biennium.

Testimony continued

Chairman Thoreson: Those increase in prices for your source product, is that driving people out of this business?

Vance Taylor: It's been fairly stable in recent years. There was one additional mill that closed down in Topeka, Kansas within the last year. Per capita consumption of flour has stayed fairly constant; but as the population grows, the overall production has slightly increased.

Representative Kroeber: Do you contract directly with farmers? Are you contracted with farmers for a certain price per bushel for durham?

Vance Taylor: We do. We buy most of wheat from elevators; but, we do contract a fair amount from farmers.

Representative Klein: One thing I'd like to see on your miscellaneous, utilities and repairs; I'd like to see the figure that you used the previous biennium. Also, your new proposed figures so that we can take a look.

Vance Taylor: As we've increased sales, we've also increased the number of railcars that we lease; which require maintenance. The increase in flour production resulting in a heavier use of equipment drives this expense up at a rate greater than the rate of inflation.

Testimony continued.

Representative Brandenberg: The question I have is dealing with the repairs. What are you looking at?

Vance Taylor: In a flour mill, the main pieces of equipment that need constant repairs are the roll stands; where the grinding takes place. They wear down and have to be replaced periodically; some as often as every month. In our sifters, in the flour mill, those claws wear out and have to be reworked and replaced on a regular basis; about every 6 weeks on the average. The cleaning equipment has wear; requires repair. Gear boxes, belts, pulleys, etc.

Representative Brandenberg: How much cost to keep those things rolling. Are you looking at putting in a new line of cleaning equipment or are you just looking at upgrading the equipment that you have?

Vance Taylor: Another line of equipment wouldn't be included in this. This is just upkeep and repair the 7 different mills that we have.

Representative Brandenberg: You're filling box cars aren't you and sending them out?

Vance Taylor: We do fill box cars but mostly we're shipping bulk railcars.

Representative Brandenberg: Are you leasing them or are they your own?

Vance Taylor: The bulk cars are leased; and the box cars are a combination of railroad owned cars and cars that we lease.

Representative Kroeber: I'm assuming that the new positions requested would help to reduce mandatory overtime?

Vance Taylor: Yes, they would reduce the overtime.

Representative Kroeber: The overtime as far as on your spreadsheet, the increase is quite considerable over last time. That's taking in the new employees; hopefully, you will get?

Vance Taylor: Yes, it is; the previous biennium, overtime dropped quite a bit due to decreased run time that we had when prices were so high. In the last biennium, our overtime was down. Now that we're running harder, it does cause more overtime to occur.

Testimony continued.

Representative Klein: If I understand correctly, in fiscal year 2010, the gain share; which was shared among your employees, was $1,201,000.00?

Vance Taylor: Yes, that is the correct number due to the high profits, that we had that year.

Representative Klein: So as a rough figure per employee, what would that amount to?

Vance Taylor: Total employees at the mill are 131; so it would be somewhere between $9,000.00 and $10,000.00 per employee.

Testimony continued.

Representative Klein: In 2009, why the significant dip there?

Vance Taylor: That's when the prices were high; spring wheat prices were high relative to winter wheat. So we did see a dip in that business volume during that year. Once prices went back to normal we saw most or all of that business come back.

Representative Brandenberg: Have steps been put in place so this doesn't happen again?

Vance Taylor: Yes, we have taken a lot of different steps to be sure we don't run into that same kind of situation. We have different strategies going forward.

Representative Klein: You're not looking at an increase in travel. Are you reducing your travel?

Vance Taylor: No, we're not. We just didn't see a need for the increase in our budgeted dollars for the next biennium. We hope to travel efficiently and keep those costs down.

Testimony continued.

Representative Brandenberg: What 's happening for the increase in repairs?

Vance Taylor: The bulk of it is going to be increased roll changes.

Representative Brandenberg: How many lines did you say you had in the mill?

Vance Taylor: We have 7 different mills, 7 different cleaning lines, about 200 different roll stands and twice that many sifters.

Representative Brandenberg: So you have about 1,400 rolls that have to be replaced?

Vance Taylor: It's going to be in that neighborhood.

Representative Klein: How often do you replace your laptop computers?

Vance Taylor: The laptop I'm using is 4 or 5 years old. We replace them on an as needed basis.

Vice chairman Klein closed the hearing.

2011 HOUSE STANDING COMMITTEE MINUTES
House Appropriations Government Operations Division
Medora Room, State Capitol
HB1014
February 9, 2011
Recorder Job# 14239

☐ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A Bill to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission.

Minutes:

Chairman Thoreson opened the hearing on HB1014.

Representative Klein: That language discussing the possible land buy, is that still in there or do we have to renew that?

Eric Hardmeyer, Director, Bank of North Dakota: The way the bill was written for this current biennium; the legislation does run out the end of the biennium. It is our hope and intent that we could get something done before that; but, we're not for sure to that. I think it would be a good idea if we could extend that language.

Representative Klein: After seeing what's there and the possibilities; we're constantly looking for possible facilities and it's an ideal location. If we need to continue it, I think we should definitely put that back in.

Eric Hardmeyer: I would be in favor of that.

Representative Kroeber: Where is it?

Eric Hardmeyer: It's in the previous session law; so it's not in here. I had hoped that we would be able to get something this biennium; I'm still hopeful, but, we would have to go back to the previous biennium session laws to look at that.

Chairman Thoreson: There would have to be a statement issued in this bill dealing with that to go forward.

Representative Klein: Would you be able to provide that as a possible amendment?

Becky Keller, North Dakota Legislative Council: It's section 18 of the 2009 SB2014.

Chairman Thoreson: Let's talk a little more about what's going on with student loans. There was some possibility of picking and servicing of these additional loans.

Eric Hardmeyer: There is an update I can give you on that subject. July 1 of last year, the federal government took over the student program; the PHELP Program, they have now taken that over and offered that program through a series of 4 federal contractors. The big 4 in the business; Sally Mae, Nelnack, FETA, Great Lakes. Part of that legislation was to offer nonprofit entities like the Bank of North Dakota an opportunity to loans up to 100,000 in accounts. There are probably 30 to 35 different agencies like us that would qualify for that. That has been open as a bid process and last week 2 bids were accepted. The state of Oklahoma and Missouri; 2 agencies had been accepted. There were 2 issues we were concerned about with this servicing contract. One was the pricing and the geographical allocation of accounts. As I understand it, Oklahoma and Missouri have accepted the pricing structure that was offered to the big 4; which is unacceptable to Bank of North Dakota.

Chairman Thoreson: What were those numbers again? It was something like $2.00 or $3.00 per service?

Eric Hardmeyer: $2.14 per account.

Chairman Thoreson: You were looking at something in the $4.00 range?

Eric Hardmeyer: $4.00 to $5.00. Within the language of the bill, there was a provision that allowed for alternative pricing and DOE has said everybody has to accept the first price that comes out for the first accepted nonprofit. In the last week, a number of the nonprofits have made noise about this and DOE has said they may think about an alternative pricing fee structure for nonprofits. This opportunity to service these loans goes through 2014; we can enter into a contract through 2014. We put money in our contingency line item of about $2.2 million to absorb all the things that go with the servicing contract. That would be security issues, audits, consulting work, etc. At this point we are not at a point to say whether we are in or out of these servicing contracts.

Chairman Thoreson: The agencies in Oklahoma and Missouri that accepted this, were they nonprofit also?

Eric Hardmeyer: They probably were but they were considerably larger. We are probably the smallest agency in the country.

Chairman Thoreson: The others that made a noise about it; how much bigger are they than us and what dollar figure are they looking at?

Eric Hardmeyer: I couldn't tell you exactly the size; but, we did a joint study with 11 different entities using a big 4 accounting firm to look at what the pricing should be.

Chairman Thoreson: They're not looking to undercut you by $1.00 a person or anything?

Eric Hardmeyer: I don't believe so.

Chairman Thoreson: Do you really think it's worthwhile to go forward with this?

Eric Hardmeyer: It doesn't make sense to do that if we're going to get 100,000 accounts, add a fee that makes a profit; but the accounts are spread all over the country. We're not interested in that. We're interested in servicing North Dakota accounts and there is movement towards giving this geographic allocation. Then it would make sense for Bank of North Dakota to provide that servicing.

Representative Kempenich: What you're trying to do is basically have a contingency plan moving forward with this?

Eric Hardmeyer: We have authorized FTE's of 176.5; we're not asking for any more. We have vacant positions of probably 8 to 10.

Chairman Thoreson: SB2078 what's the status of that? Has it gone through the senate already?

Eric Hardmeyer: It's gone through the senate and passed 45-1. The bill allows the Bank of North Dakota to originate mortgages; there's been a couple of amendments that were put on when we introduced the bill. One was put on by the North Dakota bankers and the other one had to do with the independent bankers and what it did was frame the issue a little bit more those amendments. Instead of just opening up to do mortgages across the state, it framed it so that the Bank of North Dakota can provide this service in areas where it's not readily available. That's what we were after to begin with.

Chairman Thoreson: That's the comments I've been hearing; why do we want to become Fanny and Freddy in North Dakota? I'm just wanting to know why the bank wants this and what risk this puts us in.

Eric Hardmeyer: The mortgage industry in North Dakota has remained pretty good. The reason we offered this amendment is that we'd been asked to. The bankers had come to us and said we no longer can provide this service.

Chairman Thoreson: They're looking to get rid of this line of business at their banks?

Eric Hardmeyer: Yes. The other part of the amendment is we'd only do it if it was referred by a bank; so that we couldn't go out and say we want to capture the market in Williston and Minot so we're going to go there. It has to come to us from a bank who needs our help. So those were the 2 things; we can't be readily available and it has to be referred to us by a bank.

Chairman Thoreson: If it does go through, what type of business are you looking at? Do you have any estimates of the levels of mortgages you're going to be running through the bank in the next 3 to 5 years?

Eric Hardmeyer: If we look at a pilot program that we put out there last year to buy loans on the secondary market; rather than originate, we had anticipated up to $10 million a year in that program. We only did about ¼ of the volume that we thought we were going to do.
Chairman Thoreson: Are you still buying loans now?

Eric Hardmeyer: Yes we do.

Chairman Thoreson: You do that plus now you do the other part of it.

Eric Hardmeyer: It's hard to tell what the appetite might be for that. We are anticipating having to put on at least 2 people to work that function for the bank.

Chairman Thoreson: These would be 2 people working somewhere else now that you've moved into this area?

Eric Hardmeyer: They'd be vacancies; the 10 vacancies we had, we'd use 2 of them for those.

Representative Dahl: There have to be 2 guidelines in place; one is that it can't be readily available and it has to have been referred by another bank. I'm wondering why that bank would be referring that situation or case to you. Why do they want to get rid of it?

Eric Hardmeyer: The issue has been, and I'll use an example of a bank in New Town, they're a $40 million to $50 million bank; they have a limited need for this program, probably 10 to 15 loans a year. What they have found is, that the regulatory burden around putting a 30 mortgage together that fits the Fanny Mae/Freddy Mac guidelines, etc; is so onerous that they said they're not going to do this anymore. They're not going to provide that service anymore; because, they can't provide that level of service and meet the regulatory burden.

Representative Dahl: Do these tend to be higher risk loans?

Eric Hardmeyer: Because of the rural area they could be because the market is smaller. That's the problem that they're finding; because of lack of market comparables, the appraisal issue, the lack of appraisers, lack of the facility to appraise that would the Fanny Mae/Freddy Mac guidelines. Those are the types of things we're going to be looking at is there a specialty kind of product that we can provide. Yes, there may be more risk; no we're not going to be the next subprime lender. There is a need in rural North Dakota that is not being met that we think we can help.

Chairman Thoreson: My concern is putting the bank at risk. The smaller banks that are now doing this, do you think that's the reason they want out; because it's the risk that it's putting them at? I guess I'm trying to get a sense of why they want to dump this off on a state owned bank.

Eric Hardmeyer: I certainly understand your point. We don't want to load up the bank with a bunch of high risk mortgages. What we do want to do is meet the need out there in a prudent manner.

Chairman Thoreson: I understand we have a piece of business unlike any other state; although I lots of others are looking at this and I've been getting calls from people around the country with bills in for banks. We're in a unique situation where you do need to provide a service to the people.

Representative Brandenburg: These housing loans with the local banks are they being worked like a participating partner or are they completely being handled by the Bank of North Dakota?

Eric Hardmeyer: This would be different than an agriculture loan or commercial loan where they originate and participate a portion of the loan to us. This would be completely different where the whole loan is originated by us. There may be a piece for the local lender where they may be able to do some of the pre-application work on behalf of the borrower and then send it to us to do the processing of the loan. We would hold 100% of that mortgage.

Representative Brandenburg: I know appraisals are getting tougher. Where are you at on appraising home loans?

Eric Hardmeyer: Those are all details that have to be worked out. It depends if it's a first time home owners loan, traditional where there's a 20% down stroke, etc. All those issues have to be worked out.

Representative Glassheim: Tell me if I'm wrong but the terms of risk would be not in the terms of the people you're loaning to; but, in terms of resale in some future point. It seems to be a different kind of risk than we're seeing in the national market where people were given loans that they never could have obtained.

Eric Hardmeyer: That's exactly right. We would do the due diligence that had been missing in part of the subprime issue; the ninja loans. These would be properly underwritten. We would look for income based repayment and all the traditional things that got away from us from the industry in the last 10 years.

Representative Brandenburg: A house in Edgeley, North Dakota is worth $75,000.00 to $100,000.00; five years later it's still worth $75,000.00 to $100,000.00. The only way I'd ever see a problem at the bank is if they built a brand new house and they spend $200,000.00 and it's only worth $100,000.00.

Eric Hardmeyer: I agree with you and I think what we're starting to see is new housing stock. If you look at SB2210; that's some of the things that they're trying to address are the appraisal gap issues.

Chairman Thoreson: What's SB2210?

Eric Hardmeyer: It's a bill that provides for a $4 million appropriation to help with that appraisal gap; not only single family but multi-family dwellings.

Representative Klein: I'm looking at item 3 where you're over $1 million for information technology equipment. Refresh my memory on what that involves and whether the coordination with ITD has been done.

Eric Hardmeyer: I believe that would be for our core server replacement that we have. Everything we do is in coordination with ITD.

Representative Klein: That would be replacing your laptops?

Eric Hardmeyer: No that would be our servers to house some of our applications.

Mike Ressler, Deputy CIO, North Dakota Information Technology Department: That is the case. When agencies have large applications and we host those in our computer room, what we will do sometimes, is come up with special pricing where the agency pays for the hardware direct; then when it's time to refresh, every 4 to 5 years, then the agency gets the bill for that. Other services ITD provides, we will build that into a rate and then an agency will pay that back on a monthly basis; then the agency doesn't have to come up with a one-time fee, but, their monthly fee is higher as a result.

Representative Klein: So right now, the bank is off the main system and you're taking care of their system which is separate.

Mike Ressler: I think you heard me say that Bank of North Dakota deserves a credit because they did just replace one of their large mainframe applications over to another environment. It's just servers, but that server infrastructure still resides at ITD. We do all the technical support for it and it houses either that agencies application on a stand alone box, but, where we can we'll still try to do the merging of that.

Representative Klein: So the servers are located at the bank or they're in your operation?

Mike Ressler: They're sitting in the computer room.

Chairman Thoreson: What extra level of security do we have to have with that; because, since the bank is a physical facility away from here, it's connected by a T1 or some kind of a connection or is it fiber?

Mike Ressler: It's fiber.

Chairman Thoreson: The concern always arises since there's bank transactions going on which in today's environment 1's and 0's equal dollars; just to make sure that somebody isn't being able to access that remotely.

Mike Ressler: Security is important for all agencies especially when including money. We do have fiber connections all through Bismarck which is how we connect to the Bank of North Dakota; but most of the software is done via firewall or software that's built around the network and/or in the application. The technical component of security is pretty good right now; the hackers seem to be one step behind. What they're geared to is social engineering where they get us to be foolish and give information out via passwords or other things. That today seems how hackers seem to be getting into agency's applications.

Representative Klein: It looks like you're increasing funding from federal funds by $2 million and decreasing your bank funds.

Eric Hardmeyer: Basically what that is, the Bank of North Dakota has been appointed by the Governor to be the recipient of the North Dakota College Access Grant Funds. Last

year it went to the university system; because of the switch with the student loan issue, the Governor saw fit to redirect those monies to the Bank of North Dakota. We get, as part of this grant, $1.5 million per year from the federal government to do outreach education to the low to moderate income people across the state for student loan education.

Representative Brandenburg: Just looking at this home loan and thinking about western North Dakota; because I think that's where the problem is for housing. If we're trying to help the housing situation in western North Dakota, it's probably a better way to have the people be a part of it than give a bunch of money for housing. Is that the reason this is happening?

Eric Hardmeyer: I think there's a lot of different things in this issue and I think this is one area where we could help. I think there's going to be a lot of different bills that you're going to be looking at that address the issue. As I see it, the Bank of North Dakota has a responsibility to address those areas where they're not being met.

Lynn Helms, Director, North Dakota Department of Mineral Resources: Referenced previous testimony 1014.1.10.11A.

Chairman Thoreson: So you have to go do a memorandum that the health department has to accept; and then, it has to be forwarded to EPA. Does the EPA get what you have also or do they just get what the health department has?

Lynn Helms: They will get both. The 1422 program involves hazardous waste disposal wells; which are under the direction of the health department. It involves the class 5, which is septic tanks, and all other underground injection projects. It also includes class 3, which is subsurface mining and that is the geological survey through the health department to EPA; then we have to amend both of those memorandums of agreement to bring the CO2 class 6 into that project. That is a 10 year old memorandum of agreement between the health department and EPA.

Chairman Thoreson: So it's 10 years old and now it's up for total review?

Lynn Helms: It's up for total review. There hadn't been any activity in subsurface mining since 1989; as a result of that lack of activity, EPA was going to remove the class 3 program from North Dakota primacy and take it back. Because of class 6 coming we found out about that and we're taking actions to prevent that.

Chairman Thoreson: What if they had taken it back what would have happened? They would have been in complete control?

Lynn Helms: Had EPA removed that memorandum of agreement with the health department they would have taken complete control and anyone who wanted to do a potash mining pilot well would have had to make application to region 8 in Denver and go through the EPA headquarters.

Chairman Thoreson: So is there any other area we need to be watching for that?

Lynn Helms: I think it would be wise and we're going to put the word out that anyone that has a memorandum of agreement with EPA, really needs to be checking their language and look to see when it was updated. If it's up for an automatic renewal, make sure that things aren't being stricken out of it.

Chairman Thoreson: Do you have any idea how many we have through state government?

Lynn Helms: I think there's about a dozen.

Chairman Thoreson: This is something I haven't heard about; so I'd like to have a list of those.

Representative Brandenburg: It seems like all of a sudden this shows up. How do we have a watchdog to watch for things like this? Do we need to have something better in the state watching this so we can be prepared?

Lynn Helms: I think we do and I don't have an answer for you this morning as to how that should be done. We do need something on the administrative side where there's a list.

Chairman Thoreson: That's why I'd like to see that so that we can maybe get some language somewhere on this.

Representative Kempenich: The agriculture commission have some language they're drafting right now to get some rulings on that.

Lynn Helms: It's part of the Lisa Jackson EPA to attempt to refederalize much of this. To move from state primacy back to a federalized system where the EPA would operate all these programs.

Testimony continued.

Representative Kempenich: Is that built into HB1343 that $45,000.00 or would we have to amend that in if we go forward.

Lynn Helms: I was told by Representative Delzer that HB1343 was to get the positions through June 30; and that $45,000.00 needed to be amended in here.

Representative Kempenich: You really should have had $195,000.00 in HB1343.

Lynn Helms: But the instruction from you're full appropriations chair were to have HB1343 take care of us through June 30 and to amend the $45,000.00 into 1014.

Representative Kempenich: Do we have to have some language put in other than the position?

Sandi Tabor, Lignite Energy Council: I don't think we need any other language. The whole process of primacy is that fact of going through, filing the application and then working with EPA to ensure that the program meets the standards that they have set.

Representative Kempenich: There were 2 groups that filed suit in San Francisco where this is coming from on the primacy issue in agriculture chemicals. Is it with any type of land use?

Sandi Tabor: How broad spread the pesticide lawsuit was, I don't know. This particular issue and the importance of this FTE on the class 6 wells and working with CO2 is there is a new program that EPA recently adopted rules for. It deals with enhancing all recovery and long term geologic storage of CO2 and related gasses.

Lynn Helms: I think it probably justifies an interim study resolution. Where over the interim or at least beginning immediately, we'd get a study going to see where we have primacy and what should the policy of the state of North Dakota be. Should we seek primacy every time it's available?

Sandi Tabor: There are times where we voluntarily decline primacy; and part of it's a budgetary issue. The agencies are very careful when they think worth our time to come into the legislature and say they need more FTE's, money to run a program, etc. So there is that balance that already occurs in the agencies.

Chairman Thoreson: I would think in those cases they're weighing whether the cost is beneficial to giving up that control.

Sandi Tabor: I've been in some discussions with the health department on programs; and whether, they want to take primacy out or not. Sometimes it really becomes a budget issue; where the budget doesn't meet the end game.

Representative Brandenburg: In dealing with the agriculture sector, as well as with lignite, you have these groups that go to the courts. Is there a way we can work within the courts in the state to protect our own rights?

Sandi Tabor: One of the things you have to remember about these litigations is that the court that really has meaning is the D.C. circuit court in Washington. Most environmental lawsuits are filed there because of the weight that court has from a national standpoint. The US Supreme Court is the final arbiter. What you'll see sometimes is different circuits beginning litigation and then it becomes right to go to the Supreme Courts. While the circuit courts have implications and the federal district courts even, less implications, on how different regions look at it. In human services they have a litigation fund; because we have a significant issue approaching us regarding the federal government taking over our regional HAYS Program. That could have implications not just for the lignite industry; but for many industries in the state. One of the main approaches is to the state agencies engaged in an early stage in proposed rules; on the state addressing the issues we see on the impacted proposed rules of the congressional delegation.

Representative Brandenburg: What you're saying is we have to have money to go to court with guys that come up with these ideas.

Sandi Tabor: When state takes action, then they need to defend their action. Industry can certainly file as friends of the court; but, in addition to that there may be times when it's bad

enough that industry will file the suit also and it will be like a companion suit. The problem for everyone is the cost of litigation.

Lynn Helms: I believe our experience shows that having primacy in these programs is a substantial barrier to an Ohio circuit court opinion being imposed on the way things are being done in the state of North Dakota. Because, if primacy goes back to region 8, if they liked the decision in Ohio they can impose that on our citizens; but, if we have primacy, they can't.

Chairman Thoreson: That's where I'm at also. Unless it's a situation that Sandi discussed fiscally if it makes more sense to hand this over; and if we still have some level of control, it's the idea of being able to shepherd over our own a little bit better.

Representative Klein: Just to shed a little more insight. I worked with Representative Brandenburg on this spray thing we had 3 options; we could turn it over to the federal government and have nothing to say, we could do it all ourselves at a tremendous cost, or we could have a seat at the table to talk to them; and that's the option we chose. The position on page 9 that you would like added to the emergency clause is which one?

Lynn Helms: It would be 1 of the 3 field inspection engineering technicians.

Representative Kempenich: Do we have rare earth minerals in North Dakota and do you have anyone on staff that looks at that?

Lynn Helms: We do have someone on staff and we've been gathering data through a cooperative program with the NRCS on that where there were soil samples taken on a grid across the state of North Dakota. Combined with our uranium deposits in the Belfield and Amidon area, there are some rare earth elements in some of those deposits. They're typically deposited with volcanic rocks and then rain water dissolves them and moves them down to the first coal layer. That's one of the areas of minerals that the Chinese stock piling and acquiring as much as they can around the globe.

Chairman Thoreson: Which are these that you're talking about?

Lynn Helms: They're used in alkaline batteries; one of the materials in there is a rare earth element. It's a form of sodium. I believe it's galanium that we find with our uranium.

Chairman Thoreson: The point is we have some here in North Dakota.

Lynn Helms: Yes. Those are being purchased and horded by the Chinese.

Chairman Thoreson: Let's go back to page 8. Are you in the process of replacing computers right now or do you stagger those so that some are always getting new machines each year?

Lynn Helms: We replace desktop computers on a 4 year cycle, like the rest of state government; that's on a rotating basis. We replace the laptop computers that the field

inspectors carry in their trucks on a 2 year cycle; because they're pretty beat up by the end of 2 years.

Chairman Thoreson: What kind of machines are you using in those areas? Do you have one particular type that you're using for them?

Lynn Helms: They're using a DELL. We experimented with some of the HP's; but the screen brightness didn't work with the amount of sunlight that you have in a pickup cab. Those are purchased from our reservoir data fund; so there's a separate fund that is funded by all the people that subscribe to our website that buy those laptop computers for our field inspectors. The reason we've asked for some money to upgrade communication links is; at a time when we only had 3 field inspectors say in the Williston office, we could synchronize with the data base over a DSL line. Now with 5 field inspectors there and over the biennium 2 more, and we're going to double the number of wells; we need to move to a T1 line in all of those district offices. We'll be purchasing that service through ITD.

Chairman Thoreson: Mike, in that case, you go set up the T1 line? Who do you get that through?

Mike Ressler: We go to DCN; so, our contract is with DCN and they work with the local telco; and we deploy that circuit.

Chairman Thoreson: From beginning to end, how long does it usually take to get something line that up and running?

Mike Ressler: I don't know the exact date; it can be fairly quick. A lot will depend on if the telco's have the facilities; and to the best of my knowledge they do. Where we've run into problems in the past is sometimes in the bigger communities; I know Qwest has had problems when we've tried to go to rural locations.

Chairman Thoreson: When you're people are out in the field, are they connected? Do they have wireless capability?

Lynn Helms: They're all equipped with a cell phone and we have pooled minutes and we allow them to text. They all carry an air card, so through Alltel, they have access over their air card to the central data base.

Representative Kempenich: Your techs when they go out do the use state vehicles? Do you use ATV's also?

Lynn Helms: We have one ATV used by the seismic field inspector. The rest of them are game enforcement group 9 four-wheel drive pickup trucks. They're on a 3 year/85,000 mile replacement cycle. Fleet services wants someone to try the new Dodge hybrid pickup truck and we're going to volunteer to try a few of those.

Representative Kempenich: Do you know what they're charging you per mile?

Lynn Helms: Right now, I believe, they're at $.47. They told us to do our budget at $.54 per mile based on everybody expecting oil prices to go up and fuel costs to go up. We budgeted last session, I think they told us the same thing, and legislature reduced that; we've actually used less money.

Chairman Thoreson: Karlene, there is the renewable energy program in HB1014; there's a $3 million line on that, refresh us again what they're looking to do with that $3 million.

Karlene Fine, Executive Director, North Dakota Industrial Commission: It's a competitive process where we have grant rounds and individuals or companies that have a good idea of how to develop some renewable energy in the state would put together an application, bring it for review; it goes for a technical review, if it passes that test, it goes to the renewable energy council; which is made up of 6 individuals appointed by the Governor. They make a recommendation to the industrial commission. We've had projects that deal with the new energy beet, projects on how to improve the wind turbines, a number of projects have been going on at the ERC that deal with how to do jet fuels out of renewable energy. It covers a broad spectrum. We will, I believe, commit the entire $3 million that was allocated for the current biennium; it won't be spent all within this biennium, it's a continuing appropriation in that fund. We will be having some of that money spent during the subsequent biennium; but, we do need an additional $3 million to keep this program going forward.

Chairman Thoreson: Do you know what the average amount is granted out to each of these; is it a wide variance or is there kind of a standard range?

Karlene Fine: Because we did have limited funding, we did set a maximum amount that available. That amount is $500,000.00 for any one project. Our project sizes have ranged from $50,000.00 up to the $500,000.00.

Representative Kempenich: You're talking renewable energy, but, there was some federal money.

Karlene Fine: There was some one time money for the federal stimulus funds that had come in through the housing finance agency. But, there really has not been any federal $3 million that I am aware.

Lynn Helms: That was the Department of Commerce.

Chairman Thoreson: On line 19 of page 2 in the bill there's $1 million in bio paste; is that correct?

Karlene Fine: That's correct; that's the bio paste program.

Chairman Thoreson: What again is that used for?

Karlene Fine: That bio fuels project.

Representative Kempenich: Is that all from commerce too?

Karlene Fine: The department of commerce certainly works with those projects; but we are just one of the funding sources.

Representative Kempenich: You're not the project manager.

Karlene Fine: No, we're not.

Representative Kempenich: Do you see any new programs in renewable energy?

Karlene Fine: No, I haven't seen anything specific. The department of commerce has been following the renewable energy under their program. I haven't seen anything in the materials I've been reading.

Representative Kempenich: Are you going to be asking Bank of North Dakota for any more matching money?

Karlene Fine: Not that I'm aware.

Representative Brandenburg: Isn't there something going on about energy beets over in the senate; about a project in Jamestown?

Karlene Fine: Correct. There was a bill, some action was taken on the floor yesterday by the senate. They had requested $6.6 million and that was reduced and ended up being a study. The last I heard there's going to be some allocated to the department of commerce to work on that project.

Chairman Thoreson: So it's a study but there's still some dollars?

Karlene Fine: There's some dollars that I think are supposed to be handled through the department of commerce.

Chairman Thoreson: There's that green diesel parody in SB2034 I was wondering what happened with that?

Karlene Fine: I believe that bill's not been acted on yet it's still sitting in committee.

Representative Kempenich: How many buildings do the industrial commission lease?

Karlene Fine: The oil and gas division has a lease building here in Bismarck as well out in the field. The housing finance agency leases their building here in Bismarck. The Bank of North Dakota owns their building. That would be the extent of leases.

Representative Kempenich: Where are we at per square feet?

Karlene Fine: I don't have that information here; I have that information back at the office.

Lynn Helms: We're paying just over $15.00 per square foot for our leased office space north of Menards. We also have a warehouse, where we have a lot of old records and stuff

that's moving in and out; we pay $5.73 per square foot for that. In Minot, we just moved into some new space because it became available and we were anticipating adding field inspectors there. We're getting that space for $10.14 per square foot. We are at some point going to have to look at expansion.

Representative Klein: That space in Minot is that the same building where you're at now?

Lynn Helms: It is, we're in the Renaissance building; we just moved downstairs into the Raymond James office space.

Representative Kempenich: Where are we at with bonding?

Karlene Fine: When I appeared originally, I didn't have included in my schedules the bond issue that we had just refunded which impacted the funding payments for job service, health department. See attached testimony 1014.2.9.11A

Representative Kempenich: We've talked about this in the past and I was trying to figure out how you could make some more money on some of these funds.

Karlene Fine: Once you've done the bond issue, you've locked into the bond holders and the trustee; and the only way you can look at doing is if we can refund it and perhaps involve the Bank of North Dakota in some way, or if we can defuse it and right now it isn't in our favor to do that.

Chairman Thoreson: What's the 1993B listed in the far left column?

Karlene Fine: The 1993B is the first time we issued the series of bonds for that and when we refunded it became the 2002C. Those are just my numbers of which bond issue it's tied to.

Testimony continued.

Representative Klein: So looking at that total number of $19.9 million we would still have $17 million of possible debt we could service before we reached that limit?

Karlene Fine: What that's saying is yes. We have to have the 10% of 1% is $34 million; of that $34 million, we are only using $17 million of it. There is, if we were maximizing, $17 million is available.

Representative Kempenich: Our payments are $25 million is that what they are?

Karlene Fine: This chart includes the other funds; it includes the energy conservation and connect NJ. Remember, connect ND is off this chart; ConnectND is not included here. When you passed that legislation you said that is not within the cap and so ConnectND is off this chart and that is a significant number. I think in the bill it's $5,406,666.00 on line 22 page 4.

Representative Kempenich: The university system does that run through the system office?

Karlene Fine: I believe the ConnectND payments that are made by the university system probably come in the form of student fees.

Representative Kroeber: Each of the students pays $80.00 per semester for the ConnectND fees and it comes out of that.

Karlene Fine: I just wanted to remind you that Lynn had requested a contingency appropriation for some additional staffing.

Chairman Thoreson: Could you provide a breakdown of that?

Lynn Helms: They're 2 different issues. One is that the executive budget recommendation steps in the 6 engineering techs; but there is also the request for the 4 contingency positions based on growing rig count and growing well count. I believe last time you required a 3 month average above that rig count and if you could shorten that, that would be pretty beneficial.

Representative Kempenich: On that rural leadership through the mill, do you want me to get amendments drafted for that?

Karlene Fine: I did work some amendments to that. I didn't know if you'd had a chance to discuss it with the subcommittee yet. Representative Kempenich had approached me about some funding from the state mill for the Rural Leadership North Dakota Program; $60,000.00 in assets come from the agriculture promotion line of the mill. I have some amendments that say that you should grant this amount of money and then the mill will increase that line $150,000.00 to $210,000.00.

Chairman Thoreson: Could you put together any amendments that we've talked about that deal with HB1014.

Representative Kempenich: On your vacant FTE's; you have a loan officer that's been vacant quite awhile. Is it with the industrial commission or is it with the bank?

Karlene Fine: This is for a public finance authority; where we do those programs with all the local subdivisions, the state revolving fund. We never know for sure what kind of volume we're going to have and so we've been holding that position in case that position would start kicking in and we'd be needing to provide more assistance. We've had that program on reserve.

Chairman Thoreson closed the hearing on HB1014.

2011 General Discussion

(Check appropriate box)

- ☐ Committee on Committees
- ☐ Rules Committee
- ☐ Confirmation Hearings
- ☐ Delayed Bills Committee
- ☒ House Appropriations
- ☐ Senate Appropriations
- ☐ Other

Government Operations

Date of meeting/discussion: February 15, 2011

Recorder Job Number: 14544

Committee Clerk Signature

Minutes:

Chairman Thoreson opened the general discussion on HB1014.

The chairman noted that all members were present.

Representative Klein: Item #1 where we're putting money in to fund that engineering tech that is required in the oil business; somehow the individual was approved but no money was put in. The individual was approved but the funding wasn't in there; so that $45,000.00 needs t be added to provide that. See attached proposed amendment 1014.2.15.11A.

Karlene Fine, Executive Director, North Dakota Industrial Commission: Mr. Helms had requested that if we could get funding for 3 years for that carbon storage fund, by the end of that 3 year period we should have enough fees coming to support that program. This is the one where we need to have the emergency clause; because, we're dealing with EPA and we have to develop rules in accordance with what EPA has suggested for CO2 sequestration storage. So this is the one, we have to get primacy, that we want to make sure that we have the primacy here in North Dakota so we're requesting the funding so we can get somebody on board right away.

Representative Klein: We could have probably lost our mining controls unless we had a person there to keep track of that and have a seat at the table.

Karlene Fine: That's correct. That's why there's an emergency clause with that funding. We're asking for the funding which will go into a continuing appropriation. It would go into fund and be able to last 3 years until the fees start coming in.

Representative Brandenburg: This is comparable to the agriculture department dealing with chemicals.

Chairman Thoreson: See attached proposed amendment 1014.2.15.11B.

Representative Klein: The second item on the handout provided me was to move the funding for the renewable energy program. I understand a part is going to be covered where that new system is.

Representative Glassheim: So, it's your understanding that the intention of us and others is to put some of it back in a different bill?

Representative Klein: That's my understanding. This was to try and keep everything in one place.

Chairman Thoreson: There has been some discussion as to where the renewable will be; and I think it's being worked on in that budget. I've talked to leadership about that; we were instructed to look at removing this and they're going to put it somewhere else. I'm not certain about the dollar amount; that I don't know.

Representative Glassheim: But, this isn't just a shift?

Chairman Thoreson: I don't believe so, I think we're working at putting it in one place. Even if we do this here, it's going to have some discussion in full committee.

Representative Glassheim: Is there any reason to keep it in the industrial commission rather than commerce?

Chairman Thoreson: If you want to address that you're welcome to.

Karlene Fine: The reason it was placed with the industrial commission; it was consistent with our lignite research program, oil and gas research program, the renewable program which were all underneath the industrial commission. We do work very closely with the department of commerce; we have a contract with them so they work with us on it. The important thing is to have the funding available somewhere. The industrial commission has enjoyed working with that program.

Chairman Thoreson: Representative Klein, I think what we'll do since we're going through this list of items. Let's go ahead and take action on each item as we go.

Representative Klein made a motion for a "do pass" on item #1.

Representative Dahl seconded the motion.

Item #1 was approved by a voice vote.
Representative Klein made a motion for a "do pass" on item #2.

Representative Dahl seconded the motion.

Representative Glassheim: With those assurances.

Chairman Thoreson: That's what we're looking at anyway.

Item #2 was approved by a voice vote.

Representative Klein: Going on to the Bank of North Dakota, the only item there that we wanted to include was the language for the land buy.

Representative Thoreson: That I believe is addressed at the bottom of the page. It states there's legislative intent for the land purchase. That'll just be a language issue that we'll have added in the final amendment for this. We've had a lot of discussion about the bank transfer but the dollars for that are not in this budget; that's in OMB.

Representative Klein: The next item is the housing finance agency. We had no changes but I believe....

Representative Glassheim: See attached proposed amendment 1014.2.15.11C.

Representative Kroeber: See attachment 1014.2.15.11D.

Chairman Thoreson: Was this brought forward when they put together the budget request for this bill?

Representative Glassheim: This came out of my head. We were not asked by housing finance to do it; I asked them for information.

Chairman Thoreson: The reason I asked because they did prepare this document talking about how it worked. I'm wondering if they thought it was something worthwhile; whether that was considered during the development of the budget for the industrial commission.

Tad Torgerson, Office of Management and Budget: It was not included and I don't recall having any discussions about it during the budget submission process.

Chairman Thoreson: I wondered if it something that was a priority for the agency; I would think they would have brought it forward during the budgeting request.

Representative Glassheim: Continued with his proposed amendment.

Representative Klein: They become a lending agency to support another. Are they the secondary support?

Representative Glassheim: That's right; local bankers would be primary. They'd be able to do some GAP financing; partly because of the risk out there of what it costs to build something and what it might be worth should any trouble develop in the future. There's a gap where the local bankers are reluctant to take the whole position. They would be secondary to local banks.

Representative Dahl: You said the source of this was to be taken out of the permanent oil trust fund. Are these dollars to be targeted towards oil country or is this for the entire state?

Representative Glassheim: In my mind they're targeted but they're not limited to that. The criteria is serious housing need and so the oil patch would have a significant priority.

Representative Dahl: We had a bill very similar to this in the GVA committee about 2 sessions ago and I think the amount was $10 million instead of $4 million and once the committee got into looking at where all the needs are and it was like this and not targeted to a specific area, $10 million was just a drop in the bucket. We defeated that bill with $10 million because it didn't even to substantially address the issues anywhere.

Representative Glassheim: It does say the agency will adopt guidelines for the fund to address unmet housing needs; so they could adopt such guidelines. If you wanted to put in, maybe not exclusive language, but primarily focused on oil patch; I would have no objection to that as giving them instructions on targeting.

Representative Kempenich: I'm starting to think they might be starting to over build on some of this stuff; especially on the multi family residence type language. Where they're running into problems now is limited income and most contractors aren't interested in participating in that program; they don't need that type of assistance anymore. I think the timing of the building is what's going. A lot of people are looking at manufactured housing because they can't wait for stuff like this. We probably should have been talking more seriously about this 4 years ago; because now the problem is already here.

Chairman Thoreson: I do hope the private sector is doing that and I know there is always probably some need for us to get involved if there is a problem. I just don't know if the dollar amount, like Representative Dahl said, was $10 million and this is at $4 million.

Representative Glassheim: To the issue of low income, my first draft took out low income as it's my understanding that the people have the money but there's a problem getting loans to build for moderate to moderate high income of oil field workers who are resettled. They requested that it be put back in because of their legal standing. The purpose of this is not additional low income housing. The purpose of this is to build

housing that's needed in the oil patch. To address the question of gap and risk for banks out there, and it's all private sector. It's GAP and risk financing to lower the down payment to get people into it.

A voice vote was called and amendment 11.8157.01004 was voted to "do not pass".

Representative Klein: Explanation of proposed amendment continued.

Representative Klein made a motion "to pass" for the Rural Leadership North Dakota line item. See attachment 1014.2.15.11B.

Representative Glassheim: Could you explain in a sentence or 2 what it is?

Representative Klein: The rural leadership program was started quite some time ago by North Dakota State University and it developed into a really great program. They're at the point right now of not only bringing many of the young people together; but they've been able to go to Minnesota and other states. One of their visions in the future is to send some people in exchange with other countries. If you've been exposed to the program at all, it's a little bit like the Governor's school.

Representative Dahl seconded the motion.

A voice vote was made and passed for the Rural Leadership North Dakota line item.

Representative Klein continued on with amendments from attachment 1014.2.15.11A.

Representative Klein made a motion "to pass" on the Mill and Elevator line item.

Representative Brandenburg seconded the motion.

Representative Kroeber: One of the things we've discussed in years past is the overtime. They operate 24/7 what happens if they don't have enough people is it costs more dollars in overtime costs than it would cost to hire the people. Besides that, you pressure people into overtime and sometimes they like the dollars and sometimes they don't. I would think they went through pretty good scrutiny in the Governor's budget before they were taken and approved. I hope we would resist this motion.

Representative Brandenburg: I'd just like to be sure when it comes to checking cars, etc; the cars aren't there all the time. I think it needs some more discussion and I think that's the discussion we should have between now and the senate to make sure it's the right place.

Representative Glassheim: It seems to me that we're now in a profitable position, so the mill and elevator is giving money to the general fund. They've expanded their sales, the 4 positions have to do with expanded sales. There's more work so there's more cleaning of rail cars. You're not saving money for the general fund; all these positions have to do with increased sales, increased activity, and increased money.

Chairman Thoreson: I'm going to support the motion and I understand it's a sensitive issue when it's talking about adding or removing FTE's.

A voice vote was made to remove the funding for the 4 FTE's and was passed.

Representative Klein continued with proposed amendments. See attachment 1014.2.15.11A.

Representative Kroeber: I think they reported to us that the next union contract would be negotiated in 2014.

Representative Klein: That's correct so there wouldn't be anything we can do until that next contract is negotiated.

Representative Kempenich: That gain share was language that was put in. That wasn't part of a contract was it?

Karlene Fine: The gain sharing program is a policy that the industrial commission has established; it's not within the union contract. The union contract is aware that it is out there.

Representative Klein: Are there any constraints or limits? Is it just open, whatever the profits are they share a percentage?

Karlene Fine: I can get you a copy of that policy. There are some minimum requirements that they have to meet certain thresholds before the gain sharing kicks in. There are some thresholds that you have pass before you even get into gain sharing. There is not a maximum at the end because we want the employees motivated to do the best job they can.

Representative Klein: Can you provide us a copy of those guidelines?

Karlene Fine: Yes, I will.

Representative Glassheim: Is it a percentage? What do they get?

Karlene Fine: It's in 2 tiers. There's basic criteria based on how many hundred weight and safety; that's one tier. There's a different tier that they have to have a minimum of $2 million of profits. Then there's a percentage based on each million dollars or percentage thereof. Those tiers are adjusted every based on how well the mill is doing; if you think there should be more productivity; then those are changed. The industrial commission makes that decision every year.

Representative Glassheim: What does it come out to be last year; a percent of salary?

Karlene Fine: I can't remember off the top of my head. I'll have to go back and get it.

Representative Klein: That was my question. I believe this last year it was quite significant?

Karlene Fine: Yes. This was the first year in the 4 years since we've had the gain sharing. But, yes it was because we went up over $11 million; it was higher.

Chairman Thoreson: You said this is an industrial commission policy and not part of the negotiated contract with the workers at the mill and elevator?

Chairman Thoreson: Are there other situations, like that also, that it's industrial commission policy; but it effects them without being part of their negotiations?

Karlene Fine: No, this is the only one.

Chairman Thoreson: We'll just hold on that until we get the additional information before making a determination on that.

Representative Klein: I believe that is what we had in kind of going over the system.

Chairman Thoreson: Let me go back to the handout that I had. This was prepared by the industrial commission, correct? See attached testimony 1014.2.15.11B.

Karlene Fine: This is some language that Becky fine tuned. This is the contingency appropriation for the department of mineral resources. There were some thresholds that if we got over 180 rigs, another position would kick in. If we went over 190 rigs, another position would kick in. If you had over 9,300 wells then 2 more positions would kick in. All of those positions if we hit those thresholds for 30 days then we could go to the emergency commission and have the funding released for the hiring of those employees.

Representative Klein: So this contingent appropriation wasn't included in the original and now you'd like it added as an amendment?

Karlene Fine: Right. We brought it in as an amendment, it was not included in the Governor's budget.

Chairman Thoreson: Where are we at for rig count right now?

Karlene Fine: I believe today it was at 164.

Representative Klein: This policy of the contingent appropriation was discussed and it's what the mineral resource department wants and what you've originally missed and now you'd like it included as an amendment?

Karlene Fine: When we had the discussions with the industrial commission and the Governor and doing the budget; the budget was built on assuming we are going to be at about 170 rigs. When we started to see the forecast was showing we were going to

higher, Mr. Helms came back to the industrial commission and asked if we could seek a contingency appropriation and the commission unanimously recommended that we come to the legislature and talk about a contingency appropriation. This is a practice you've done in the last 2 bienniums; when we've seen some growth, you've set a parameter and then we could add positions.

Representative Kempenich: The biggest thing is we didn't want to come during budget section and go through emergency commission approval.

Representative Klein: So this isn't any new, it's just something that got over looked and we need to get it in.

Representative Klein made a motion for approval of item 2 of page 2 of attached 1014.2.15.11B.

Representative Glassheim seconded the motion.

Karlene Fine: In here we put bracket for either general fund or permanent oil trust fund; I'm not sure where you want to have that funding come from.

Representative Klein: I'd recommend we go to the permanent oil trust fund.

Representative Kempenich: I think it's going to end up being a general fund.

The motion made was for the permanent oil trust fund.

Representative Glassheim acknowledged that.

A voice vote was made for the contingent appropriation identified on item 2 page 2 of 1014.2.15.11B. The voice vote was approved.

Representative Glassheim moved to make the carbon dioxide storage system included.

Representative Klein seconded the motion.

A voice vote was made for approval of the carbon dioxide storage system.

Chairman Thoreson: Item #5 which is a study for legislative management to deal with the issue of primacy with the EPA; is that correct?

Karlene Fine: Yes.

Becky Keller: Item #6 corresponds to item #3 on the first page of 1014.2.15.11B. We're changing the bond amounts. We're going to include some funding for the veteran's home to cover the federal subsidy in case it doesn't come through. Because of some refunding the health department and job service bonds will decrease. Number 3 on the first page we'll see where we're decreasing general fund payments by $11,930.00 and

we're increasing the special funds by $62,537.00. Item #6 is the changes that I will have to make to reflect those.

Representative Klein made a motion for approval on item #3 on 1014.2.15.11B.

Representative Kempenich seconded the motion.

Representative Klein: Becky, if the federal funds come through we don't need to tack that on to the other two.

Becky Keller: Correct.

A voice vote was called and passed on item #3 on attachment 1014.2.15.11B.

Chairman Thoreson closed the discussion on HB1014.

2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division
Medora Room, State Capitol

HB1014
February 15, 2011
Recorder Job # 14588

☐ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A Bill to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission.

Minutes:

Chairman Thoreson opened the meeting on HB1014.

Karlene Fine, Executive Director, North Dakota Industrial Commission: See attached testimony 1014.2.15.11A.

Chairman Thoreson: How is this information communicated to the employees? Do they have meetings that they talk about this program or is there any kind of posters in the workplace? I'm trying to get a sense of how they know what goals they need to meet to get to these levels.

Karlene Fine: It's posted; they have regular employee meetings. The safety people spend a lot of time on talking about this safety record; it's posted every month at the mill on a number of bulletin boards.

Chairman Thoreson: What's posted, like a running total of where they're at?

Karlene Fine: A total of where they're at; a running total of where they're at for profits.

Testimony continued.

Representative Klein: My question, that cost per cwt, does that change? With the cost of wheat going up, shouldn't that be a moving figure instead of the $1.80 you have there?

Karlene Fine: What it is a cost per cwt; they have to be below that. The cost per cwt has to be below $1.80 per cwt. So it is a moving target with the price of the grain; but that $1.80 it just stays below that. That's the maximum; if they exceed $1.80 of the cost per cwt before the gain sharing expense, then they don't get that 1%.

Representative Klein: So that $1.80 is over and above the cost of the product, etc. So this is their mill operation cost?

Karlene Fine: It's the mill operation cost. It's what our costs are to produce the flour.

Representative Kroeber: When you're talking about these profits $2 million; you're talking about one year, correct?

Karlene Fine: Correct.

Representative Kroeber: So we have to realize this isn't biennial; this is per year.

Karlene Fine: Per year; these are done on an annual basis.

Representative Brandenburg: It caps it at 4%; is that 4% bonus potential of all members meant?

Karlene Fine: The 4% is on the top part; so there's a percent for each of those specific goals. If they miss the yield one, then it's 1% off; they can still get 3%.

Representative Brandenburg: So on the second part it's for every $1 million it's 1%?

Karlene Fine: Correct. The goals are changed and evaluated every year. If it appeared that maybe they were able to do that because of our new technology or new equipment, it was going to be easier for them to reach one of those criteria; we ratcheted it up.

Representative Brandenburg: So if they $1 million of income at 1% so $10,000.00 would be distributed among them; or is it a percentage of their wage?

Karlene Fine: The payout is calculated a percentage of earnings and so it is set based on their number of hours and what their pay was.

Representative Brandenburg: So if you have $1 million @ 1%, you have $10,000.00.

Representative Klein: This past year the average worker got $10,000 bonus?

Karlene Fine: Approximately, that's correct. If you recall there was a handout that showed you the breakdown of the gain sharing over the past 10 years. We've averaged over those 10 years of 6%; last year was high because we had some great returns.

Representative Klein: If you change or adjust these goals every year, have you done this for the coming year; or is this the operation that's in here right now?

Karlene Fine: This is for the current year, fiscal year 2011; it will go to June 30 2011. We will meet with mill management in June of this year and in June or July the industrial commission will establish the new goals for the coming fiscal year.

Representative Klein: So you establish the goals in conjunction with management when you sit down with them?

Karlene Fine: Correct. Mill management will prepare recommendations; they will have some discussions with the union negotiating committee about what the goals are going to be that they're going to propose to the industrial commission; then the commission has to act on it.

Representative Klein: What would your response be if we're considering putting a cap on the top end of the bonus?

Karlene Fine: I think you would find the commission not in favor of that. This is an incentive program; this to keep the employees working hard the whole year long. If you set a cap, and they've reached that cap by January, the incentive would only be focused then, I think, on the top 4 goals.

Representative Brandenburg: If it's based on a percentage of profit and it's distributed amongst all employees. The less employees you have, the more money you're going to make if you base that pay that way.

Representative Kempenich: Management participates in this also?

Karlene Fine: All the employees at the mill participate in the gain sharing. The gain sharing is a little bit different for the manager of the mill. Everyone does participate whether you're salaried or union.

Representative Kempenich: I think you do have to have incentive; their salary's based on the work. Even if they didn't have profit, they'd still get some of the gain share.

Karlene Fine: There was some confusion about some information that had come to the committee members. There was the thought that there had been some gain sharing given; even when there wasn't a profit. That was not the case; you have to have at least $1 million of profit before you even get the first set of goals. Then you have to have at last $2 million before you get to the next category.

Chairman Thoreson: Have those numbers been the same throughout this program or have they been adjusted also?

Karlene Fine: They have been adjusted.

Chairman Thoreson: Do you have an idea where they were previously before?

Karlene Fine: At one time they were just $1 million for the second piece.

Representative Brandenburg: I think it's a good program; it looks fair.

Representative Klein: I think the sense needs to be passed on when you meet with them to adjust these figures to where you set a reasonable goal; but at the same time, I think some of the other state employees looking at getting a $10,000.00 bonus at the end of the year; there's some feedback.

Chairman Thoreson: Again this is not part of the union contract is that correct? This is just an industrial commission policy that's in place; so it could actually be changed or go away at any time or expanded at any time upon the decision of the commission and not between organized labor and the management of the mill.

Karlene Fine: This is not part of the negotiations that take place with the union. You did put something in statute last biennium that talks about gain sharing; so, we think this is an appropriate program for us to have at the mill.

Chairman Thoreson: Is there any other kind of incentive program in the union contract at the mill?

Karlene Fine: This is the only program.

Chairman Thoreson closed the meeting.

2011 General Discussion

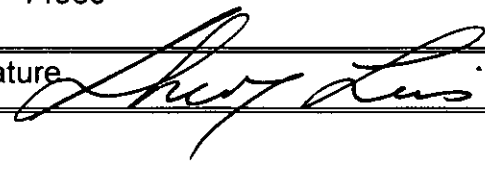
(Check appropriate box)

- ☐ Committee on Committees
- ☐ Rules Committee
- ☐ Confirmation Hearings
- ☐ Delayed Bills Committee
- ☐ House Appropriations
- ☐ Senate Appropriations
- ☐ Other

Government Operations

Date of meeting/discussion: February 15, 2011

Recorder Job Number: 14589

Committee Clerk Signature 

Minutes:

Chairman Thoreson opened the discussion on HB1014.

Representative Brandenburg made a motion for a "do pass as amended"

Representative Dahl seconded the motion.

Representative Kroeber: This is on the entire industrial commission?

Chairman Thoreson: Yes, we do vote on that as one bill.

Representative Kroeber: One budget?

Chairman Thoreson: Yes, one budget.

Representative Kroeber: We had one amendment for the housing, so where are we at?

Chairman Thoreson: The amendment that you had proposed that we had voted on earlier?

Representative Kroeber: Correct. So will that be separate?

Chairman Thoreson: That was not accepted by the committee. We will vote on the other amendments.

Representative Kroeber: Are those all separate in full committee?

Chairman Thoreson: In full committee we'll take it as one amendment and then if you want to take yours for it also; you would bring that forward to the full committee.

A roll call vote was taken for a "do pass as amended". 7 Yea's 0 Nay's 0 Absent

Chairman Thoreson closed the discussion.

2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee
Roughrider Room, State Capitol

HB 1014
February 18, 2011
Recorder Job# 14748

☐ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A Bill to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission

Minutes:

Chairman Delzer: Opened the discussion.

Representative Thoreson: Representative Brandenburg is the carrier.

Representative Brandenburg: Introduced the bill. Discussed amendment 01005 and went over the green sheets.

Chairman Delzer: Questions on industrial commission side? You allowed the positions they asked for on the green sheet plus added contingency money for more?

Representative Brandenburg: Yes. We discussed this many times with Lynn Helms to make sure we matched up with the funding. So long as the amendments are written right, and I believe they are, as does Industrial Commission.

Chairman Delzer: You're adding a contingency of $743,000.00 on top of that?

Becky Keller, North Dakota Legislative Council: The contingency funding is for FTE's that have not been hired and will not be hired until the rig counts reach a certain level. The funding that you see for the new FTE is in there and an additional funding was provided in the other bill for that; and then the amendment will increase the funding to bring one of those FTE up to a full 24 months, rather than just 18.

Chairman Delzer: Is the $841,000.00 sitting in the bill and then you're adding $743,000.00 on top of that?

Becky Keller: Basically, yes.

Chairman Delzer: How many positions are you adding contingent? There were 10 positions full time in the $841,000.00, how many more are you giving them with the $743,000.00 if the rig count goes up?

Becky Keller: We are authorizing 2.

Representative Brandenburg: I think it's two because it went from 180 to 190.

Becky Keller: It's 3.

Chairman Delzer: How does HB1343 play into this...actually it doesn't because that was the money from the emergency until whenever.

Representative Brandenburg: Correct, they needed money right now because they got them on board or are getting them on board right now. They have to meet the end of the biennium.

Chairman Delzer: And the $532,000.00 for the CO2 is just for one position? Why would we fund it for three years?

Becky Keller: I would have to defer to Karlene for that.

Chairman Delzer: I don't understand how we could possibly fund it for 3 years.

Karlene Fine, Executive Director, North Dakota Industrial Commission: We're asking for one time deposit into a continuing appropriation. That is a separate fund continuing appropriation. We wanted to get the monies into that fund, to fund it for 3 years. By that time, we anticipate the fee income, that will be coming in for CO2 sequestration, will be covering the costs of the employee.

Chairman Delzer: If it doesn't?

Karlene Fine: If we don't get enough fees coming in, then, the full time employee would not be needed in that area.

Chairman Delzer: Why are they needed now? Are you getting any fees? Are you going to be getting any fees?

Karlene Fine: It's anticipated that the CO2 sequestration storage will start within the next couple of years if we can get the EPA regulations done in an appropriate manner. We need that position now; because, we're negotiating with EPA. If we don't change our rules, then we will not get primacy.

Representative Thoreson: The issue is the primacy issue. If we don't take action, the current administration and the EPA will do so. The concern is that's gone it's gone. That we want to keep it in house in North Dakota.

Representative Klein: There hasn't been any mining as such in North Dakota for some time, so Mr. Helms found out that EPA region 8 was going to take that control away from the state and move it to EPA. We had to have this individual to bring that up; because,

we're looking at not only fertilizer, but this sand business that we're going to be doing. To be able to keep the state controlling mining we had to have that position.

Representative Nelson: I'm fully supportive of the work that's been done in the sand deposit and shallow gas study, etc. The one thing that taking place outside of western North Dakota was renewable energy fund and I see that's eliminated this time. I'd like a little bit of an explanation as to why that's eliminated.

Representative Brandenburg: The committee talked about it and thought it should be in commerce department.

Representative Nelson: There are renewable things in the commerce department; but, that's existing programs. Is there any transfer of this funding source to commerce then?

Chairman Delzer: No.

Representative Nelson: I want the committee aware of that. This fund has been able to leverage the work that was done with Great River Energy and the Spiritwood refinery. There's been some good work that's come out of this particular funding source and I don't why we would take a step backwards in renewable fuel areas; when we're going full speed ahead in other areas.

Representative Hawken: There is nothing in the commerce department dealing with energy.

Chairman Delzer: The bio blenders plus I think there's something else.

Representative Hawken: Bio blenders are just pumps.

Chairman Delzer: There's also some federal dollars on renewable.

Representative Hawken: I don't believe that there's energy money that would be related to what Representative Nelson is talking about in the commerce budget.

Representative Kroeber: These dollars were really used for matching grants that brought in many more dollars; than what we had invested. This was short sighted on our part to remove this $300,000.00 from the renewable energy line.

Representative Kaldor: The Great River Energy Plant is using ND lignite coal, and they are augmenting, with their process, renewable energy. We have instances of traditional fossil fuel energy working right alongside renewable energy, and it's win-win.

Representative Brandenburg: Continued with green sheets.

Chairman Delzer: The bio fuels are used for renewable?

Representative Brandenburg: Yes, the bio fuels PACE program is being used for livestock operations.

Representative Monson: Can you expand on PACE and Ag PACE? We had a bill earlier that took money away from PACE. Can you tell what each is used for?

Representative Brandenburg: There are different PACE programs. The PACE program; actually, it's an economic development program with businesses. It brings the interest rates down. It also does the same for Ag PACE which is then related to an agricultural business which deals with expanding into businesses dealing with agriculture. Then you have the beginning farmer program which also buys interest down for beginning farmers that want to buy land. Bio fuels PACE is the same thing; it buys the interest rate down by 5 percentage points.

Representative Monson: I'm seeing a lot of negatives here on the PACE and Ag PACE on the green sheets.

Representative Brandenburg: Went through the green sheets and explained the PACE funding.

Representative Skarphol: In the ITD budget, there was $5 million taken out of PACE. Is it correct that $1million is left?

Representative Brandenburg: I think I may need Karlene for this.

Chairman Delzer: I also don't think the HIT projects are expected to hit that terribly quick either.

Representative Skarphol: They've been added for two years; there are some deadlines that they do need meet.

Karlene Fine: When you take $5 million out of the footings of the bank, that was the amount of money you could use for loans. What we're suggesting is, that you use the PACE buy down program; so it's a smaller amount of cash we have to put into the program. You're able to fully fund those HIT loans and we still have sufficient within our PACE fund for our continuing program.

Representative Skarphol: So the utilization of PACE has been in that $1 million area or less?

Karlene Fine: It's been down this year.

Chairman Delzer: Before we go after the bank, about the FTEs, when will we have an answer of whether they're going to take that program or not?

Representative Brandenburg: They really feel that something's going to happen, but they don't know.

Representative Thoreson: There are about 5 companies that do this. They are for profit companies that handle this servicing of loans. They were given a rate of $2.00 per

contract; and when the federal law changed they allowed for some not for profit organizations to handle these which the Bank of North Dakota would fall into. The amount for them was a different dollar amount and there's been a couple of states where they've entered into it; but, it's still up in the air.

Vice Chairman Kempenich: What they're waiting for is they don't want to take out anything that is beyond this region. It was indicated that they didn't want to do Florida students.

Chairman Delzer: The question needs to be, will we have an answer for whether they are going to be doing this by the end of the session?

Vice Chairman Kempenich: I think we'll have an answer by the end of the session.

Chairman Delzer: Then shouldn't we have some language that would bring this issue forward in a conference committee?

Representative Thoreson: We did have some informal discussion about that. Our committee did not do that, but perhaps the full committee wants to.

Representative Brandenburg: Continued on with the green sheets.

Representative Kroeber: We're going to offer an amendment on that; but, I don't know if you're at that point yet.

Chairman Delzer: Let's deal with the first amendment, and then motions to further amend.

Representative Brandenburg: Continued with the green sheets.

Representative Kroeber: We did not agree with the removal of the 4 FTEs at the mill. The first on is for car checker positions, which are very important in getting all their product out. They felt they needed these positions for that. The other one is they are producing more, which is where the sales representative position came in. The mill runs 24/7 what happens is they end up with a great deal of overtime. Sometimes it is less expensive to add employees then it is to pay overtime at time and a half.

Representative Brandenburg: Made a motion to move amendment 01005.

Representative Klein: Seconded the motion.

Amendment .01005 adopted by voice vote.

Representative Nelson: On department 405 on the renewable energy development. I'm bewildered why we would eliminate that program. I'm going to move that we restore the $3 million that's in that program.

That motion was seconded.

Representative Nelson: Can you tell me the activity that took place in the last biennium in that program?

Representative Brandenburg: I can not.

Vice Chairman Kempenich: The one time funding was the discussion we got into on the $3 million. Nobody was talking about new projects; and like I said it got to be the one time funding issue.

Representative Nelson: Was all the $3 million utilized in this last biennium or what's the status of the account? Can you tell what the activity was in this account?

Vice Chairman Kempenich: You'd have to ask Karlene. It did have a breakdown of what was left in that account.

Karlene Fine: We have some pending grant applications, but, we anticipate will have committed to all $3 million that was allocated during this past session.

Representative Nelson: It seems to me that we've invested in energy in western North Dakota; but, it's like this body is saying that's all we have. There's a great resource in renewable fuels that we have and for $3 million was our commitment to that. I think the 62nd Legislative Session is saying we have no commitment to renewable fuels.

A roll call vote was made to put $3 million back into renewable energy. 8 Yea's 12 Nay's 1 Absent.

Representative Nelson: Offered a motion to restore $1 million in this program.

Representative Munson: Seconded the motion.

A roll call vote was made to further amend and restore $1 million in this program. 11 Yea's 9 Nay's 1 Absent.

Representative Glassheim: Introduced amendment .01004.

Representative Glassheim: Made a motion to move amendment .01004.

Representative Kroeber: Seconded the motion.

Chairman Delzer: Were there any bills put in to do this? In the past, we've had separate bills that we've dealt with that had hearings on their own, etc. Was there a bill put in at all this session that you're aware of?

Representative Glassheim: Not that I'm aware.

Representative Kroeber: Explained attachment 1.

Chairman Delzer: That $400,000.00 was strictly grants; it's not revolving? Does this amendment that you're bringing forward attempt to be revolving or is it grants also?

Representative Glassheim: It's revolving.

Recording glitch.

Representative Skarphol: trunk lines to get out to the developments and developers are going to do the work within the developed area.

Chairman Delzer: I'll have a hard time supporting this because I think it should have been heard separately. Values have went up immensely in rural areas especially and I don't that the gap is there.

Representative Kaldor: I had a chance to visit with housing and finance about the gap issue. They said in spite of the fact that valuations are climbing, when appraisers are appraising these properties, they're still suffering a gap. Part of that has to do because of the increased competition for contractors and construction people to build the houses. He said the appraisers are not reflecting that market value difference in relation to the construction cost difference.

Chairman Delzer: I would assume that that gap should go away shortly, since it's based on relative sales in a certain amount of time; and the longer that goes, the more it will reflect the actual increase in valuation.

Representative Dahl: You indicated this amendment is targeted towards western North Dakota, is that correct? It seems pretty broad so that it would cover the entire state. Do you mean for it to target western North Dakota?

Representative Glassheim: It was created to deal with western North Dakota; housing finance preferred it to be a bit broader. They'll be making guidelines and rules and some of it could be used for the rest of the state. The primary purpose of it, it's not mandated in here that it only go to the oil patch.

Chairman Delzer: When we look at what was done with the $400,000 on attachment 1, there's only 2-3 in the oil area.

Representative Glassheim: This came out of listening in the hearings to all the needs in the oil patch that's why there wasn't a separate bill. I didn't come down here thinking I was going to do this. It just seemed to me that it was a need that I didn't find anybody filling. For the record, housing finance did not ask for this. This was my idea of trying to meet a need that seemed obvious for everybody.

Chairman Delzer: Further discussion on amend .01004?

A voice vote was made to further amend .01004. The voice vote failed.

Representative Brandenburg: Made a motion to move "Do Pass as Amended."

Representative Thoreson: Seconded the motion.

A roll call vote was made for a "Do Pass as Amended." 19 Yea's 1 Nay 1 Absent.

Chairman Delzer: Closed the discussion.

11.8157.01005
Title.
Fiscal No. 2

Prepared by the Legislative Council staff for
House Appropriations
February 16, 2011

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1014

Page 1, line 3, after the first semicolon insert "to provide for a legislative management study;"

Page 1, line 3, after the second semicolon insert "to provide a contingent appropriation;"

Page 1, line 3, remove "and"

Page 1, line 3, after "transfers" insert "; and to declare an emergency"

Page 1, replace lines 15 and 16 with:

"Salaries and wages	$9,321,995	$2,552,612	$11,874,607
Operating expenses	2,646,426	847,318	3,493,744"

Page 1, replace line 20 with:

"Grants - Bond payments	27,441,865	(2,052,132)	25,389,733
Mineral resources contingency	0	743,972	743,972
Carbon dioxide storage facility administrative fund"	0	532,000	532,000

Page 1, remove line 21 through 24

Page 2, replace line 1 with:

"Total all funds	$59,430,586	$2,574,770	$62,005,356
Less estimated income	49,308,484	(1,785,826)	47,522,658
Total general fund	$10,122,102	$4,360,596	$14,482,698
Full-time equivalent positions	61.06	13.00	74.06"

Page 2, replace line 28 with:

"Salaries and wages	$22,599,324	$3,450,006	$26,049,330"

Page 2, remove line 31

Page 3, replace lines 1 and 2 with:

"Agriculture promotion	150,000	60,000	210,000
Total from mill and elevator fund	$40,057,242	$6,481,893	$46,539,135
Full-time equivalent positions	131.00	0.00	131.00"

Page 3, replace lines 17 trough 19 with:

"Grand total general fund $19,522,102 $4,360,596 $23,882,698

Grand total special funds 174,516,769 4,988,225 179,504,994

Grand total all funds $194,038,871 $9,348,821 $203,387,692"

Page 3, replace line 30 with:

"Renewable energy development program 3,000,000 0

Carbon dioxide storage facility administrative fund 0 532,000"

Page 4, replace line 4 with:

"Total all funds $35,738,726 $709,400"

Page 4, replace line 6 with:

"Total general fund $5,378,152 $709,400"

Page 4, line 11, replace "$25,339,126" with "$25,389,733"

Page 4, replace lines 19 and 20 with:

"State department of health 672,898

Job service North Dakota 710,735"

Page 4, replace lines 28 and 29 with:

"Veterans' home 520,475

Total $25,389,733"

Page 4, after line 29, insert:

"**SECTION 4. LEGISLATIVE INTENT - LAND PURCHASE.** It is the intent of the sixty-second legislative assembly that to the best of its ability the Bank of North Dakota ensure that properties adjacent to Bank of North Dakota property northwest of west street are developed for uses that are consistent with the mission and purpose of the Bank of North Dakota.

SECTION 5. LEGISLATIVE MANAGEMENT STUDY. During the 2011-12 interim, the legislative management shall consider studying primacy in the administration of federal environmental protection agency regulations."

Page 5, after line 7, insert:

"**SECTION 8. CONTINGENT DEPARTMENT OF MINERAL RESOURCES FUNDING - PERMANENT OIL TAX TRUST FUND - EMERGENCY COMMISSION APPROVAL.** Of the funds appropriated in the mineral resources contingency line item in subdivision 1 of section 1 of this Act, $743,972 is from the permanent oil tax trust fund. If funds are required due to the drilling rig count exceeding 180 for at least 30 consecutive days, the oil and gas division may spend up to an additional $192,393 of these funds and hire one full-time equivalent position, upon emergency commission approval, and further if funds are required due to the drilling rig count exceeding 190 for at least 30 consecutive days, the oil and gas division may spend up to an additional

$192,393 of these funds and hire one full-time equivalent position, upon emergency commission approval. If funds are required due to the total number of oil wells in the state exceeding 9,300, the oil and gas division may spend up to $359,186 and hire two full-time equivalent positions, upon emergency commission approval."

Page 6, after line 7, insert:

"**SECTION 12. CARBON DIOXIDE STORAGE FACILITY ADMINISTRATIVE FUND - USE OF FUNDING.** The carbon dioxide storage facility administrative fund line item in subdivision 1 of section 1 of this Act includes $532,000 from the general fund that the industrial commission may deposit in its carbon dioxide storage facility administrative fund for the purpose of hiring one full-time equivalent position for up to three years until fee income is sufficient to provide funding for the administration of the provisions of chapter 38-22. The industrial commission shall use this funding to provide a timely response to the environmental protection agency's rules relating to carbon dioxide sequestration and develop a coordinated response from state agencies with the goal of the state of North Dakota having class VI primacy for carbon dioxide storage in North Dakota.

SECTION 13. EMERGENCY. Section 12 and the related funding included in subdivision 1 of section 1 of this Act are declared to be an emergency measure."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1014 - Summary of House Action

	Executive Budget	House Changes	House Version
Industrial Commission			
Total all funds	$63,633,777	($1,628,421)	$62,005,356
Less estimated income	46,716,149	806,509	47,522,658
General fund	$16,917,628	($2,434,930)	$14,482,698
Bank of North Dakota			
Total all funds	$56,253,155	$0	$56,253,155
Less estimated income	46,853,155	0	46,853,155
General fund	$9,400,000	$0	$9,400,000
Housing Finance Agency			
Total all funds	$38,590,046	$0	$38,590,046
Less estimated income	38,590,046	0	38,590,046
General fund	$0	$0	$0
Mill and Elevator			
Total all funds	$46,741,421	($202,286)	$46,539,135
Less estimated income	46,741,421	(202,286)	46,539,135
General fund	$0	$0	$0
Bill total			
Total all funds	$205,218,399	($1,830,707)	$203,387,692
Less estimated income	178,900,771	604,223	179,504,994
General fund	$26,317,628	($2,434,930)	$23,882,698

House Bill No. 1014 - Industrial Commission - House Action

	Executive Budget	House Changes	House Version
Salaries and wages	$11,844,607	$30,000	$11,874,607
Operating expenses	3,478,744	15,000	3,493,744
Grants - Lignite research	19,971,300		19,971,300
Grants - Bond payments	25,339,126	50,607	25,389,733

Renewable energy development	3,000,000	(3,000,000)	
Carbon Dioxide Storage Fund		532,000	532,000
Mineral resources contingency		743,972	743,972
Total all funds	$63,633,777	($1,628,421)	$62,005,356
Less estimated income	46,716,149	806,509	47,522,658
General fund	$16,917,628	($2,434,930)	$14,482,698
FTE	73.06	1.00	74.06

Department No. 405 - Industrial Commission - Detail of House Changes

	Increases Funding for Engineering Technician[1]	Adds Funding for Carbon Dioxide Storage[2]	Adjusts Bond Payments[3]	Removes Funding for Renewable Energy[4]	Adds Funding for Contingency Appropriation[5]	Total House Changes
Salaries and wages	$30,000					$30,000
Operating expenses	15,000					15,000
Grants - Lignite research						
Grants - Bond payments			50,607			50,607
Renewable energy development				(3,000,000)		(3,000,000)
Carbon Dioxide Storage Fund		532,000				532,000
Mineral resources contingency					743,972	743,972
Total all funds	$45,000	$532,000	$50,607	($3,000,000)	$743,972	($1,628,421)
Less estimated income	0	0	62,537	0	743,972	806,509
General fund	$45,000	$532,000	($11,930)	($3,000,000)	$0	($2,434,930)
FTE	0.00	1.00	0.00	0.00	0.00	1.00

[1] The salaries and wages line item and the operating line item are increased to provide funding for 1 FTE engineering technician for 24 months biennium rather than for only 18 months of the biennium.

[2] This amendment adds funding for the carbon dioxide storage facility administrative fund and authorizes 1 FTE position to administer the provisions of Chapter 38-22. Sections are added relating to the use of the funding and allowing the funding to be available prior to July 1, 2011.

[3] This amendment provides for contingent bond payment for the Veterans' Home federal subsidy of $116,475, and reduces funding for bond payments for the State Department of Health ($34,805) and Job Service North Dakota ($31,783).

[4] This amendment removes one-time funding provided in the executive budget recommendation for renewable energy development.

[5] A contingent appropriation from the permanent oil tax trust fund is added for the Department of Mineral Resources to hire additional FTE positions based on drilling rig counts. A section is added providing the criteria for accessing the contingent funding.

A section is added to provide for a Legislative Management study on primacy in the administration of Environmental Protection Agency regulations.

House Bill No. 1014 - Bank of North Dakota - House Action

A section of legislative intent is added providing that the Bank of North Dakota ensure lands adjacent to the Bank are developed for use consistent with the mission and purpose of the Bank.

House Bill No. 1014 - Mill and Elevator - House Action

	Executive Budget	House Changes	House Version
Salaries and wages	$26,311,616	($262,286)	$26,049,330
Operating expenses	19,879,805		19,879,805
Contingencies	400,000		400,000
Agriculture promotion	150,000	60,000	210,000
Total all funds	$46,741,421	($202,286)	$46,539,135
Less estimated income	46,741,421	(202,286)	46,539,135
General fund	$0	$0	$0
FTE	135.00	(4.00)	131.00

Department No. 475 - Mill and Elevator - Detail of House Changes

	Removes FTE Positions[1]	Adds Funding for Rural Leadership Grant[2]	Total House Changes
Salaries and wages	($262,286)		($262,286)
Operating expenses			
Contingencies			
Agriculture promotion		60,000	60,000
Total all funds	($262,286)	$60,000	($202,286)
Less estimated income	(262,286)	60,000	(202,286)
General fund	$0	$0	$0
FTE	(4.00)	0.00	(4.00)

[1] This amendment removes the following new FTE positions added in the executive budget:

- 2 FTE carchecker positions.
- 1 FTE sales representative position.
- 1 FTE laboratory technician position.

[2] Funding is added for a grant to Rural Leadership North Dakota.

Date: 2-15-11
Roll Call Vote #: 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.

House Appropriations Government Operations Division Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 11.8157.01005

Action Taken Do Pass as Amended

Motion Made By Representative Brandenburg Seconded By Representative Dahl

Representatives	Yes	No	Representatives	Yes	No
Chairman Thoreson	✓		Representative Glassheim	✓	
Vice Chairman Klein	✓		Representative Kroeber	✓	
Representative Brandenburg	✓				
Representative Dahl	✓				
Representative Kempenich	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Representative Brandenburg

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

Date: 2/18
Roll Call Vote #: 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1014

House Appropriations Committee

Legislative Council Amendment Number .0100S

Action Taken: ☐ Do Pass ☐ Do Not Pass ☐ Amended ☒ Adopt Amendment
☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Brandenburg Seconded By Rep. Klein

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer			Representative Nelson		
Vice Chairman Kempenich			Representative Wieland		
Representative Pollert					
Representative Skarphol					
Representative Thoreson			Representative Glassheim		
Representative Bellew			Representative Kaldor		
Representative Brandenburg			Representative Kroeber		
Representative Dahl			Representative Metcalf		
Representative Dosch			Representative Williams		
Representative Hawken					
Representative Klein					
Representative Kreidt					
Representative Martinson					
Representative Monson					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Voice vote carries

Date: 2/18
Roll Call Vote #: 2

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1014

House Appropriations Committee

Legislative Council Amendment Number

Action Taken: ☐ Do Pass ☐ Do Not Pass ☐ Amended ☒ Adopt Amendment
☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Nelson Seconded By Rep. Kroeber

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer		X	Representative Nelson	X	
Vice Chairman Kempenich		X	Representative Wieland		X
Representative Pollert		X			
Representative Skarphol		X			
Representative Thoreson		X	Representative Glassheim	X	
Representative Bellew		X	Representative Kaldor	X	
Representative Brandenburg		X	Representative Kroeber	X	
Representative Dahl		X	Representative Metcalf	X	
Representative Dosch		X	Representative Williams		
Representative Hawken	X				
Representative Klein		X			
Representative Kreidt		X			
Representative Martinson	X				
Representative Monson	X				

Total (Yes) 8 No 12

Absent

Floor Assignment

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

restore $3 million on renewable

Date: 2/18
Roll Call Vote #: 3

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1014

House Appropriations Committee

Legislative Council Amendment Number _____

Action Taken: ☐ Do Pass ☐ Do Not Pass ☐ Amended ☒ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Nelson Seconded By Rep. Monson

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer		X	Representative Nelson	X	
Vice Chairman Kempenich	X		Representative Wieland		X
Representative Pollert		X			
Representative Skarphol		X			
Representative Thoreson		X	Representative Glassheim	X	
Representative Bellew		X	Representative Kaldor	X	
Representative Brandenburg	X		Representative Kroeber	X	
Representative Dahl	X		Representative Metcalf	X	
Representative Dosch		X	Representative Williams		
Representative Hawken	X				
Representative Klein		X			
Representative Kreidt		X			
Representative Martinson	X				
Representative Monson	X				

Total (Yes) 11 No 9

Absent _____

Floor Assignment _____

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

restore $1 million on renewable

11.8157.01004
Title.

Prepared by the Legislative Council staff for
Representative Glassheim
February 14, 2011

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1014

Page 1, line 2, after the semicolon insert "to create and enact two new sections to chapter 54-17 and a new subdivision to subsection 2 of section 54-60.1-01 of the North Dakota Century Code, relating to a housing incentive fund;"

Page 1, line 3, after the second semicolon insert "to provide a continuing appropriation; to provide a transfer;"

Page 3, replace lines 18 and 19 with:

"Grand total special funds	174,516,769	8,384,002	182,900,771
Grand total all funds	$194,038,871	$15,179,528	$209,218,399"

Page 6, after line 7, insert:

"**SECTION 9.** A new section to chapter 54-17 of the North Dakota Century Code is created and enacted as follows:

Housing incentive fund - Continuing appropriation.

1. The housing incentive fund is created as a special revolving fund in the state treasury. The purpose of the fund is to provide incentives to spur private investors to expand housing, including affordable housing, in developing areas with housing shortages or unmet housing needs. After a public hearing, the housing finance agency shall create an annual allocation plan for the distribution of the fund. The agency may collect a reasonable administrative fee from the fund.

2. The agency shall adopt guidelines for the fund to address the unmet housing needs through loans, forgivable loans, grants, subsidies, guarantees, and credit enhancements. These forms of assistance may be used solely for:

   a. New construction, rehabilitation, or acquisition of a multifamily residence; or

   b. Gap assistance, matching funds, and accessibility improvements.

3. Eligible recipients include units of local, state, and tribal government; local and tribal housing authorities; community action agencies; regional planning councils; and nonprofit organizations and for-profit housing developers. Individuals may not receive direct assistance from the fund.

4. Any assistance that is repaid or returned must be deposited in the fund and is appropriated on a continuing basis for the purpose of this section. Housing incentive funds may be recaptured in whole or in part upon resale of the property.

SECTION 10. A new section to chapter 54-17 of the North Dakota Century Code is created and enacted as follows:

Report.

The state housing finance agency shall report annually to the industrial commission on the activities of the housing incentive fund.

SECTION 11. A new subdivision to subsection 2 of section 54-60.1-01 of the North Dakota Century Code is created and enacted as follows:

Assistance from the state housing finance agency through housing incentive funds.

SECTION 12. TRANSFER TO HOUSING INCENTIVE FUND FROM PERMANENT OIL TAX TRUST FUND. During the biennium beginning July 1, 2011, and ending June 30, 2013, the director of the office of management and budget shall transfer $4,000,000 from the permanent oil tax trust fund to the housing incentive fund.

SECTION 13. APPROPRIATION. There is appropriated out of any moneys in the housing incentive fund in the state treasury, not otherwise appropriated, the sum of $4,000,000, or so much of the sum as may be necessary, to the housing finance agency for the purpose of funding housing needs as provided in section 9 of this Act, for the biennium beginning July 1, 2011, and ending June 30, 2013."

Renumber accordingly

Date: 2/18
Roll Call Vote #: 4

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1014

House Appropriations Committee

Legislative Council Amendment Number .01004

Action Taken: ☐ Do Pass ☐ Do Not Pass ☐ Amended ☒ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Glassheim Seconded By Rep. Kroeber

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer			Representative Nelson		
Vice Chairman Kempenich			Representative Wieland		
Representative Pollert					
Representative Skarphol					
Representative Thoreson			Representative Glassheim		
Representative Belliew			Representative Kaldor		
Representative Brandenburg			Representative Kroeber		
Representative Dahl			Representative Metcalf		
Representative Dosch			Representative Williams		
Representative Hawken					
Representative Klein					
Representative Kreidt					
Representative Martinson					
Representative Monson					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

voice vote fails

Prepared by the Legislative Council staff for
House Appropriations
February 18, 2011

VIC
2/21/11
105

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1014

Page 1, line 3, after the first semicolon insert "to provide for a legislative management study;"

Page 1, line 3, after the second semicolon insert "to provide a contingent appropriation;"

Page 1, line 3, remove "and"

Page 1, line 3, after "transfers" insert "; and to declare an emergency"

Page 1, replace lines 15 and 16 with:

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Mineral resources contingency	0	743,972	743,972
Carbon dioxide storage facility administrative fund"	0	532,000	532,000

Page 2, replace line 1 with:

"Renewable energy development	0	1,000,000	1,000,000
Total all funds	$59,430,586	$3,574,770	$63,005,356
Less estimated income	49,308,484	(1,785,826)	47,522,658
Total general fund	$10,122,102	$5,360,596	$15,482,698
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Grand total all funds	$194,038,871	$10,348,821	$204,387,692"

Page 3, replace line 30 with:

"Renewable energy development program	3,000,000	1,000,000
Carbon dioxide storage facility administrative fund	0	532,000"

Page 4, replace line 4 with:

"Total all funds	$35,738,726	$1,709,400"

Page 4, replace line 6 with:

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Page 4, replace lines 19 and 20 with:

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Job service North Dakota	710,735"

Page 4, replace lines 28 and 29 with:

"Veterans' home	520,475
Total	$25,389,733"

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SECTION 5. LEGISLATIVE MANAGEMENT STUDY. During the 2011-12 interim, the legislative management shall consider studying primacy in the administration of federal environmental protection agency regulations."

Page 5, after line 7, insert:

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up to an additional $192,393 of these funds and hire one full-time equivalent position, upon emergency commission approval. If funds are required due to the total number of oil wells in the state exceeding nine thousand three hundred, the oil and gas division may spend up to $359,186 and hire two full-time equivalent positions, upon emergency commission approval."

Page 6, after line 7, insert:

"**SECTION 12. CARBON DIOXIDE STORAGE FACILITY ADMINISTRATIVE FUND - USE OF FUNDING.** The carbon dioxide storage facility administrative fund line item in subdivision 1 of section 1 of this Act includes $532,000 from the general fund that the industrial commission may deposit in its carbon dioxide storage facility administrative fund for the purpose of hiring one full-time equivalent position for up to three years until fee income is sufficient to provide funding for the administration of the provisions of chapter 38-22. The industrial commission shall use this funding to provide a timely response to the environmental protection agency's rules relating to carbon dioxide sequestration and develop a coordinated response from state agencies with the goal of the state of North Dakota having class VI primacy for carbon dioxide storage in North Dakota.

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Renumber accordingly

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General fund	$16,917,628	($1,434,930)	$15,482,698
Bank of North Dakota			
Total all funds	$56,253,155	$0	$56,253,155
Less estimated income	46,853,155	0	46,853,155
General fund	$9,400,000	$0	$9,400,000
Housing Finance Agency			
Total all funds	$38,590,046	$0	$38,590,046
Less estimated income	38,590,046	0	38,590,046
General fund	$0	$0	$0
Mill and Elevator			
Total all funds	$46,741,421	($202,286)	$46,539,135
Less estimated income	46,741,421	(202,286)	46,539,135
General fund	$0	$0	$0
Bill total			
Total all funds	$205,218,399	($830,707)	$204,387,692
Less estimated income	178,900,771	604,223	179,504,994
General fund	$26,317,628	($1,434,930)	$24,882,698

House Bill No. 1014 - Industrial Commission - House Action

	Executive Budget	House Changes	House Version
Salaries and wages	$11,844,607	$30,000	$11,874,607
Operating expenses	3,478,744	15,000	3,493,744
Grants - Lignite research	19,971,300		19,971,300

Grants - Bond payments	25,339,126	50,607	25,389,733
Renewable energy development	3,000,000	(2,000,000)	1,000,000
Carbon Dioxide Storage Fund		532,000	532,000
Mineral resources contingency		743,972	743,972
	$63,633,777	($628,421)	$63,005,356
Total all funds			
Less estimated income	46,716,149	806,509	47,522,658
	$16,917,628	($1,434,930)	$15,482,698
General fund			
	73.06	1.00	74.06
FTE			

Department No. 405 - Industrial Commission - Detail of House Changes

	Increases Funding for Engineering Technician[1]	Adds Funding for Carbon Dioxide Storage[2]	Adjusts Bond Payments[3]	Reduces Funding for Renewable Energy[4]	Adds Funding for Contingency Appropriation[5]	Total House Changes
Salaries and wages	$30,000					$30,000
Operating expenses	15,000					15,000
Grants - Lignite research						
Grants - Bond payments			50,607			50,607
Renewable energy development				(2,000,000)		(2,000,000)
Carbon Dioxide Storage Fund		532,000				532,000
Mineral resources contingency					743,972	743,972
Total all funds	$45,000	$532,000	$50,607	($2,000,000)	$743,972	($628,421)
Less estimated income	0	0	62,537	0	743,972	806,509
General fund	$45,000	$532,000	($11,930)	($2,000,000)	$0	($1,434,930)
FTE	0.00	1.00	0.00	0.00	0.00	1.00

[1] The salaries and wages line item and the operating line item are increased to provide funding for 1 FTE engineering technician position for 24 months of the biennium rather than for only 18 months of the biennium.

[2] This amendment adds funding for the carbon dioxide storage facility administrative fund and authorizes 1 FTE position to administer the provisions of Chapter 38-22. Sections are added relating to the use of the funding and allowing the funding to be available prior to July 1, 2011.

[3] This amendment provides for contingent bond payment for the Veterans' Home federal subsidy of $116,475, and reduces funding for bond payments for the State Department of Health ($34,805) and Job Service North Dakota ($31,783).

[4] This amendment reduces one-time funding provided in the executive budget recommendation for renewable energy development from $3 million to $1 million.

[5] A contingent appropriation from the permanent oil tax trust fund is added for the Department of Mineral Resources to hire additional FTE positions based on drilling rig counts. A section is added providing the criteria for accessing the contingent funding.

A section is added for a Legislative Management study on primacy in the administration of Environmental Protection Agency regulations.

House Bill No. 1014 - Bank of North Dakota - House Action

A section of legislative intent is added providing that the Bank of North Dakota ensure lands adjacent to the Bank are developed for use consistent with the mission and purpose of the Bank.

House Bill No. 1014 - Mill and Elevator - House Action

	Executive Budget	House Changes	House Version
Salaries and wages	$26,311,616	($262,286)	$26,049,330
Operating expenses	19,879,805		19,879,805
Contingencies	400,000		400,000
Agriculture promotion	150,000	60,000	210,000
Total all funds	$46,741,421	($202,286)	$46,539,135
Less estimated income	46,741,421	(202,286)	46,539,135
General fund	$0	$0	$0
FTE	135.00	(4.00)	131.00

Department No. 475 - Mill and Elevator - Detail of House Changes

	Removes FTE Positions[1]	Adds Funding for Rural Leadership Grant[2]	Total House Changes
Salaries and wages	($262,286)		($262,286)
Operating expenses			
Contingencies			
Agriculture promotion		60,000	60,000
Total all funds	($262,286)	$60,000	($202,286)
Less estimated income	(262,286)	60,000	(202,286)
General fund	$0	$0	$0
FTE	(4.00)	0.00	(4.00)

[1] This amendment removes the following FTE positions included in the executive budget recommendation:

- 2 FTE car checker positions.
- 1 FTE sales representative position.
- 1 FTE laboratory technician position.

[2] This amendment adds funding for a grant to Rural Leadership North Dakota.

Date: 2/18
Roll Call Vote #: 5

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1014

House Appropriations Committee

Legislative Council Amendment Number

Action Taken: ☒ Do Pass ☐ Do Not Pass ☒ Amended ☐ Adopt Amendment
☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Brandenburg Seconded By Rep. Thoreson

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer	X		Representative Nelson	X	
Vice Chairman Kempenich	X		Representative Wieland	X	
Representative Pollert	X				
Representative Skarphol	X				
Representative Thoreson	X		Representative Glassheim	X	
Representative Bellew		X	Representative Kaldor	X	
Representative Brandenburg	X		Representative Kroeber	X	
Representative Dahl	X		Representative Metcalf	X	
Representative Dosch	X		Representative Williams		
Representative Hawken	X				
Representative Klein	X				
Representative Kreidt	X				
Representative Martinson	X				
Representative Monson	X				

Total (Yes) 19 No 1

Absent 1

Floor Assignment Rep. Brandenburg

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

Olaus + $1 million

REPORT OF STANDING COMMITTEE

HB 1014: Appropriations Committee (Rep. Delzer, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (19 YEAS, 1 NAYS, 1 ABSENT AND NOT VOTING). HB 1014 was placed on the Sixth order on the calendar.

Page 1, line 3, after the first semicolon insert "to provide for a legislative management study;"

Page 1, line 3, after the second semicolon insert "to provide a contingent appropriation;"

Page 1, line 3, remove "and"

Page 1, line 3, after "transfers" insert "; and to declare an emergency"

Page 1, replace lines 15 and 16 with:

"Salaries and wages	$9,321,995	$2,552,612	$11,874,607
Operating expenses	2,646,426	847,318	3,493,744"

Page 1, replace lines 20 through 24 with:

"Grants - Bond payments	27,441,865	(2,052,132)	25,389,733
Mineral resources contingency	0	743,972	743,972
Carbon dioxide storage facility administrative fund"	0	532,000	532,000

Page 2, replace line 1 with:

"Renewable energy development	0	1,000,000	1,000,000
Total all funds	$59,430,586	$3,574,770	$63,005,356
Less estimated income	49,308,484	(1,785,826)	47,522,658
Total general fund	$10,122,102	$5,360,596	$15,482,698
Full-time equivalent positions	61.06	13.00	74.06"

Page 2, replace line 28 with:

"Salaries and wages	$22,599,324	$3,450,006	$26,049,330"

Page 2, remove line 31

Page 3, replace lines 1 and 2 with:

"Agriculture promotion	150,000	60,000	210,000
Total from mill and elevator fund	$40,057,242	$6,481,893	$46,539,135
Full-time equivalent positions	131.00	0.00	131.00"

Page 3, replace lines 17 through 19 with:

"Grand total general fund	$19,522,102	$5,360,596	$24,882,698

Grand total special funds	174,516,769	4,988,225	179,504,994
Grand total all funds	$194,038,871	$10,348,821	$204,387,692"

Page 3, replace line 30 with:

"Renewable energy development program	3,000,000	1,000,000
Carbon dioxide storage facility administrative fund	0	532,000"

Page 4, replace line 4 with:

"Total all funds	$35,738,726	$1,709,400"

Page 4, replace line 6 with:

"Total general fund	$5,378,152	$1,709,400"

Page 4, line 11, replace "$25,339,126" with "$25,389,733"

Page 4, replace lines 19 and 20 with:

"State department of health	672,898
Job service North Dakota	710,735"

Page 4, replace lines 28 and 29 with:

"Veterans' home	520,475
Total	$25,389,733"

Page 4, after line 29, insert:

"**SECTION 4. LEGISLATIVE INTENT - LAND PURCHASE.** It is the intent of the sixty-second legislative assembly that to the best of its ability the Bank of North Dakota ensure that properties adjacent to Bank of North Dakota property northwest of west street are developed for uses that are consistent with the mission and purpose of the Bank of North Dakota.

SECTION 5. LEGISLATIVE MANAGEMENT STUDY. During the 2011-12 interim, the legislative management shall consider studying primacy in the administration of federal environmental protection agency regulations."

Page 5, after line 7, insert:

"**SECTION 8. CONTINGENT DEPARTMENT OF MINERAL RESOURCES FUNDING - PERMANENT OIL TAX TRUST FUND - EMERGENCY COMMISSION APPROVAL.** Of the funds appropriated in the mineral resources contingency line item in subdivision 1 of section 1 of this Act, $743,972 is from the permanent oil tax trust fund. If funds are required due to the drilling rig count exceeding one hundred eighty for at least thirty consecutive days, the oil and gas division may spend up to $192,393 of these funds and hire one full-time equivalent position, upon emergency commission approval, and further if funds are required due to the drilling rig count exceeding one hundred ninety for at least thirty consecutive days, the oil and gas division may spend up to an additional $192,393 of these funds and hire one full-time equivalent position, upon emergency commission approval. If funds are required due to the total number of oil wells in the state exceeding nine thousand three hundred, the oil and gas division may spend up to $359,186 and hire two full-time equivalent positions, upon emergency commission approval."

Page 6, after line 7, insert:

"**SECTION 12. CARBON DIOXIDE STORAGE FACILITY ADMINISTRATIVE FUND - USE OF FUNDING.** The carbon dioxide storage facility administrative fund line item in subdivision 1 of section 1 of this Act includes $532,000 from the general fund that the industrial commission may deposit in its carbon dioxide storage facility administrative fund for the purpose of hiring one full-time equivalent position for up to three years until fee income is sufficient to provide funding for the administration of the provisions of chapter 38-22. The industrial commission shall use this funding to provide a timely response to the environmental protection agency's rules relating to carbon dioxide sequestration and develop a coordinated response from state agencies with the goal of the state of North Dakota having class VI primacy for carbon dioxide storage in North Dakota.

SECTION 13. EMERGENCY. Section 12 and the related funding included in subdivision 1 of section 1 of this Act are declared to be an emergency measure."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1014 - Summary of House Action

	Executive Budget	House Changes	House Version
Industrial Commission			
Total all funds	$63,633,777	($628,421)	$63,005,356
Less estimated income	46,716,149	806,509	47,522,658
General fund	$16,917,628	($1,434,930)	$15,482,698
Bank of North Dakota			
Total all funds	$56,253,155	$0	$56,253,155
Less estimated income	46,853,155	0	46,853,155
General fund	$9,400,000	$0	$9,400,000
Housing Finance Agency			
Total all funds	$38,590,046	$0	$38,590,046
Less estimated income	38,590,046	0	38,590,046
General fund	$0	$0	$0
Mill and Elevator			
Total all funds	$46,741,421	($202,286)	$46,539,135
Less estimated income	46,741,421	(202,286)	46,539,135
General fund	$0	$0	$0
Bill total			
Total all funds	$205,218,399	($830,707)	$204,387,692
Less estimated income	178,900,771	604,223	179,504,994
General fund	$26,317,628	($1,434,930)	$24,882,698

House Bill No. 1014 - Industrial Commission - House Action

	Executive Budget	House Changes	House Version
Salaries and wages	$11,844,607	$30,000	$11,874,607
Operating expenses	3,478,744	15,000	3,493,744
Grants - Lignite research	19,971,300		19,971,300
Grants - Bond payments	25,339,126	50,607	25,389,733
Renewable energy development	3,000,000	(2,000,000)	1,000,000
Carbon Dioxide Storage Fund		532,000	532,000

Mineral resources contingency		743,972	743,972
	$63,633,777	($628,421)	$63,005,356
Total all funds			
Less estimated income	46,716,149	806,509	47,522,658
	$16,917,628	($1,434,930)	$15,482,698
General fund			
	73.06	1.00	74.06
FTE			

Department No. 405 - Industrial Commission - Detail of House Changes

	Increases Funding for Engineering Technician[1]	Adds Funding for Carbon Dioxide Storage[2]	Adjusts Bond Payments[3]	Reduces Funding for Renewable Energy[4]	Adds Funding for Contingency Appropriation[5]	Total House Changes
Salaries and wages	$30,000					$30,000
Operating expenses	15,000					15,000
Grants - Lignite research						
Grants - Bond payments			50,607			50,607
Renewable energy development				(2,000,000)		(2,000,000)
Carbon Dioxide Storage Fund		532,000				532,000
Mineral resources contingency					743,972	743,972
	$45,000	$532,000	$50,607	($2,000,000)	$743,972	($628,421)
Total all funds						
Less estimated income	0	0	62,537	0	743,972	806,509
	$45,000	$532,000	($11,930)	($2,000,000)	$0	($1,434,930)
General fund						
	0.00	1.00	0.00	0.00	0.00	1.00
FTE						

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[1] The salaries and wages line item and the operating line item are increased to provide funding for 1 FTE engineering technician position for 24 months of the biennium rather than for only 18 months of the biennium.

[2] This amendment adds funding for the carbon dioxide storage facility administrative fund and authorizes 1 FTE position to administer the provisions of Chapter 38-22. Sections are added relating to the use of the funding and allowing the funding to be available prior to July 1, 2011.

[3] This amendment provides for contingent bond payment for the Veterans' Home federal subsidy of $116,475, and reduces funding for bond payments for the State Department of Health ($34,805) and Job Service North Dakota ($31,783).

[4] This amendment reduces one-time funding provided in the executive budget recommendation for renewable energy development from $3 million to $1 million.

[5] A contingent appropriation from the permanent oil tax trust fund is added for the Department of Mineral Resources to hire additional FTE positions based on drilling rig counts. A section is added providing the criteria for accessing the contingent funding.

A section is added for a Legislative Management study on primacy in the administration of Environmental Protection Agency regulations.

House Bill No. 1014 - Bank of North Dakota - House Action

A section of legislative intent is added providing that the Bank of North Dakota ensure lands adjacent to the Bank are developed for use consistent with the mission and purpose of the Bank.

House Bill No. 1014 - Mill and Elevator - House Action

	Executive Budget	House Changes	House Version
Salaries and wages	$26,311,616	($262,286)	$26,049,330
Operating expenses	19,879,805		19,879,805
Contingencies	400,000		400,000
Agriculture promotion	150,000	60,000	210,000
	$46,741,421	($202,286)	$46,539,135
Total all funds			
Less estimated income	46,741,421	(202,286)	46,539,135
	$0	$0	$0
General fund			
FTE	135.00	(4.00)	131.00

Department No. 475 - Mill and Elevator - Detail of House Changes

	Removes FTE Positions[1]	Adds Funding for Rural Leadership Grant[2]	Total House Changes
Salaries and wages	($262,286)		($262,286)
Operating expenses			
Contingencies			
Agriculture promotion		60,000	60,000
	($262,286)	$60,000	($202,286)
Total all funds			
Less estimated income	(262,286)	60,000	(202,286)
	$0	$0	$0
General fund			
FTE	(4.00)	0.00	(4.00)

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[1] This amendment removes the following FTE positions included in the executive budget recommendation:

- 2 FTE car checker positions.
- 1 FTE sales representative position.
- 1 FTE laboratory technician position.

[2] This amendment adds funding for a grant to Rural Leadership North Dakota.

2011 SENATE APPROPRIATIONS

HB 1014

2011 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee
Harvest Room, State Capitol

HB 1014
March 14, 2011
Job # 15355

☐ Conference Committee

Committee Clerk Signature Rose Laning

Explanation or reason for introduction of bill/resolution:

A bill to provide an appropriation for defraying the expenses of the State Industrial Commission.

Minutes:

See attached testimony – State Industrial Commission binder.

Senator Grindberg called the committee hearing to order on HB 1014. Roll call was taken. **Becky J. Keller** - Legislative Council; **Tad H. Torgerson** – OMB

Karlene Fine, Executive Director & Secretary, State Industrial Commission
Testified in support of HB 1014.
Handed out HB 1014 State Industrial Commission binder and gave a brief overview of the commission.

Senator Grindberg: With what's going on in DC, there are major cuts coming to the federal oil and gas research program, and that combined with the increased activity, do you think there would be more application, the potential of additional funds at the state level for demonstration projects, etc.

Karlene Fine: Yes, we do. There are a number of areas that need to have research done. We haven't even begun to tap the remaining portion of the Bakken. As you know, we are right now only getting 5% of what's available in the Bakken, so there is work that needs to be done in that area. The companies are so busy focusing on protecting their lease holds that they haven't stepped forward with some of the application that we know is there. There is some new technologies that we need to be encouraging and so I think there is a need for additional funding, but at this point we've just left it at the $4M. But it would be valuable.

Senator Warner: I have a question on the moral authority of the state in regarding to bonding. I know we have a major project out there dealing with NW water which also mentions moral obligation. Do we have some way of gauging how far we prudently dare go with this moral authority concept and how the legislature should be looking at where the natural limits of that concept are.

Karlene Fine: The moral obligation right now is used only in the public finance authority. We have this available under the pipeline authority as well as the transmission authority but have not used it in those two areas. We have the western water supply project legislation going through the process. As long as the legislature is made aware and the Industrial Commission has a role in that moral obligation, I think you will see some limitations of knowing when that threshold.... The State of ND is very low in the list of the amount of borrowing we've done and the moral type of obligation or appropriation. I think you'll find there is a lot of room if we want to proceed with that. We've been very cautious in how we've used that.

Senator Warner: If we do exercise it and we would default on it, it would have a really severe impact on our ability to bond with general obligation bonds. It would devastate our credit rating. Were we to default on a moral obligation bond, is that the indirect consequence?

Karlene Fine: There is an implication if you default. It ripples, not only through the state's moral obligation, but it can also impact the other entities, the cities, the counties because the ND name is damaged in the bond market. But we've never defaulted on an issue. We've never defaulted on our appropriation debt. I think there is plenty of room for us to be able to do some moral obligation if we'd like.

Senator Bowman: When we guarantee the bond on the big water project, would it be prudent to put money away just in case there is a problem with that or can we access the reserves if we have to in an emergency hearing if we were short of paying off or they defaulted and we had to pick that up so that we would not lose our ratings as far as the state is concerned.

Karlene Fine: The way the moral obligation is set up, you have to set aside sufficient funds so that you would pay the debt service during the biennium, during the interim so it has to have two years of debt service planned for. Then there would be a legislative session that would come in before you actually default. There is a time frame that is set up that would allow the legislature to come back in .

Senator Bowman: Will there come a point in time where the renewable energy will become self supporting? I think that's imperative to know that. If you're going to provide funding for a company forever, what's the advantage of doing that if it's costing the state money every single year.

Karlene Fine: The renewable energy program is like our other programs. We help do the research to help get the companies up and get the research done so they can become a viable industry and be self supporting, pay taxes and do all the things that every other corporate entity taxpayer does in this state. They are at the infancy stage. There were still some things that we were looking at in oil & gas and saying you need to help them out to get them started. With oil and gas, they have an identified tax that gives us some funding source. We just haven't been able to find a mechanism yet to do that for the renewable to keep that as an ongoing entity. We're trying to help them get started and they're years behind where the other industries are at. So we're trying to get them started and I think they will be very much viable on their own.

Al Christianson, Great River Energy, member of the Renewable Energy Council
Testified in support of HB 1014.
No written testimony.
I was appointed by Governor Hoeven and reappointed to my second term. I think it's very important for the industry, the renewable energy industry, that this funding continues as a level of $3M. The interesting thing is that I've made my living for the last 34 years burning coal. Why would I want to help the renewable energy industry? I want to help them because to me, for the coal industry to strengthen itself, we need to be able to work in conjunction with not only the renewable energy, the ag committee and the oil group. What we've done building Blue Flint at Coal Creek Station is we've taken a waste product from Coal Creek and put it into an ethanol plant. That ethanol plant has been profitable throughout its time and also during the toughest times in ethanol. We're looking at doing it at other projects and I think that's the way it has to be. Sitting on the council, we make sure there is a sufficient match of private money. As Karlene said, "If there was a place to find a tax to support it from the rural energy group, I think that would be the place to go, but they're still in their infancy and we've shown a great history in ND doing it for lignite and oil. I would hope we would do this and I also can't wait until renewable energy stands on its own.

Senator Wanzek commented that it's comprehensive and trying to maximize the abilities of all potential energies and working them, correlating them together.

Al Christianson: In the case of our Spirit Wood Dakota Spirit Ag Energy project, we built the Spirit Wood Station that's $350M investment. It was designed to supply steam to both the Cargill malt plant and to an ethanol plant that did not happen because of different things in the world at the time. The efficiency of Coal Creek Station is about 30%, so for every ton of coal, we get 30% of the energy. If we get Spirit Wood Station with two steam hosts, if we can find another one there, it will be 70%. I'm one of those persons who thinks we can burn coal for the next 800 years and we should burn coal, but we continue to make the efficiencies. The thing that really helps there is that the agriculture is going to benefit from having a source for their products. We're going to be able to make our plant more productive. The beet people are looking for where they can find synergies. At Spirit Wood, we're using waste water from Jamestown so we're not tapping the aquifer. If we wouldn't have built Spirit Wood, Cargill Malt would have been gone with 100 plus jobs. Everybody has to work together and you find out in the oil industry now that the electric utility companies are taking the waste heat off the compressor stations making electricity. So it's that working together and I think this money needs to be put back for those projects.

Senator Bowman: Did the House give any reason for not funding that for the full $3M? Answer No.

Senator Wardner: The comment you made about Blue Flint is profitable right now because of the partnership with Coal Creek. I'd like you to expand on that. It's always been able to hold its own because of that partnership.

Al Christianson: What we do at Blue Flint is take steam that was being wasted at Coal Creek Station and that supplies the energy to fracture corn and do the distillation and everything. It's been running just over six years and it has been very profitable for both Great River Energy who owns 49% and HeadWaters that owns 51%. Blue Flint has been profitable throughout its

entire life. It's a very big part of our profitability and why we've been able to keep our rates very low for our members. We think that Spirit Wood is another opportunity for it.

Senator Warner asked about the conversion of methane to methanol. Methanol could be used as a transportation fluid that would allow us an option of direct from coal to transportation fuel. Do you know if there is any research being done in ND?

Al Christianson: Yes, there is. There are several different opportunities going on with direct gasification, underground gasification, other things. There is a project that we've looked at in MN at one of the ethanol plants there that's powering their ethanol plant by doing that.

Eric Hardemeyer, President and CEO, Bank of North Dakota
Testified in support of HB 1014
Testimony attached in the State Industrial Commission binder.

He gave highlights on the Bank of ND.

Senator Grindberg: How bound are we to federal banking laws given the uniqueness of the Bank of North Dakota.

Eric Hardmeyer: We are bound in that we are a member of the Federal Reserve. We are not, however, examined by the FDIC or the OCC. We are not regulated by either one of those bodies. We do follow best practices, the Federal Reserve comes in, we're a member of them so we follow some of their deposit regulations. We enjoy freedom from a lot of federal regulation.

Senator Warner: The deposits that we make in the form of reserves and rainy day funds and legacy funds, but those are counted against our capitalization rate, the money we have in unallocated reserves? Is that correct when it comes to determining the ratio?

Eric Hardemeyer: Those are treated as any deposits that we have. So those funds that roll into the treasury are then deposited at the Bank of ND. Those are just part of the typical deposit base. The thing that is challenging for us is the growth of the Bank of ND on those deposits and the fact that we only grow our capital because we retain earnings. So depending on how much money we earn, that is what grows our capital – less any transfer that we make to the general fund so in this biennium, the Bank of ND, the only transfers that we had were $13M for the health technology fund. We are probably going to make around $120M for the biennium less the $13M so you have $107M plus which goes into our capital. That is what makes up our capital and the size of the bank is largely dependent on the funds that come in from the deposit base. All those funds, to the extent that they go to the treasurer and not to the state investment board, flow into the Bank of ND. Those are what determine the size of the bank.

Senator Warner: Are there things we could do to define the nature of those funds that would define them as unallocated reserves within the bank rather than deposits?

Eric Hardemeyer: No. I'd throw a hint of caution in here, but we can manage this growth. Our loan losses have been limited. We don't have an 8% capital ratio but as you look further into

my testimony, Federal regulation D requires that you have at least 5% to be categorized as well capitalized. We have that. Eight is our benchmark; it's not a requirement. I think based on the reserves and the capital we have at the bank, we're just fine.

Senator Christmann: Since we're fairly significantly above the 5% minimum, what's the difference to us between 7 or 8 or 9%. And secondly, as I recall, I think it was $60M in the Executive Budget was going to be used from your earnings and then the Senate proposal left that there, so on your sheet here, the projected 2011, is that counting on us using that $60M or not using it?

Eric Hardemeyer: First of all, it is not counting the $60M. My initial testimony to the House, I had it in there, but since the House took the $60M out, I have removed that part of the transfer. When you look at the $8M figure for 2011, that would have been $23M because we would have paid ¼ of the $60M which is another $15M. I removed that from my testimony from the House session to this session. This does not account for any transfers to the general fund in the upcoming biennium. With the financial crisis, the meltdown, there have been a number of banks that have gone under. Last year along there were 153 banks. There was liquidity and capital issues and so there has been a lot of emphasis around the country about banks having sufficient capital. We think it's prudent on our part to grow capital. Five percent is the minimum, but eight is a better number. Most ND banks, the average is probably 9.5% to 10% capital.

Senator Wanzek: I'm still struggling – If we take on or grow in deposits too fast, it actually, without having grown the capital yet, it does skew or push the capital percentage down. It's like a farmer who grows too fast and doesn't have the capital to back up the risk of taking on a bunch more land.

Eric Hardemeyer: That's a great point, but because we did not make the $60M transfer last biennium, nor is it proposed for this upcoming biennium, but that has been very helpful. We would've had a much deeper capital issue had they taken the $60M. By allowing us to retain that for the current biennium and even the proposed next biennium, is going to help us with that capital position because of the growth. The balance sheet goes up and down depending on the course of deposits so a lot of things could happen that could really impact the deposit base. If oil drops down, EPA comes in with FRACing issue and deposits run down depending on what you spend, this number could come back down. For now, the way it's proposed with BND retaining our earnings for the next biennium, I think our capital position will probably be close to $450M at the end of the next biennium. That would be able to sustain a bank of about $5.5 B.

Senator Grindberg: Your comment about EPA and their ban on FRACing takes hold and we find ourselves in a very interesting environment with oil revenues plummeting and recognizing that we haven't taken $60M from the present biennium and $60M from this biennium proposed, that's $120M. If we got into a real fiscal crisis in the state, I'm sure we'd come knocking on your door. So let's say we came in a worse case scenario and said we need to take $120M to balance the budget, what would your reaction be or could you make that work?

Eric Hardemeyer: If that has happened, there may be the potential that the bank has shrunk as well. So instead of $4.5 or $5B, maybe we're back down to $4B. in that case our capital is

going to be way up there. At that point, there may be the ability to make a transfer to the general fund and still be at the 8% capital level. Even if we're over and above the 5 to 6%, we're still going to be OK. The nature of our loan portfolio is such that with 52% of it guaranteed by the federal government, capital is there to sustain a bank in case of extraordinary loss. At this point, I don't see it, but things change.

Senator Wardner: When you talk about $450M, are you replacing projected 2011, that $383M. Is that where you talking we would go?

Eric Hardemeyer: Yes, that $383M would be at end of 2011. When I was talking about the 450, that would be at the end of the biennium – at the end of June 30, 2013.

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Senator Grindberg: The reason the rationale for having the federal government take it over was to save money. It would appear on the surface that if they're saving money on the front end with the administration, they are compensating on the backend for the payment. Does this make any sense?

Eric Hardemeyer: None of this has made sense to me. I will tell you the number of complaints that they're getting, the customer service, the everything that we feared about what would happen with the government takeover of that business is coming to fruition. On the one hand, I understand where they want to say we have looked at this and there's 67B in savings, that's how they packaged it up. It's been very frustrating, the methodology and how they came to that.

Senator Krebsbach: Is there going to be FTEs from the (FFEL) Federal Family Education Loan program that can be transferred to the DEAL program?

Eric Hardemeyer : That is exactly what we're looking to do to ensure the FTEs that we have. In some cases, we're retraining and moving them to other locations. In some cases, there may not be a good fit, but that is our commitment to our employees. There are savings, there are FTE reductions. Not only did the FFEL happen, but we also implemented a new student loan system that is showing great efficiencies and so there are going to be FTE reductions. What we've committed to our employees is that when we have other vacancies, we will try to shift you to those positions.

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Senator Warner: Your services to other banks, is that a profit center or a public service?

Eric Hardemeyer: That would be a profit center. We look at that as a service that we provide that is apart from our mission which is to finance economic development so that is a service that we believe should be a profit center for us.

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Senator Bowman: Technology has allowed you to cut FTEs, but what is the cost of the technology that has allowed that to happen? Is it higher than the labor we're saving or is it actually less than the labor we're saving?

Eric Hardemeyer: You're asking what the return on investment would be. That's a difficult thing to answer. I don't know if I could give you a really good answer for that. In some of these cases, the student loan system, we were forced to get off because we had a main frame application. We needed to move off the mainframe because of ITDs recommendation that all agencies will get rid of mainframe applications, so we needed to do that. In some of these cases, cash management and our core systems, they simply outlived their usefulness. I wouldn't say we cut, but through attrition is really how we picked up those savings.

Senator Kilzer: In your location, you have more space than you could ever use, do you have any thoughts about who might be your neighbor to the east or to the eastern part of what you now own?

Eric Hardemeyer: In this bill, you will see the carry forward of some session law from last biennium to allow the Bank of North Dakota to look at acquiring those two pieces of property which are both vacant and both for sale. We do have sufficient green space, but my thought in going forward is that this would be a long term investment for the State of ND to pick up some property and at some point, the legislature may see fit that it would make sense to go locate several other agencies and then we would have the property and the ability to do that. My vision for that space would be to create the economic development campus for the State of ND. So not only would you have the Bank of ND there, but you would have others involved, the Dept. of Commerce, Housing & Finance Agency, those that are involved in the same thing that we are, located in one spot, one stop shopping. My thought was to acquire those properties to give the state an option for future consolidation of agencies into one location.

Senator Wardner: (for Becky) When I look at the green sheets and Mr. Hardemeyer's testimony on page 5, he has a budget of 45 and on the green sheets, the total is 56. Can you help me reconcile those numbers?

Becky Keller: The numbers on green sheet include the PACE numbers and all the other fund numbers. **Senator Wardner** – thank you.

Senator Wanzek: As a percentage of non-interest cost, the bank is operating at 21. something percent of income where the industry standard is 60 some. We're really efficient apparently there.

Eric Hardemeyer: That is on page 7. Yes, we are efficient. That's called the efficiency ratio - anytime a bank strives to be 50% or lower. We are operating at 21.5%. I should throw out a couple of caveats there. One is that we operate this bank a little bit differently than your full service bank. We don't have a big retail function, multiple branches. We are basically a whole sale bank, so there are a lot of costs that most banks have in providing a retail service that we simple don't have.

Michael Anderson, Executive Director, ND Housing Finance Agency
Testified in support of HB 1014.
Read from the ND Housing Finance Agency tab in the State Industrial Commission binder.

Senator Robinson: I want to commend his agency on working with his son & daughter-in-law's house purchase. The last 24 months has been pretty tough in terms of financing for

home purchasing. Talked with folks who have moved from one home to another and discussed the challenges they were faced with and surprised at because of the tight credit. Is that getting any better or easy up a bit or are we still in a time when home financing is pretty challenging.

Michael Anderson: It is not getting better. I think you've seen a lot of discussion in Washington continuing in terms of regulation and standards in terms of the mortgage industry. I don't think that has changed yet. Not only are we seeing it on the regulatory side, but we're seeing it in the capital market side. Capital is getting much more difficult to obtain. The credit standards they require for us when we issue bonds has become a lot more expensive, so to speak, in terms of securitizing the bonds that we issue. It's still a struggle. Even though NDs economy is good, our housing market is good, because we have to raise capital like any other bank or other program in ND, they raise capital on the national level. We still have to deal with those issues.

DeAnn Ament, Executive Director, Public Finance Authority
Testified in support of HB 1014
Read from ND Public Finance Authority tab in the State Industrial Commission binder.

Senator Bowman: The position that you asked for, is that funded by general fund?

DeAnn Ament: Our agency is all special funding, there is no general fund. We want the ability to fill that slot if the need arises as we assess programs that we could react. With a staff of only 1.75, we want to be ready and we would appreciate that.

Senator Wardner: Are you seeing more activity in your office? Is this cause for a concern that you're looking for another FTE?

DeAnn Ament: The stimulus money has added to our work load. The state revolving fund program is a recipient of EPA federal capitalization grants. Those grants, along with the stimulus act, require that there be green project reserve, that there be additional subsidization, buy America. What we've seen with these different requirements is that it's taking more of our time. Capitalization grants going forward, we're not seeing that these requirements are being taken off. They're continuing and that causes us to do more reporting, more tracking. Right now the federal government comes out twice a year as they were only coming out once a year, so we are seeing more activity with that plus we're always exploring opportunities with other agencies with other programs to meet the financing needs in the state of ND.

Senator Wanzek: I understand that you already have authority for these 2.75, you're just asking to continue that, right? **DeAnn Ament**: Yes, we're just asking to retain that authority.

John Dwyer, Chairman, Lignite Research Council
Testified in support of HB 1014
Read from LRP (Lignite Research Program) tab in the State Industrial Commission binder.)

Senator Warner: The nature of the market for synthetic natural gas in the synfuels plant, do you anticipate that it will grow significantly as the national economy recovers? Are you going to be able to compete with gas coming off the Bakken? And separately, you mentioned

regional haze and the gas being flared with the Bakken, is that inhibiting the growth of the coal industry or potentially limiting the growth of the coal industry that we're flaring so much natural gas in the Bakken field?

John Dwyer: It isn't causing any problems to date – the flaring isn't. But if the Visual Haze program is revoked by EPA, which it's going to be challenged. They've already indicated and sent me a letter invoking the process that the state health department uses. They use an actual monitoring versus a modeling approach. To answer your question, it hasn't caused any problems to date. When they ratchet the program down, they're going to go to all sources. They're going to go to stationary sources first. The competition for the synfuels industry and do we see anymore synfuels plants in the future, it's mainly because of the uncertainty in the financial markets and the lack of a national energy policy are the key factors. I don't seeit in the near term – another synthetic fuels coming online. You never know, the Middle East blows up, that's where we get 40% of our oil. The choice that the previous administration has made is whether to invest in the Mediterranean Straights, getting the oil to the United States or to invest in synfuels production from coal. They chose to invest in protecting the Straights so that they get the oil here in this country. It's cheap oil and was basically the policy. I think it's going to be long term. We have some efforts underway up at Underwood which is a synthetic fuels project basically. Instead of using it to make gas and diesel fuel, that's what is proposed. That's a proposed project that we're working on in ND. The South Heart project has some gasification features to it. We're looking at trying to take the carbon from the gasification process and inject it into enhanced oil recovery in the ND oil fields. Right now they don't really need that because the oil fields are in their infancy compared to the Canadian oil fields which are more mature oil fields and they need the CO2 enhanced oil recovery. On the issue of the future of the synthetic fuels industry, we're working on it, but there are a lot of factors besides the price of natural gas.

Senator Warner: Do you anticipate that most of the research will be industry driven or is there a purpose for public financing of research in coal?

John Dwyer: I think there's a very important place for public financing of research. Industry will do a larger amount of research, but unless there's an attraction there and they have an investment and have partners, they're not going to do it. The payoff is too far off in the future. We have shown through this research program that you can attract a lot of industry dollars by just a small investment of state dollars. For every dollar of state money, we invested six dollars of industry money. It's going to become more competitive for federal dollars. My concept is that you have federal investment, state investment and industry investment and you would have potential projects.

Senator Wanzek: I understood you to say that no new coal powered energy can be exported into MN and it could affect Spirit Wood. What if we aren't able to prevail or to correct that? Will there be other options as far as the sale of that electricity?

John Dwyer: We're trying to avoid the other option obviously. One option is to shut down. We're trying to find a way to address the issue. GRE (Great River Energy) has taken the issue to the MN PUC (public utilities commission). It's going through the public offset. The carbon offset provisions which means that if you have a new plant, you have to find an offset somewhere else. They offered up the reduction in coal emissions from the beneficiated lignite

but MN PUC had problems with that, but that's an option to go through that process. We're going to exhaust the legislative remedies. Another option is litigation. Attorney General Stenehjem doesn't think that it raises foreign issues with the commerce clause. We have an interstate commerce clause that allows commerce between states. This certainly impacts that. We've got other options that we're going to pursue, but the fastest and quickest one is the legislative option and that's what we're trying to do.

Vance Taylor, General Manager, North Dakota Mill and Elevator
Testified in support of HB 1014
Reading from State Mill tab in the State Industrial Commission binder.

Senator Bowman: On the 18% increase in the next biennium, do you increase the price of your flour and things that you sell to offset that increase in cost?

Vance Taylor: Our prices increase up and down with the price of wheat. Our main goal is to keep our total cost per hundred weight of flour as low as possible. We were showing that 18% increase, that also takes into account the increase in our overall volume of production, so as the years go by, our cost per hundred weight does increase by small amounts and then we do increase our margins to cover that.

Senator Bowman: I would assume the other competition has to do the same thing so you're basically being able to meet your costs and hopefully there's a little profit at the end.
Answer Yes.

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Senator Wardner: If you were to prioritize the four FTEs how would you prioritize them?

Vance Taylor: They are all important, but if I had to, they'd be as listed there. The two plant car cleaning positions will be critical as we grow our bulk business and then on down the list.

Senator Bowman: The 30% increase in electric rates, is that for the whole area up there or just for your plant? And who do you get your electricity from?

Vance Taylor: From Nodak Electric and as I understand, that's across the whole area.

Senator Wardner: What is it like for getting good quality spring wheat and durum?

Vance Taylor: We've had a nice wheat crop to work with this year. That goes a long ways in achieving the results that we're trying to do. It's slightly lower protein than the average, but much better protein than we saw two years ago.

Senator Wanzek: I'm looking at the state map of the mill shipments and the amount of sales to various states – do you export sales outside the country too or is it all domestic?

Vance Taylor: We export about 1% of our total, so it's a small amount. Most of that goes to the Caribbean Islands – through Miami and into the islands but we also sell to some customers in Korea and Japan.

Lynn Helms, Director, Department of Mineral Resources
Testified in support of HB 1014
Reading from Dept. of Mineral Resources tab in the State Industrial Commission binder.

Senator Robinson: The activity that you're speaking about – how much is Bakken and how much is Three Forks?

Lynn Helms: The activity I'm speaking about is about 98% combined Bakken and Three Forks and roughly 65% Bakken and 35% Three Forks. About 2/3 Bakken, 1/3 Three Forks.

Senator Robinson: Do you see that percentage holding stable for the the next couple of years?

Lynn Helms: Yes, I think that percentage will be stable for the next 5 years or so as we do this phase I drilling. But then it's going to flip flop as we go in to do the increased density drilling, and we'll see a lot more Three Forks well bores drilled.

Senator Robinson asked about Stanley and Mountrail County and if they will be going back in for Three Forks.

Lynn Helms: We definitely will. I don't think we'll leave there for a long time. We'll be in there for 15 years drilling those increased density wells. We've just done phase 1 of the development in there. We expect to drill roughly 100 wells on the fee lands in Fort Berthhold for phase 1 and there's still 450 phase 1 wells to drill on the trust lands on Fort Berthhold reservation.

Senator Bowman: The OAR was funded in Governor's Executive Budget?

Lynn Helms: Yes, these were. There are some on the last page that were not and I'll touch on those.

Senator Robinson: No question on the base budget, but do you have a fact sheet on the oil industry? That would be helpful – one or two page synopsis. (The Petroleum Council handed out North Dakota Oil Facts – see attached #2)

Senator Warner: Proppant – what kinds of raw material pre-cursors would have the ceramic proppant and what kind of surveys for the nature of the sand. I understand that would be specific. Could you talk about the potential of the natural resources within the state that could provide that component to the industry?

Lynn Helms: Page 12 (in the State Industrial Commission binder) You see a map and on the left side are two samples. The upper left hand sample is a photo micrograph of some sand we collected in McHenry County. If you look within that, you see there's a percentage of very nice round wind blown sand grains in there so this is one of the better prospects that we have found for potentially producing FRAC sand in the state. The out of state resources are typically 95% beautiful round clear sand grains and require very little processing. Our are running more like 10-20%. We're in discussions with some in the industry about if you process this or sieved it to get to the proppant, would there be a use as an aggregate for the remaining portion of your

sand resources. You also see the red dots of all the sand samples we've taken and we'd be happy to have anybody report to us a sand deposit they have that we should sample and analyze. About ½ of the proppant that is used is sand – 2 ½ M tons a year right now in the State of ND and that has a value of around $250M a year, so if we can identify sand deposit. In the lower left, you see a ceramic proppant. This is manufactured in China. It is a high aluminum content ceramic. It's made out of kaolinite clay. Very similar to what Hebron brick makes their brick out of. We've got kaolinite deposits, quantified deposits in the Bear Den member in Hebron and west of there of about 29B tons. There's another member – the Rhame bed, which is even larger. We're working on mapping that. Also, some of the soil analysis that we did with NRCDS identified that this SW part of the state has a lot of aluminum in the soil so we think it's pretty promising. The industry is spending a billion dollars a year on this stuff. There are two companies that are in discussion with Commerce and with us about a manufacturing plant in SW North Dakota to make ceramic proppant. What you need is kaolinite clay with a high aluminum content and a whole bunch of natural gas to fire a kiln and processing equipment. We've got lots of natural gas pipelines going through this part of our state and we have clay deposits so we're extremely excited about the job opportunities there.

Senator O'Connell: What's the future for sour crude, what's the discount, how's it getting out of state now and kind of give the committee a history of where it's at and where it's going.

Lynn Helms: Sour crude closed Friday at $88.62/barrell. That's a pretty significant discount. We're talking about crude oil that has more than ½ of 1% sulphur. It is dominantly produced in Renville, Bottineau and Ward Counties. Starting the first of this month, the sour crude was bumped out of the pipeline system. The reason was they had a choice of carrying roughly 6000 barrels/day of sour crude versus carrying 20,000 barrels/day of sweet Bakken crude. Obviously there is significant profit to be made there. The sour crude is then going in trucks and going to Canada. It's all going through Portal, ND and going to southeastern Saskatchewan. There's a long line of trucks at the Portal border crossing. All of our sour crude is now basically exported into Canada. There will be additional discount for sour crude.

Senator O'Connell: The heavier road or infrastructure damage?

Lynn Helms: Even though those counties are not seeing the Bakken/ Three Forks rigs, they're now going to see trucks trucking oil. (Told of EPA rules and they have 270 days to comply with those regulations – that's why they need another FTE.)

Senator Warner: You mentioned adding an FTE, if we fill the library, aren't we going to be adding space? Is that coming in a future biennium?

Lynn Helms explained the condition of the storage boxes in the library and how they reboxed the library and made more room.

Senator O'Connell: Are those cores considered a tight core for 6 months too. Give me a history of how they come in and when can the public see them.

Lynn Helms: Cores are part of the confidential data. What we require in state law is that the core be delivered to the core library within 90 days after the completion report on the well coming in. There's a provision for an exemption or exception to that that 1/3 of the core can

stay with the company for a longer period of time if they're doing testing on it, but we require that 2/3 of it show up at the core library 90 days after the completion report on the well comes in. That goes in a special corner section that's under lock and key and it's kept confidential until six months after the spud date of the well. Then it's available for anybody who wants to come look at it. It gets photographed and photographs get posted on the website.

Senator Robinson: We hear about the activity at the core library and the amount of folks that are in and out of that facility – other than staff, with the amount of activity that is corresponding out in the oil field.

Lynn Helms: I'd like the state geologist to answer that question.

Edward C. Murphy, State Geologist: We typically have one to two companies or probably three to four companies a month come into the core library and they generally stay about 3 days on average. They bring anywhere from 2-5 employees with them.

Ron Ness, ND Petroleum Council
Testified in support of HB 1014 and HB 1343.
Supports the FTEs and additional people needed to work the well sites

Senator Christmann: When we went to a well site, very often in the distance you could see another one. I understood it to be an experimental deal that they were trying to figure out as they go out there horizontally, are they extracting the oil from a few feet or from hundreds of feet. How far apart can they have other wells? Did you find something out or is it confidential with that company?

Ron Ness: What they were doing is what we call a simul-frac. They were FRACing two wells at one time and then they drilled a vertical test well out about ¼ mile to see and try to measure what that fracturing was doing between those two wells. Through that they can determine the length and depth of the fracture. That is something, that through the oil and gas research council, we have been trying to encourage companies to do that through the research council so it's public information because when that company does it, it's not public information. It's critical aspect of knowing the density of wells that you can be able to infield drill with, what's going on with your fracture treatment, so when they do that on their own, they certainly keep that very tight to their vest. We have been trying to encourage companies to do that through the Oil and Gas Research Council. At this point we've got one taker, but we haven't seen it come through yet. It can also help to determine the connectivity between the Bakken and the Three Forks. We were able to do one with the Oil and Gas Research Council which made that public which was very helpful I think in understanding where we're at.

Sandi Tabor, Lignite Energy Council
Testified in support of HB 1014
Supported another FTE to get regulations in place.
Additional testimony –
Patrice Lahlum, Chair, North Dakota Alliance for Renewable Energy (NDARE)
Testimony in support of HB 1014 - see attached #1 in back of State Industrial Commission binder.

2011 SENATE STANDING COMMITTEE MINUTES
Senate Appropriations Committee
Harvest Room, State Capitol
HB 1014
03-17-2011
Job # 15600

☐ Conference Committee

Committee Clerk Signature Alice Delzer

Explanation or reason for introduction of bill/resolution:

A SUBCOMMITTEE HEARING IN REFERENCE TO THE INDUSTRIAL COMMISSION.

Minutes: "Attachments"

Chairman Wardner called the subcommittee hearing together at 11:00 am on Thursday, March 17, 2011 in reference to HB 1014, the Industrial Commission. Senators Erbele and Warner were also present. Tad H. Torgerson and Becky J. Keller.
I'd like the record to show that all people who are in this subcommittee are present. I would like to go over the 1) ND Bond Debt Service. 2) The Renewal Energy Program. 3) The Student Loan Trust 3) Oil and Gas Research 4) Pipeline Authority 5) Transmission Authority 6) ND Finance Authority 7) Lignite R&D Program 8) Dept. of Mineral Resources

Karlene Fine, Executive Director and Secretary, Industrial Commission, talking about building authority, Bond Payment is part of this budget. These are projects that have been done over the years. We went out to the national capital market and got our bonding and got our debt payments and these are called appropriation bonds because we have come back each session and asked for the payment of that debt service. That has been reduced each biennium because we have not been issuing many new bonds. Most recent one was last December when we finished a small piece off for the Veterans Home. We also did a refunding of one the older issues.
Presents **Attachment A, Debt Service Schedule,** this reflects in each biennium, what the debt service payment that is anticipated and scheduled to be made.

Senator Erbele asks, we don't have any bonds that are back further than 2002?

Karlene Fine states, we have issued some bonds in the past but they haven't matured. We are one step below AAA.

Senator Warner asks, does that correlate a point on the percentage? On the bonding, does it make a direct correlation to what our available credit (percentage) would be?

Karlene Fine states, it does and it's advantageous for the initial look at a bond buyer. They will look at the rating and recognize they are in a range. If it was an AAA, they probably would look closer at it. We are perceived as a very good credit.

Senator Warner states, my understanding is the lower the rate because it's higher since you have the capacity to pay it off, liquidate the debt, and pay it off and that would be undesirable from the standpoint of the bond issuer. They want to keep the rate low enough so you will

think twice before you pay it off. Do we have contracts within our indebtedness about liquidated damages and if it makes it advantageous for us to pay off indebtedness?

Karlene Fine states, you have call provisions within your bond documents. We issue our bonds for 20 years and as a 10 year call. You can't take it out any earlier than that. You can actually lose money by paying it off. It's the 10 year provision that forces us to make a decision to redo, refund or being able to pay it off early.

Senator Wardner states, I just wanted everybody to go over this, so they can be familiar of how it all works.

Karlene Fine talks on the **Renewable Energy Program**. This is a program that was started in 2007. It is in its infancy compared to our other research programs. It is focusing on renewable energy. This is the program that we have been getting $3M a biennium from the general fund. The House decreased that amount down to $1M and we are asking that you reinstate the $2M so we have the full funding of $3M. They have been keeping this as a onetime item in the budget. If I had my preference, I would have this in the regular part of our budget rather than onetime funding because I feel this is going to be an ongoing program. This program includes projects such as wind, energy beets and to the cellulosic project down in Spiritwood. Also, some renewable oil refinery is looking at going on at Tesoro. We have some good partners working with us. We feel that this is a program that needs full funding.

Senator Wardner states, the analysis of the fund and on how the fund has been used.

Karlene Fine states, it also includes a breakdown of this and a continuing appropriation so the dollars roll over biennium to biennium and that is important. We don't make a payment until we get a report.

Senator Wardner asks, the House didn't mess with the continuing appropriation?

Karlene Fine states, no they didn't.

Senator Wardner asks, on this issue, it is to reinstate or not to reinstate?

Sandi Tabor talks on the **Lignite Energy**. The Lignite Industry is starting to look at ways and the synergies, between what we do and what bio mass and other renewables, can add to the operations of some of our plants. We are supportive of the $3M. Also the Transmission Authority, there are areas of research that we have yet to even embark on when it comes to transmission deals with intermittency of wind. How we deal with that and ensuring the reliability of the grid. Looking at energy storage projects and looking at batteries and similar things. We have not ventured on that road yet, others have. There are reasons for us to support the renewable energy program. We do want to be on record to support putting the $3M back in the budget.

Senator Wardner states that the person who watches over this program is in the Dept. of Commerce.

Karlene Fine states, yes, the legislature directed us to work with the Dept. of Commerce and so we have a contract with them. **Andrea Holl-Pfenning, Dept. of Commerce**, is the individual that is doing some of the technical work and works with me on all of the projects. The Industrial Commission looks at every one of these projects and determines whether it will be funded.

Senator Erbele asks, can we see the project expenditures why you want the 3M restored?

Karlene Fine, states, I can give you a list of all the projects. The brochure I gave you shows the breakdown of the projects. These are all ongoing or just completed.

Senator Warner asks, are there any ongoing projects that would be endangered if we don't keep that obligation by reducing the appropriation?

Karlene Fine states, no, we have not committed any dollars that haven't already been appropriated for this program.

Senator Wardner states, we will want that information before we make a final decision. We will come back to this.

Karlene Fine talks on **Student Loan Trust**. There is nothing in the book on Student Loan Trust. The Student Loan Trust was created a long time ago. When we went to the capital markets to get funding, that was available for the Bank of North Dakota, to make student loans. Subsequent to that, we haven't needed to do that. The Student Loan Trust is some dollars that we have for our outstanding bonds and we don't have many bonds left. We have about $5M and that is left of our outstanding bonds for the Student Loan Trust. We hold in our portfolio a number of student loans, which are administered and serviced by the Bank of ND. The Bank of ND has sufficient capital to make student loans. There is not a lot of activity in the Student Loan Trust. I monitor the funds.

Senator Wardner states, we will talk about **Oil and Gas Research Program.**

Karlene Fine states this is a program that started in 2003. It started with $50,000 the first biennium and then went to $1.3M and then to the level we have now, $3M and then $4M. It is a continuing appropriation that we have every biennium. $4M goes into the Oil and Gas Research Fund. It a matching program. We have 2 grant rounds, June and November for this program. The book designates how our funding is dispersed. We have Oil and Gas Research Council made up of private sector. There are 2 state employees that serve on that.

Senator Warner states, there was mention of a process that there were firewalls and no one knew who the technical expert was.

Karlene Fine states, the technical reviewers are anonymous to the council members and even to the applicant. We think that is important so they can truly independent.

Senator Warner asks, so then you can make decisions based on recommendations from national pool of experts, not just ND individuals?

Karlene Fine, states, correct. We have been all over the region and across the nation in finding experts.

Senator Wardner states, the funding comes out of the extraction tax. It is capped at $4M. Also, there are grant deadlines of June 1 and November 1.

Senator Warner states, there has been some discussion about developing a Propend Industry within ND.

Karlene Fine states, the most recent project that came to us was from ERC. Lynn talked about a study that is going to be done in the propend area. That is to get some basic information available. We take it to the next step, that if there is research to be done, that we can help fund in partnership with another entity. We are doing some solicitations now in that area, as well as, in the hydraulic fracturing techniques. These funds are an incentive for someone to look at us. The oil industry is so focused on drilling out their leases and making sure that is done and that they may not be taking the time to do some basic research. Our incentives is that "we are going to match you" if you take some time and work on this project. We focus on the fracking issue, gas flaring and also what type of technology can we encourage, to get the rest of the oil out of the Bakken. We have only taken 5% of the oil out of the Bakken. There is 95% left.

Senator Wardner states, these bulletins are in the back of the book.

Brent Brannan, Oil and Gas Research Program (tape inaudible)

Karlene Fine states, we have that automotive regulatory center, Pedigree Technologies. Company in Fargo. We can immediately find out, due to the technology put into place, and it gives us the ability to find this out. It is very important for our safety and our environment and we help fund that research.

Senator Wardner states, we will move onto the **Pipeline Authority.**

Karlene Fine states, we've retained Justin Kringstad from on our staff to put together the information on working with all the infrastructure companies out there. We have carved out $300, 000 out of the Oil and Gas Research. It is not just limited to oil and gas. We have done initial work at CO2 pipelines. It is pretty straight forward. We have done one study with KLJ and Keystone Excel in 2009.

Senator Wardner states, in reference to the funding, Brent has to give up $300,000 to Justin. For us on appropriations, I want to make sure everyone knows where the money comes from. So for those on our subcommittee, when we talk to other people, we are knowledgeable. I have been told you are doing a lot with the rail and it that it is a preferred way to get it out of here by some companies.

Justin Kringstad states, correct. That has been picked up as a very viable transportation option for crude oil. We have seen it start in 2008 but it has gained a major presence here in the basin. Not only pipelines, processing and refining but now on the rail side. Things are moving very quickly out there and a great volume of investment coming, in both, on crude oil

and natural gas. We are expecting a lot of great things to continue to happen in the next few years.

Senator Wardner states, on the information Justin gave us on **ND Oil and Transportation Infrastructure,** page 6, is a summary of how the pipelines have increased capacity from 2007 to projecting 2013 and then also it talks of all the sites as far as rail. Thank you both of working this area because it is pretty important.

Karlene Fine states, the **Transmission Authority**, funding comes from lignite research. We carve out a portion of the lignite research dollars, it's a continuing appropriation, and we will use that for Transmission Authority. Sandi's costs are covered by that entity as well as our costs for the Upper Great Plains Transmission Coalition.

Sandi Tabor, Director of Transmission Authority. When I started as director in 2006, this is a daunting task because transmission is complicated. No one entity has control over it. But over the course of the last 4 years, we identified, in order to get more transmission out of ND; we had to work with our neighbors. You can't just build a line to the border. We have done that with the help of Gov Hoeven. We were part of the Upper Midwest Development Initiative, 5 states. That blossomed into the Midwest Independent System Operator (MISO). They were concerned that they would not have the ability to move renewable throughout the MISO system with the existing infrastructure. The first phase focused on what the 5 states were feeding to them and MISO was helping us with some of the studies because studies are intricate and costly. We had a working relationship with MISO. Ultimately, at the end of last year, MISO finalized the big picture, not just a 5 state outlook but an entire MISO footprint, with the 13 states and the Canadian province, which are members. MISO identified what lines are common to all these options since those are the ones that should be the "starter projects". We have a line now that goes to Ellendale and goes down to Big Stone and then across Minnesota. The significance of that has to do with the other issue for transmission and that is, these are costly projects. Right now, MISO is saying that to build a 340KB line, which is a significant line but not the biggest line, and to build that line in ND would be $1.2M a mile. So cost and who pays it and how cost of those lines is allocated is always been a key issue. The good news is, through some of MISO's leadership and some our local utilities leadership, the federal energy regulatory commission issue and order saying that "if a line qualifies, as a MVP line, it will receive 100% cost allocation across the MISO footprint." That is a significant decision and one that many people are in varying degrees of support but generally speaking, most of our utilities are supportive of it, to one degree or another. It is significant for us because it answers that crucial question. ND citizens could not afford to have the burden of all the costs to be placed on them for these lines that are moving from our state elsewhere. We are optimistic we have hit on something that is going to work. Commissioner Clark and I represent the state of ND and yet at least 2/3rd of the nation wide, through the stimulus bill, there was a significant amount of money granted to each of the inner connections were directed by the federal regulatory commission to do a study about how to upgrade the national grid system. We feel we have a very good model to serve in that process.

Senator Wardner states, whether we are getting it out by pipeline or transmission line, we have to get it out.

Senator Wardner states, we will skip the the ND Finance Authority for now.

We are going to go to the **Lignite R&D Program**. Sandi Tabor will answer any questions for John's testimony. You can make any high points for us. Page 9, and I would like to talk about the funding and then if there are any other comments. The question I have, the coal trust fund, is that the fund we were talking about in the meeting before ours on the school's lands and you can borrow from it for state things?

Karlene Fine states, is housed over at the Land Dept. but there is a portion of these dollars that are carved out for some of that energy impact and they can borrow from it. I am not sure.

Senator Wardner states, there are two taxes on the coal patch, the coal severance tax and the conversion tax.

Karlene Fine states, because of some constitutional measures that were passed, a portion of that has been dedicated to the lignite research program, 50% from coal trust fund, 20% clean coal projects, and then there was some recent legislation in 2009 that provided some additional funds from the coal trust fund. Bring the total amount that comes from that source of about $8.4M and that goes into the Lignite Research R&D program.

Senator Wardner asks, # 1 the coal trust fund, and that is the money that goes over to the Land Department, correct? I don't know where this goes? Sandi states that is correct.

Sandi Tabor states, it goes to the Coal Development Trust Fund but there is a portion of it, constitutionally, that is carved out for us. The rest of the monies are used for impact for coal counties.

Becky J. Keller, Legislative Council states, and they can make loans,

Senator Wardner asks, it is kind of a revolving fund isn't it or is it grants they get out of there?

Becky Keller: (inaudible)

Senator Wardner asks, so why do they need anymore?

Becky J. Keller states, they make a pretty good transfer to the general fund.

Question: I think there is a granting provision that if the coal industry vanishes from the face of the earth, there is a forgiveness provision.

Senator Wardner asks, if they got more money than they need do transfer back to the general fund?

Becky J. Keller: (inaudible)

Senator Wardner states, the Lignite R & D, the 50% that comes from up above, Clean Coal Projects comes up from above, that 20%, and I understand the 2 cents per ton comes in here also. The Coal Conversion Tax, I looked in the Red Book and what is the formula for taking coal conversion tax and bringing it in here?

Sandi Tabor states, the focus of that is because of the cost to demonstrate, hundreds and millions of dollars. We are limited how much we can help the industry. We came in 2009 and asked for grants.

Sandi Tabor states, it is only 10 years and only 5%. It was done in 2009 and we sunseted it for 10 years. Our goal is to try and figure out how to demonstrate, at a plant, a CO2 capture program. The costs are in the hundreds of millions of dollars.

Senator Wardner states, in the previous 8 pages, it talks about all the different areas and needs for this program. Turn to page 10, I know we appropriated the $19.97M but last time I was told about it. It is only $8.4M, explain that to me again?

Karlene Fine, states, that is because the continued appropriations and the dollars stay within that fund. A lot of money is being carried forward as those projects progress or don't progress.

Senator Wardner states, the money is put away and just waiting. There was $500,000 in there and they did use some of it.

Karlene Fine states, that is what was carved out for MN litigation. Our agreement if we don't use it for the MN litigation, we turn it back to the general fund. Section 11, talks about $1.5M being available for lignite feasibility studies. Those dollars do not have to be matched.

Senator Wardner states, there was nothing from the executive budget to the House changes in this budget that is different. Karlene responds, it is just as it was and it is stated, she is satisfied with it. I wanted to understand where the money was coming, going and how it got there. On the $500,000, we put that in two sessions ago. That has been laying there since. It is all because MN is kind of stubborn.

Sandi Tabor states, John indicated we are making progress. We are cautiously optimistic.

Senator Wardner states, what we will do are to recess now. When we come back next time, we are going to do ND Finance Authority, Karlene will give a report on that and bring Lynn in and go over his material and then one more and finish the rest. **We are adjourned**.

2011 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee
Harvest Room, State Capitol

HB 1014
03-21-2011
Job # 15717

☐ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A SUBCOMMITTEE HEARING ON THE INDUSTRIAL COMMISSION

Minutes: "Attached Testimony."

Chairman Wardner called the subcommittee hearing to order on HB 1014. Let the record show that all conferees are present; Senator Erbele and Senator Warner. Karlene Fine, Industrial Commission was also present. Tad H. Torgerson, OMB and Becky J. Keller, Legislative Council were also present.

We will discuss **Housing** first, **Bank of North Dakota** second, **Mineral Resources**, and then **Mill and Elevator**.

Mike Anderson, Executive Director, ND Housing Finance Agency, with me is **Pat Nagel, CFO**. I handed out packet of charts. (Testimony attached # 1). Why our budget projections are what they are. I talked about our budget 19% lower than last biennium. Our loan loss reserve requirement is being reduced down quite a bit. We had a $300,000 reduction in our loan service release premium expense item and a $600 reduction in our interest. We warehouse loans as much as we can before we issue bonds. Those reductions are a result of our buying fewer loans during the proposed biennium over the last couple of bienniums. The cost of funds, for us to be competitive, we may not be as competitive because of where the interest rates are at today. The federal first time homebuyer credit that was part of the stimulus package has gone away. We expect to see a slow down.
Chart of our Total Assets (Testimony 1) as of June 30th of each year. (1998-2010) There are two sets of bars on chart. The vast majority of our assets and program expenses are with our bond indentures. That is referred to as 94 & 09 general resolution. Then there is a total. Page 2, this is **Fund Balance** by year. We have to collateralize every time we issue bonds. When we issue bonds, bonds are financing at least 100% of the principal we are buying. We have to use agency assets, which accrue over time, to collateralize those. Page 3, **Capital Analysis.** You will see that our margin is less than 1% on that indenture. That is minimal and that doesn't give us a lot of room for unexpected events that can happen.

Senator Warner asks, could you explain the nature of the requirement, is that state or federal legislation or standard accounting practices? What was the piece of law or regulation which required you to divest?

Mike Anderson, states, it is a function of the capital markets when we issue bonds. We have to demonstrate we have a predictable revenue stream, not only from mortgage payments but investment earnings we have, until we use those funds to call bond debt. It is really a function of the capital markets and our ability to maintain our ratings.

Senator Warner states, it is something this legislature would have influence on.

Mike Anderson states, that is correct. On the right side of the page there is a reconciliation of the agency operating fund balance. This is to explain that this is not liquid assets. It is not cash in the bank. It is an example of some of that $15M. We could pull out $3.6M that we could draw out of the indenture but at the risk of the indenture fund balance, if we would take that out. The last bond issue that we did last fall, we had to pledge an additional agency asset of $3.5M to get the rating we wanted on the issue. Those are mortgages that the agency owns not the indenture but we have pledged them for revenue purposes, cash flow purposes for the indenture for that bond issue.
Mike continues on with testimony. Page 6, this chart is a reflection of the number of loans under our first home program we purchase on an annual basis. The pink line is the number of loans and the green line is the aggregate principle amount of loans. The principle amounts of loans continue to go up other than last year but the number of loans are going down. It is a reflection of the economic downturn but our average loan amount is going up. We are buying fewer loans today but as much principal balance as we have had in the past and even more.

Senator Wardner state, keeping your parody up is one of your biggest challenges. Is that correct?

Mike Anderson states, that is correct. That is one of our biggest challenges.

Senator Wardner states, so that is why you get the highest bond rating. Answer is correct.

Mike Anderson states, I don't think there were any House changes to our bill.

Bank of North Dakota (green sheet)
Eric Hardmeyer, President of Bank of North Dakota.
Instead of going through my testimony from last week, I simply will ask you if you have any questions at this point?

Senator Warner states, he was intrigued by your concept of an Economic Development Campus and building a new office building. We have talked about a few different combinations of agencies and trying to reduce rents that we pay or will there be some consolidation of agencies into similar locations. Could you elaborate a bit on what agencies would you anticipate bringing in? Would it make sense for the state to build a building or for the Bank of ND to build a building and lease it to the state?

Eric Hardmeyer states, this provision was put in there the last biennium based on the discussion I had with the House Government Ops. In particular, Rick Berg. He asked me about these properties that are located on our southeast quadrant. He asked if I had any thoughts on that? I have. Those properties are both listed for sale and we are actively

engaged at this point in working with the property owners to purchase those properties. It was written into the session law that we buy those properties, with the idea of developing those into things, that further expand on the mission of the Bank of ND. What that flows into is the Economic Development Campus for the state of ND. The agencies that I would think that would fit the best for what we are doing are those that are engaged in economic development. The Dept. of Commerce, ND Housing and Finance Agency and there could be several others. As we have looked at the property and looked at the analysis, we calculate if we purchase those properties, we could put up a facility and have adequate parking for about an 80,000 sq. ft. building. The Bank of ND right now is in 60,000 sq. ft. A lot of agencies are in there already.

Senator Warner asks, do you know how much the Dept. of Commerce has over at WSI?

Mike Anderson states, I understand that they have 20,000-25,000 sq. ft. and they are a growing agency. You asked me whether it would be easier if BND to own it or the state? It could go either way. We could own it and lease it. The state could put up a building. We would have to do some analysis there.

Senator Warner asks, is there any federal agencies that could relocate?

Mike Hardmeyer states, we do have SBA in there now. Rep. Berg at the time had a different idea of private ownership. Some service orientated companies along with some state agencies.

Senator Warner asks, any estimate of the cost of the building?

Eric Hardmeyer states, the cost of our building, 62,000 square feet is about $13M. We are looking at other property, I think we could purchase for less than $500,000. It's down to construction cost. We could do the math that way.

Senator Wardner states, I like the idea of having it all in one area. Things are going well there. Leave it the way it is.

Senator Warner asks, is there any enabling legislation to develop the concept of the campus?

Eric Hardmeyer states, the first thing is to acquire those properties. We do have authority to do that. Other than that we don't have anything further than that.

Senator Warner asks, is there any political or partisan ramifications to buying from a particular owner?

Eric Hardmeyer, states, I am not aware of any. The two existing property owners don't have any objection. The one concept we talked about, was payment in lieu of property taxes. That came up from the city, we put our old property back on the tax rolls and then that would be revenue producing properties for the city. When I have talked to the mayor and city officials they are very supportive of this. We have talked about payment in lieu of property tax.

Senator Wardner states, thanks for coming in.

Dept. of Mineral Resources, Lynn Helms, Director of Mineral Resources Dept.

Senator Wardner states, we want to make sure about all the FTE's. We did send the bill out that would allow you to hire early.

Lynn Helms states, I saw the record where you voted that out with a unanimous with a DO PASS. It's on the floor this afternoon.

Senator Wardner states, (Page 9 of testimony) Everything in the governor's budget and the requests you made, looks like most of it is in.

Lynn Helms states, I would like to sum it up in two words, recruit and maintain. That is the key for our budget. On page 9 and last page 16 and 17, there is a great deal of recruiting, comes to 14 FTE's and some discussion, one FTE did not happen on the House side or governor's budget. With regards to the House side, all of their changes are positive and that is on the recruiting side. On the retention side, of the field inspection staff we have, if I count the 23 folks that are in the operation, 8 of those people have over 20 years experience. 11, have less than 10 years experience, 4, fall in between. So we are again in a situation where the extremely valuable experienced people, when you have situations like Killdeer, New Town and Arnegard, those are the 8 people in that 20+ category. We have to do something to retain those people. We steered the bulk of the money we got from the marketing equity funds this biennium, into recruitment. We have been very successful there. (11 people, less than 10 years). We have not done well at retaining them long enough to get them to the 10-20 year experience range. Their salaries would only competitive in Mexico or SE Asia. So again if we can focus on RECRUIT AND RETAIN.

Senator Warner asks, do you think the younger population are not as committed and more mobile?

Lynn Helms states, yes, the competition for those people is fierce. They just have graduated from college and they haven't been with us long enough to catch the commitment bug. This generation does not have that mentality. They've been told to expect to change careers several times. The 3 year time period is when they start to pay back the benefits of probationary period etc. We are extremely grateful for the market salary money that is in the governor's budget, grateful the House did retain that. It is strictly focused to engineers and geologists. Now we are going out to recruit, over the next biennium, 8 engineering technicians.

Senator Wardner states, your concern is, you don't have the market dollars to compete for those people?

Lynn Helms, states, yes that is correct. We asked for 1.2 million, and we roughly got $256,000. At the same time, when we put that budget together, we were at 135 rigs and thinking 170 was a lot. Today, we are at 172 drilling rigs and thinking 225 is realistic.

Senator Warner states, these are not office jobs. Physical requirements of the job?

Lynn Helms states, in order to function as a field inspector, they need to get the training. They need to get out of the pickup easily. They have to put on mask and uniforms. They need to be carry equipment. (35 lbs.) It is a physically demanding job plus acquiring those intellectual skills. As they approach their retirement years, they'll be looking for a desk job. As far as physical location, we have acquired additional space, we moved our guys downstairs in Minot, and so we have ample space. We may put them in Minot, only two hours away.

Senator Warner asks, could you outline the land sources from special funds that are available?

Lynn Helms states, the fees that we charge do not finance our ongoing activities. We charge fees for drilling permits, temporary abandonment renewals. Those go into the Abandonment Restoration Fund. The only one that pays ongoing expenses is the carbon dioxide storage administrative fund and the House put $500,000 of seed money in there. The rest of our funds are used for plugging abandoned wells or bonding. We don't charge fees for covering salary and operating expenses.

Senator Warner states, would the industry tolerate the assessment of fees?

Lynn Helms states, they are been very resistant to it. In most states around us, the oil and gas production tax contains a mill levee that is dedicated to that type of work. That is how it is funded, a mill levy. They're used to paying it in other states. They feel they are taxed very heavily in this state already and money should flow through the general fund to cover our work.

Senator Warner asks, would it be possible to get a survey of surrounding states and agencies, and how much it costs them etc.

Senator Wardner states, it will be Becky that gets that for us. Check with Wyoming, Montana, South Dakota and how they fund their oil and gas commissions. The $1.2M that was cut down on the governor's budget?

Lynn Helm states, that is correct. That request was based on this publication here. Every year JobService ND puts this out, **Wages for ND Jobs**. I go through it and analyze every position in my agency, with regards to how it is presented in here.

Senator Wardner states, that is when you came up with your $1.2M, correct.

Lynn Helms states, that is correct. **JobService Data 2010** sheet (Testimony attached # 2). He explained this sheet to the committee. The numbers that matter are going to be at the very bottom. The $1.2M is double of the $542,875 at the end of the column. Annual number. The difference between what we are actually paying and what we would target, based on JobService figures, is $543,000. Double for biennium. That is the analysis I do every budget cycle to compare, not necessarily petroleum engineers around the US, but are likely to leave (3 years to 10 years) for a similar job in ND in the private sector. This would provide them with a 25-30% salary increase.

Senator Warner asks, the numbers on the right, that is exclusive of benefits?

Lynn Helms states, there would be a small benefit multiplier. Their insurance and retirement are factored in. The only difference would be the state's share of SS income tax. It's a small piece.

Senator Warner asks, the retirement benefit would rise with their salary?

Lynn Helm, states, it would rise with their salary. Currently 4%. I came up with about 10% difference between these numbers and if you rolled in the benefit increases on top of them. The insurance won't change, the really big one in terms of the benefit package.

Senator Wardner asks, even though the state pays the whole thing, we credit half of it to the employee and half of it to the state? Retirement would be on top of this.

Senator Wardner asks, that is your biggest concern, the equity, the market salaries. Anything else in the current bill the way that it is sitting?

Lynn Helms states, the second one is the FTE at the Core library. At the time we did the budget with the OMB, we were at 135 drilling rigs but that has accelerated we now have entered into a situation, if we continue with the existing process, we will fill the Core library by July 2014.

Senator Wardner states, you're intention up there was, if you could get help up there, you could add more samples by organizing.

Lynn Helms states, (Testimony attached #3), Wilson M. Laird Core and Sample Library. Page 2, shows what we can accomplish by reboxing. Page 3, shows how we shelve the boxes. We are just in discussion with UND, the cost to expand this facility is approximately $2M. Do we need to start looking at a bill that gives us $2M by July of 2014, or do we add this FTE in Grand Forks, delay that cost until Jan, 2018?

Senator Warner states, I think I know what a sample is. That is what actually comes out of drilling hole as ground rock. What is core? Is that a separate process from the oil drilling?

Lynn Helms states, cores are obtained by running a hollow diamond bit. It has a whole in the middle. It grinds away the rock, leaving about a 41/2 solid piece of rock in the center. There is a core retriever, so it can pull, 30-60-90 ft. of that 41/2 inch diameter solid rock mass out of the well at time. They use a special bit and a core retriever in the hold and collect that rock sample. They need that for measuring geomechanical properties for hydraulic fracturing.

Senator Warner asks, what's the process they use to determine where the property is that they want to study?

Lynn Helm states, it's from these drill cuttings. There are electrical logs that measure rock properties. The geologists create a log of what they saw in these drill cuttings, what kind of rock there was. How much fluorescence there was, hydrocarbon was present etc. Then they determine where the best potential is. Then they spend a huge amount of money that it takes to collect a sample like this. These are routinely collected in the drilling process. To gather a sample like this is about $150,000-$200,000 to collect it and send it off to CORE lab to be

evaluated. They use the drill cuttings extensively to plan this work which then results in the design of the hydraulic fracturing.

Senator Warner asks, do you see a time when we can start collecting digital data and no longer have to have the physical space required for the physical asset? Put the information in a data base and we wouldn't have to have a CORE library anymore?

Lynn Helm states, not in my lifetime. It is technically conceivable. However, what other states have discovered is they made a huge mistake by not constructing a CORE library like we have and they are lost forever. When Hess moved from Tulsa to Houston, some (10-12%) didn't make it to the Houston warehouse. Part of the difficulty you are talking about is knowing what the next unconventional resource play will be. What they love is having this stuff sitting on the shelf somewhere so when someone comes up with the cuttings and comes up with an idea, he can travel to GF and collect samples and ship them off to a lab.
That is the question before you. Two questions. The recruitment business is taken care of. The retention side, is there more that needs to be done to retain experienced people and have money to apply to those. Some time in this decade, a $2M expense to expand the CORE library and walk away from the vision, when it was built, would be a colossal mistake. There is another one in Oklahoma, Alberta has a better one, but charges a lot of fees. We are looking at a $2M fee to expand that. Would we be wise stewards to delay that requirement by 3.5 years by adding some personnel to do the re-boxing and re-shelving?

Senator Wardner asks, the individual that does this, do they have to have special training? Some kind of geology background?

Lynn Helms, states, we would like to hire an engineering technician. Geology minor at NDSU would allow them to do this work. They will be working side by side with the industry geologists and subsurface geologist that manages the CORE library.

Senator Wardner asks, if the place fills up, what do you do? Not take any more samples.

Lynn Helms states, we are contemplating, eliminating or reducing the level of sampling. I feel it is not a good policy decision. We did for a period of time at this site, use outdoor storage, unusable in winter months, on a temporary basis, not long term.

Senator Wardner states, studying these cores and samples, does it unlock the key to new techniques of capturing more of the oil in the formations?

Lynn Helms, states, absolutely. People are looking for unconventional resources. They want to go back and sample every shale bed for total organic carbon and if it is thermally mature or not. A lot of lab work being done at the Geology Dept. at UND, to improve the recovery process that we have.

Senator Wardner asks, any questions any comments. Lynn, do you have anything. Not meet again until Wed. or Thursday morning. We may have to have you come back. We got the recruitment and retention part.

Sandy Tabor states, the Lignite Energy Council is very supportive of the money that the House put in for the carbon storage and capture, the seed money that was put in. It is very important.

Senator Wardner states, we will recess.

2011 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee
Harvest Room, State Capitol

HB 1014
03-23-2011
Job # 15880

☐ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A SUBCOMMITTEE HEARING ON INDUSTRIAL COMMISSION

Minutes: "Attached Testimony."

Chairman Wardner called the subcommittee hearing to order at 10:00 am on Wednesday, March 23, 2011 in reference to HB 1014. Let the record show that all conferees are present, Senators Erbele, Warner and Wardner. Tad H. Torgerson, OMB and Becky J. Keller, Legislative Council were also present. Lynn Helms and Karlene Fine from Industrial Commission were also present.

Senator Wardner states, he would like to talk about the requests we went over last time from the Dept. of Mineral Resources. I did get an email from Karlene. (Written Testimony #1)

Lynn Helms, Director, Dept. of Mineral Resources. I wanted to correct some wrong information that I gave you Monday morning. That was, in response to Senator Warner's question about benefits, with regards to the market salary increase. The reason that the $542,000, at the bottom of the column, when you double that, you don't come up with $1.25M. That was in the request because we did run that through the salary model and so the $1.25M does include the impacts on social security, retirement etc. We had run it through the salary model, the $542,000.

Senator Wardner states, I am going to use this as an outline. (Testimony #1). The email states, **under the DMR: Keep all the amendments made by the House**. Committee members, I am going to go through some thoughts going through my mind. It also has to do with the renewable. The House cut $2M out of there. We can reinstate the $2M or we could reinstate part of it, such as $1.5 and use the rest for the Dept. of Mineral Resources. Keep that in mind as we go forward. We could reinstate it all and then we will above the executive recommendations, if we do some of the things for the Dept. of Mineral Resources, that are asked for. For me, as Chair of this committee, keeping all the amendments made by the House, absolutely I like all the things for the Dept. of Mineral Resources. I was reminded when the budget was made by the executive branch; they had 135 rigs in the field. Today there are over 170. As we move forward, we need to make sure this industry is well supervised or else we will run into more issues, like we have at Alexander, Killdeer and Bowbells.

The Core Library: I think we should go with the temporary. I would like your comments on it.

Senator Erbele asks, on the Core Library, how much activity is there per sample, does everything get looked at as it comes in, are there old samples that don't have any activity or can they be warehoused someplace else?

Lynn Helms states, everything gets looked in as it comes in. With regards to follow up study, it sort of runs in fads. We pull Bakken and Three Forks samples and cores off the shelf where we almost wear out the boxes. But no has looked at some other in years. There probably are some that can be moved but they would have to be re-boxed. They were collected and shipped to the Core Library back in the 1970's and 1980's in the boxes that they used at that time. Not the efficient procedure we use now. We can do that but we'd still have to re-box them to store them off site, if we were going to maximize the efficiency of this.

Senator Warner asks, do you allow the destruction of samples, cores of cores to be taken for testing?

Lynn Helms states, we do. We are in a big project right now with UND Center of Excellence and with the EERC, where there is a lot of destructive testing going on studying hydraulic fracturing. There is some loss of core over time, although it is small. We do identify the best set we have, the best set that typifies that section of rock and we try to preserve it. We try not to allow destructive testing but there is a lot of destructive testing that goes on. When you looked at the numbers, the concern here is that we initially proposed this to the executive budget, our focus was really on the geothermal activity in the Red River Valley and also the increase in the number of rigs is a factor. The OMB stated that we really can get by without another FTE. The position that it puts us in is, if we are going to run out of room in the CORE library, July 2014, that means we can get through this biennium and we can come to the new legislative session in 2013 and ask for the $2M for the expansion and hopefully it would go through. It would mean it would have to be built within a year of virtually, of you signing the dye in the 13th session. We need to do something to extend that.

Senator Warner states, what I was leading to was their lab equipment in the Core Center, which I think I understand there is not, but there is on campus.

Lynn Helms states, yes, there is equipment on campus in the UND Geology Dept. and over at EERC. There is in the Core Library, sampling equipment, they use our unloading bay to drill the exact size they need. The testing and looking at chips, under the electron microscope, that happens somewhere else in GF or someplace else in the US. There is equipment located in the warehouse, rather than ship it, we ask them to bring their drill press into the Core library and drill here.

Senator Warner asks, who owns the information derived? Who owns those two data sets of information?

Lynn Helms states, if we allow core to go out the door for analysis, we require that the results of the analysis. They have to bring that information back to us at the CORE Library. It belongs to the state of ND.

Senator Warner asks, the things that are taken from the company, privately paid for coring, the analysis that they do, is that public domain?

Lynn Helms states, most of it becomes public domain data. The rule is, there are some loopholes in the rules, all the basic core information, the foundational stuff, we require that to be submitted and become property of ND. We allow interpretive data, where a company has an individual concept or idea, about how to calculate some basic data from the core; we haven't made them submit that. The basic foundational data all belongs to the state of ND and we require it to be in our files.

Senator Warner states, so a competitor could look at the data and come up with their own paradigm for interpreting it. The answer is, correct.

Senator Erbele asks, is every core unique, are some similar?

Lynn Helms, states, they are all unique. It varies a great deal, even in the Bakken, the texture of the rock, the bed boundaries differ from core to core, and we are very slow to give or throw away. When the Water Commission did their drilling on the Spiritwood aquifer, since we had room, we saved all those samples. We asked them to take what they want and the rest will go to the landfill. When the missile silos were dug, we kept those samples. Many of those will go out the door as well. If there is question about how the sample was collected, we'll end up tossing it. Now that we are in this situation, they go to land fill. A CORE warehouse, simple stuff, these are the kind of details we have to wrestle with. We don't throw away something that has value. We've had the luxury in the past to store those things but we don't have that anymore.

Senator Erbele asks, what will that do in terms of room? Are you figuring that in? The answer is that it is figured in.

Senator Wardner asks, do they take a core on every well that's drilled? He was told no and are you the one that tells them they have to core?

Lynn Helms states, we tell them they have to log and collect samples. We don't require cores. They drilled 1200 wells last year and we received probably 10% or less but we have samples on every well. We hate to do it because we already increased sample intervals on wells from 10 ft. to 30 ft. Most of the rock units in ND are 20 to 40 feet thick. If we increase that interval any more, you could entirely miss a rock sample.

Senator Wardner states, our choices are to leave as is, to go temporary and get a full time FTE. I am open to any discussion.

Senator Warner states, the temporary nature of the job, we feel the workload needs to match the employee status.

Senator Erbele states, I want to think about the temporary position. What would $90,000 do for you?

Lynn Helms states, that would buy us 12 to 18 months. We could go outside the student market, they work hard, and they get excited about geology. Their schedules are a problem; they need to get their degree. This would allow us to go out and make a serious bid, to get that employee to work 20 hours a week. I think we could buy ourselves 12 to 18 months. So if we get approval to expand the CORE Library in the next legislative session, we will have time to do the construction.

Senator Wardner states, we are going to move to **Retention Equity Market Money**. In the executive budget they put in $255,819.

Tad H. Torgerson, OMB, states we looked at this a lot, recognizing the need that was pretty evident. The reason we did not fund the full amount was that we looked at the number of FTE'S we were adding, in comparison to the rest of the agencies, we looked at. We were careful with anything with market or equity adjustments across the board, with all of our budgets. Basically what we did was we took the data Lynn provided and we narrowed that down to just geologists and petroleum engineer positions. Based on that data, if there was anybody at the 100%, we excluded those. We focused on geologists and petroleum engineers.

Senator Erbele asks, you used the numbers we got from Job Service data?

Senator Erbele states, when you are talking retention, look at the darkened range on the sheet.

Lynn Helms states, that's correct. It applies. We just did recruitment for a petroleum engineer in Dickinson. We had a person we hired and at no fault of the state, he had a hard time finding housing and stayed with us two years. We recruited his replacement, a young lady from Montana Tech. She did not take the job. We had to go with the last choice, with regards to filling that job. We had problems there. The amount of money in that fund allows us to recruit or retain but it doesn't allow us to do both. We will be faced with a choice. I think both are important based on my experience.

Senator Erbele asks, with the $255,000, you will do one or the other? The darkened areas, are those the targeted area? (Testimony #2).

Lynn Helms states, the $255,819 are the darkened areas that are less than 100% of Job Service ND.

Senator Erbele asks, we want to move everybody up to 90%? He was told yes. Would that help at all to solidify that? Can you deal with retention and recruitment then or would you still have to be only deal with one or the other?

Lynn Helms states, I think it allows me to do both.

Senator Wardner asks, if we were to double it?

Senator Erbele states, just picking out those darkened areas and picking out those that are below the 90%?

Lynn Helms states, if you brought every one of those salaries up to 90%, in those shaded areas, is what I am referring to.

Senator Warner states, I would be open to that.

Senator Erbele states, I picked through those shaded areas, which are his high needs, we go through the list and cross out everybody over 90% and then we recalculate.

Lynn Helms states, it would be a good math exercise to run, to see what the dollar amount would be. To do both, we need double the money of what is in the executive budget. I totally understand where Tad was coming from. However, it was a different world in June and July of 2010 than it's going to be in June and July of 2011 and 2012 and 2013. Lynn will calculate the figures.

Senator Wardner states, we had V. Chair Grindberg give us an amendment. This was for a specific research project and it was to transfer $10M from the permanent Oil Trust Fund to the Oil and Gas Research Fund, which already has $4M in it and this would be on top of that. It is for a specific project.

Lynn Helms states, you are right, this is for a specific technology, Sensor Technology at NDSU. It was a separate bill that was defeated by the Senate. This would target one specific area of Oil and Gas Research. The research they are doing potentially has value. It's in a laboratory stage right now, this would be lab research, and it's out of my comfort zone to put 2 ½ times, the Oil and Gas Research Councils funding, added on top of that funding for a specific technology project. It is outside my comfort zone. I think the technology has value. I think ND could and should be a player in this thing. The technology isn't oil field specific either. It's a sensor technology. It is in the very early stages of development.

Senator Wardner states, I told V. Chair Grindberg that we would bring it forward?

Senator Warner asks, is this a locational device or does it change the mineral content?

Lynn Helms states, it's my understanding that this new type of sensor can be permanently installed in the Bakken, at a well. It has the ability to sense individual chemical molecules. It would be able to identify nearby to the well bore oil molecules and also be able to detect the movement of them. You would be able to instrument a 2 mile lateral and not only detect how much was flowing in; you would be able to tell if you did a go job with the hydraulic fracturing, if you maximized that or if there was more to be gained. As you move into enhanced oil recovery, which we all hope comes about in Bakken and Three Forks, this would be very good at detecting carbon dioxide or things injected or manmade things that are not naturally there, as they left or as they came to a producing oil. It has a lot of value. You would not, in passing this, be specifying it would have to go to this project. It would be put out on bids. The $10M won't even get you close to the cost. It's hundreds of millions. Again $10M is a great deal of money to a research group working at NDSU but in the scope of the whole project, it is a small amount because it will take hundreds of millions to get this into its useable state.

Senator Warner states, if we had that kind of money I just as soon put it in to the salary side.

Senator Wardner asks, any other questions? Karlene will do that calculation. The next time we meet we will discuss the options we have.

Senator Warner states, I asked Karlene earlier about the succession plans with critical executives within the department, the adequacy of salaries, compared to the private market and the proximity to retirement. Do you have any comments?

Lynn Helms states, I want to hand out a graph, it's a comparison of salaries of what they could get in industry. There are 7 geologists in this first group and 6 in the last group and no one in between. The 26+ year people, half of my geology staff, has hit the rule of 85. So, half of my geology staff has hit the rule of 85. They are not 62 yet so they can't afford to go off the state's health insurance program. That benefit is keeping people 5-6-7 years beyond that rule of 85. So in 5 years it is going to make a big impact. The engineering side, it is almost the same picture. 0-10 is 13 and then 1-1-1 and 6. Of that staff, 6 of them, including the assistant director, the field supervisor and each of the district supervisors in each of the field offices are at the rule of 85 or within a year of it and will looking at retirement in the next 5 years. We need to talk about retention. I have to retain the young folks, or middle age. We are working on succession plans. It's not a very pretty picture because over the years, we have not retained the midyear talent. We've not kept the salaries up, when they got to 10 to 12 years, they went out the door. I don't have people to step into those positions that will be affected.

Senator Warner states, bank examiners, they treat state employment as a graduate course, that give them a high placement in industry. It's an interesting discussion. I know you will make an executive decision based on the allocation of the resource that we allot based on where you think it's going to do the most good and it wouldn't be appropriate for us to be directing towards one or the other of those cohorts.

Senator Wardner states, state auditors are going through the same thing.

Lynn Helms states, I am not in this job for the money. I've turned down a couple of good offers this year. The commission has been good to me and they try to move my salary to an average engineering manager salary. I am very satisfied. I am not in this for the money. I fully intend to stay until I am 63. That means you get about 9 more years.

Senator Wardner states, you both are much appreciated and everyone dreads the day when you walk out the door.

Lynn Helms, when you look at those numbers, with the money we got last session from the equity pool and recruiting bonus money we have been very successful at recruiting but not very successful at retaining that mid talent pool. We need to hang on to those 26+ people until some of these 13 and 7 moves out of the 0-10 years.

Senator Erbele asks, going back to the salary sheet, what's typical and average?

Lynn Helms states, in the Job Service data, average is the mean salary across the state. Typical is the median. I made a call as to what I thought the individuals are and which numbers were most representative of the job that they are doing. I have chosen to use the average number for people who are doing a 5 to 10 year experience level. If they are over 10

years, but really don't have the desire to move into management, rather be supervisor worker, and worry about a lot of HR situations, that is how I categorize them. Entry is the new guy coming in and being trained, once they reach those 2 to 3 years, they can do their job, then I move them into the average category. If they are willing to be a supervisor worker they are typical. Then experienced ones are managing and have been around a long time.

Senator Wardner states, I would like to go through the **Mill and Elevator** request.

Karlene Fine states, passed out the sheet on the 4 positions at the **State Mill** that was cut on the House side that we would like reinstated. (Testimony attached # 6.) **State Mill FTE Budget Request**. Asking for two railcar checker positions, one Lab Tech and one Sales Rep. These dollars come from the Mill dollars.

Senator Wardner states, this is a business. This is special funds, not general funds.

Karlene Fine states, if you have a rail car that goes out and it turns out there are a speck in there; we can end up in lawsuits. The cost of taking one railcar all the way to its location and find it's rejected, really plays on your numbers. If you end up in a law suit it is very costly. We stress that you have to have clean rail cars.

Senator Wardner states, the plan will be, we will meet again and will have Karlene there. On the table, will be the **Renewable Energy Research Fund**, the **CORE** position for mineral resources, any equity or market dollars we want to add and deciding whether we are going to reinstate the 4 positions, that were in the executive budget.

Senator Erbele asks, of these 4 positions at the Mill, were they prioritized at all and what would they be?

Karlene Fine states, it was in this order, 2 rail checkers, one lab tech and then sales rep.

Senator Wardner states, keeping those cars clean is really important.

Senator Warner asks, is there a process that it is loaded like a fluid?

Karlene Fine states, we do both and we have the big totes as well as the rail cars.

Senator Wardner states, we won't meet tomorrow. We will meet Monday, hopefully Monday morning. Thank Becky J. Keller for the info. We are in recess until Monday morning.

2011 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee
Harvest Room, State Capitol

HB 1014
03-28-2011
JOB #16048

☐ Conference Committee

Committee Clerk Signature Alice Delzer

Explanation or reason for introduction of bill/resolution:

A SUBCOMMITTEE HEARING ON THE INDUSTRIAL COMMISSION

Minutes: "Attached Testimony."

Chairman Wardner called the subcommittee to order at 10:30 am in reference to HB 1014. Let the record show that all subcommittee members are present; Senators Wardner, Warner and Erbele. Tad H. Torgerson, OMB and Becky J. Keller, Legislative Council were also present. Karlene Fine and Karen Gutenkunst from Industrial Commission, Lynn Helms, Director, Dept. of Mineral Resources.

V. Chair Grindberg introduces amendment 11.8157.01003.

V. Chair Grindberg states, earlier this session, I introduced a bill that would provide funding for a demonstration project for increasing the percentage of oil extraction, in particular, the Bakken. The bill was heard in Senate Natural Resources, it did not pass and defeated on the floor, is why we have this program now, the Oil and Gas Research Fund. It automatically renews every biennium with $4M available for research projects. That said, what I am proposing is that this project is working on an application, a sizable project. I propose that it provide a trigger to increase additional funding into the Oil and Gas Research program, for next biennium. If after review from Commissioner or Commission on Oil and Gas Research Grant Program, it may possibly require additional funds above the $4M. Pursuant to budget section approval, we could provide additional funds for additional research projects and in this particular case, that might apply for $1-2M and bring in matching funds etc. That is the intent behind the amendment and felt that this should be considered.

Senator Wardner asks, if there is a request for additional funds, then it would trigger the transfer of $10M in from the permanent Oil Trust Fund?

V. Chair Grindberg states, that is my understanding. No magic with the number $10M, this project will be applying for a larger grant, the folks are excited about it. I'll send you the white paper on down hole imaging. It is using sensor technology, to be able to detect what is down 2 miles and monitor that, improve technologies to increase the amount of oil coming out. We have discussion technology leaders, who are from the western part of the country.

Senator Wardner asks, it would only be transferred unless if they okayed the project?

V. Chair Grindberg states, yes, if they okayed the project and other projects that would max them out at the $4M that will renew July 1, 2011, this would provide them additional funding per budget section approval.

Senator Wardner asks, any questions or comments?

Lynn Helms states, we discussed this last week. This is triggered funding, if the research council was to use up its $4M allocation, it would make application for this money and the money would then be available. It is different than what I understood. I thought this was going to take the research council from $4M to $14M. It would only be triggered, if the research council had used its full $4M and make application for the additional $10M, based on a grant application, in this research area. That in my mind, is a much more acceptable process.

Senator Wardner states, I thought it was that way too.

Senator Wardner states, we're going to take up the other issues on the budget. We've got the **Renewable Research, Retention in the Dept. of Mineral Resources and the Core Library**.

Karlene Fine states, in regard to the Mill, there were two pieces. Reinstatement of 4 FTE's and the additional dollars they needed for unanticipated costs for energy for $564,064.

Senator Wardner states, those are the areas, the Renewable, Dept. of Mineral Resources, retention and Core Library and Mill and Elevator, 4 FTE's and increased energy costs.

Inaudible conversation.

Senator Wardner states, those are the areas we are going to talk about this morning. My hopes are that we can give council direction to do the amendments.
#1. **Renewable Research**. I am going to propose to add back $1M, it was at $3M, in executive budget, the House cut it to $1M, and I am proposing to add $1M. This area is open for discussion to committee members.

Senator Warner asks, at this time there is no designated projects, this is a "pool of money" that could be used for renewable grants, correct?

Karlene Fine states, correct, there is no designated projects.

Senator Warner asks, there is no prioritized waiting list of projects, or is there?

Karlene Fine states, no not at this time.

Senator Wardner states, there could be. There could be more requests than what is available.

Senator Erbele asks, what has been in the fund in the prior biennium?

Karlene Fine states, there was $3M from the general fund. There was some carryover dollars, from some special funds that had appropriated, in the prior biennium. They are committed or in the process of being committed. We had one project that just got returned to us. With the good news of the Tesoro expansion, $500,000 came back to us, so there will be a little bit more to carry over than I had anticipated a week ago.

Senator Warner asks, so this includes wind, biomass and ethanol? The answer is yes.

Senator Wardner states, I appreciate that new information, unless there is no objection, add $1M on the amendment.

Dept. of Mineral Resources.
I do not want to assume. I thought we were comfortable with the temporary at the Core Library. $90,000 is that what the rest of you feel? The next one, the **Retention**. Senator Erbele talked about the 90%. You have a sheet that was handed out. If we went to the 90%, the executive budget put in $255,819. (Written Testimony #2) indicates that on the 90%, he needs $314, 215. If you subtract the two, you need to add another $58,396 to reach that threshold. Committee members, you can see what it would be at 95% and 100%. Discussion.

Senator Warner states, I would like some discussion on the 95%.

Senator Erbele asks, of that $255,000 in executive budget, the House didn't take that out. We are not reinstating $255, 000?

Senator Wardner states, it is already there, we would be adding to it, $58,000, if we go to 90%, if we go to 95%, it would be about $247,013. So that would be a difference of about $200,000. This would be 95%.

Senator Erbele states my comfort level is pretty solid at that 95 percent.

Senator Wardner states, I had settled in at 95% myself. It has to do with overall budgeting, fair to everybody; we are never going to be fair to everybody. As I looked at it this weekend, I thought we would go with 90%. That would mean that we would add another $58,396. to the **Retention** part.

Karlene Fine states, we appreciate any dollars we can get added to the amount, this is a critical issue for us. You have already heard from us of how strongly we feel about getting these dollars for retention of our experienced folks and for recruitment.

Senator Warner asks, do you have the discretion, within the legislative authority, that we are giving you, to award things such as signing bonuses, production bonuses or is this going to be allocated to salaries? Is part of this going to be available for specific bonuses?

Lynn Helm states, we do have that discretion. Those positions are not under the classified system, so we have a lot more freedom. What I typically do, as we approach the end of a calendar or fiscal year, I look at if there is some roll up dollars available through short term vacancies and I utilize those funds for that. I would like to speak on the difference between the 90-95%. I want to remind you what you are looking at is a comparison to 2010 salaries, not

2011 salaries. It is now 2011, year on year, the industry has been increasing salaries 5-10% every year. Once you are behind the power curve, it is very hard to get back in front of it and it is easy to fall further behind.

Senator Erbele states, with these numbers, they would also qualify for a 3&3. We would have this number at the 90%+. They would come in with their raise then at 3&3, if that is what we end up with.

Lynn Helms states, that is correct. The 3&3 would be based on the salary before these dollars were added in. There would be no 3&3 added onto these dollars. The 3&3 is based on the base salary and this is dollars added on top of that. Next biennium, then it becomes part of the base salary.

Senator Erbele asks, these bonuses or supplemental additions are added after the 3&3, not before?

Lynn Helms states, that is correct.

Senator Erbele states, we talked about the different categories. Your entry experience, typical and average and in the middle. Some are based on performance and years of service, when you moved that person from the typical to the average. Do you make that determination or is it based on the roll up dollars you have left?

Lynn Helms states, I make the termination, as director, I have the discretion to determine which one they fit in. The reason, we are very grateful for anything you can do, is it will be directed towards the group of people experienced enough that are adding value to the organization but not experienced enough to take over those positions that are now at 100%+ of JobService ND. It will be typical and average folks that we really want to target with additional retention dollars.

Senator Erbele states, the movement of those folks is contingent upon the availability of those dollars to you to do that too?

Lynn Helms states, without the dollars it is really pointless. I can tell them they are typical instead of average but that and $5 will get them a meal at McDonalds.

Senator Wardner states, any further comments or questions? I guess I will stay right there. We'll see what happens in the conference committee. Move to the next one. The **Mill and Elevator**. What was the amount on the energy or was it added authority or what?

Karlene Fine states, $564,064.

Senator Wardner states, we did have a sheet that was handed out that talked about the **Mill and Elevator**. These are not tax dollars these are special fund dollars. They want 2 FTE's for rail card checkers, 1 FTE for lab technician and 1 FTE for sales representative. They needed the increased authority for energy costs. My feelings are this is like a business. The more business they do, the more needs they are going to have. They have turned more dollars over to the state, this biennium, than they ever have.

Senator Erbele states, if their business grows, it grows for our producers.

Senator Warner states, the lowest priority of the four is the sales representative and that is the position that drives the revenue stream that funds the other three.

Karlene Fine states, it speaks to the fact that how important the quality issues are with the Mill and with the rail car cleaning and the lab tech. That is so important that we maintain that reputation as well as expand.

Senator Warner states, it's expanding, customers are buying more, there are more contacts that need to be made.

Senator Erbele asks, in reference to the energy costs, $564,064. Have the costs jumped or they are spending more and didn't have the money?

Karlene Fine states, Nodak Electric contacted the Mill on February 21st and said they were going to increase their rate, 30%, effective the following month. We are getting caught in this biennium right now. We did not anticipate this based on the information they gave us earlier. It's a 30% and that's the dollar amount we calculated.

Senator Erbele states, so that begins in March, finishes out the biennium and then goes the entire next biennium and that how we come up with $564,000?

Karlene Fine states, with the $564,000, we think we can make it within the spending authority that we have during the current biennium. It is going to be close.

Senator Wardner states, Becky, you can reinstate the 4 FTE's in the amendment and add the $564,064 for energy costs. The next and last thing, Senator Grindberg's proposal. It is a little different than what I thought it was. This is a white paper on the down hole imaging. The way the amendment is written, it could be some other project. The committee that works on that, they may reject the other one and there might be another one that they would save. We are actually giving the advisory council authority to add money to the Oil and Gas Research Fund, if they deem it necessary. Is that the way you see it?

Lynn Helm states, it's not projects specific but it is obviously in the record. It's somewhat tied to this project. The language does not tie it to this project. So the research council would have the bank account that they can come to the emergency commission with and say we have used up our $4M and we have good projects and we'd like more money. This would authorize up to $10M of additional funding to be moved into that research program.

Senator Erbele asks, is that $4M currently gone and spent?

Lynn Helms states, I don't believe the $4M has been spent this biennium.

Karlene Fines states, we are carrying over $1M, probably closer to $1.5M to the next biennium.

Senator Erbele asks, would that million carryover be added to the $4M, so that it will be carried over to make $5M?

Karlene Fine states, we would have about $5.5M.

Senator Wardner states, we take dollars out of there, we do the Pipeline Authority.

Karlene Fine states, just the Pipeline Authority comes out of those dollars. The $300,000 is what we have been setting aside for the pipeline. Some administrative costs and it was out of this fund.

Senator Wardner states, I am a little bit cautious about having another group deciding they can appropriate more money. Let's discuss this?

Senator Erbele asks, is there a waiting list on this one?

Karlene Fine states, I can't say we have a priority list; we know that there are a number of needs. A project earlier this session that dealt with gas flooring that did not get funded. I would anticipate they would come back to the Oil and Gas Research Council, asking for some increased funding for that project. I am aware of only one pending application that will come in June. June is our next grant round and after session is over with we will have more focus on this Certainly an area we want to put some dollars in, is in enhanced oil recovery and what we can do to promote research in that area. Those are good bucks when you entice companies and give us information, to see how we enhance recovery from the Bakken.

Senator Warner states, we had some discussion earlier on proppants. Is this being funded out of this?

Karlene Fine states, we have one project for proppants that already has been funded. We do have a project in Industrial Commission study in this area.

Lynn Helm states, we don't have a waiting list, we have been soliciting grant proposals to come in certain areas that the commission felt were really important to the future of oil and gas production. Our industry partners are so busy that they are unable to dedicate personnel to this type of work. This type of project does address a need and is being addressed by people who have time and energy and interest to do oil and gas research. We did not use the entire $4M this biennium. We are carrying over $1.5M. I was approached by a company doing something in the area of safety; the entire project would only be $500,000.

Senator Erbele asks, this project that V. Chair Grindberg brought forth, they have never applied for this money before?

Senator Warner states, without prejudging, I do worry about the distance to the horizon, the breath of the horizon; it does strike me as being intensely specific about the oil industry. We can't possibly fund everything. It might be a decade or more away and we have more immediate needs. All of us sitting here are on budget. I think those decisions are best made by the legislature as a whole. It they wanted to put more money into this, I think it would be better

if the legislature did it, rather than allow another body to make that determination. I think I would be uncomfortable with this as well.

Senator Wardner states, I am uncomfortable because we didn't go all the way with the renewable research. If I am going to put another million dollars into this, I am going to give to Lynn for retention.

Senator Warner states, BSC is looking for $500,000 to put up modules to training oil field workers. Such as building a simulator for a well head, blow up protector and some refracking columns and half million a million dollars there and a half a million dollars towards retention, I feel would be a perfect solution to me. This one is a little iffy.

Senator Wardner states, I would feel guilty putting money in here and nickel and diming, retention. If we are going to put more money in, we will go with retention. Any questions or comments? If not, we will go forward like this. When we get to conference committee, we will a couple of these things up again. See what happens. See what the House was thinking. When Becky gets the amendments and gives them to me, you will all get them and we will present it to the whole group.

Karlene Fine states, there is a correction we needed to make in the House amendment that we needed to adjust, regarding the bond payments. It involves less than $10,000.

Senator Wardner states, you will communicate with Becky and make sure that happens.

Senator Erbele makes a motion.

Senator Erbele makes a motion to adopt the amendment, as discussed.

Senator Warner seconds the motion. All in favor. Passed.

Karlene Fine thanks the committee.

Senator Wardner states, we are adjourned.

2011 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee
Harvest Room, State Capitol

HB 1014
04-05-2011
Job #16356

☐ Conference Committee

Committee Clerk Signature Alice Delzer

Explanation or reason for introduction of bill/resolution:

A ROLL CALL VOTE FOR A DO PASS AS AMENDED FOR THE INDUSTRIAL COMMISSION

Minutes: "Attached Amendments"

Chairman Holmberg opened the hearing on HB 1014. All committee members were present. Tad H. Torgerson; OMB and Becky J. Keller, Legislative Council were also present.

Senator Wardner states, Amendment 11. 8157.02003 is being passed out. (#1) You should have the Amendment .02003. The Industrial Commission is made up of several little budgets. What I am going to do is take care of the easy ones first. Page 3, of amendments. **Mill and Elevator**, the House had reduced the FTE's, they asked for 4, the House took them out. They were in the executive budget. We reinstated them. The FTE's are 2/rail car checkers, one FTE is a lab technician, and one FTE is a sales representative. All of the money in the Mill and Elevator is special fund. It is a business. They have turned over the biggest profits to the general fund this biennium, more than ever before. It is $6.65M is the amount turned over to the general fund. They remodeled and are running very efficiently. Those 2 car checkers are the most important. They have to have clean cars in order to get their product out. If they have any product returned to them it's not good. You get it back plus the reputation of not providing good quality product. We reinstated the 4 FTE's and they also were told by their local utility that it is going to cost them more for electricity. There is an amendment that says, that for operating expenses there will be another $564,064 that they can spend, and we have to give them the authority. It comes out of their operating expenses. We asked, why so much? That is the number they were given. Karlene can answer your question on why it is that amount.

Senator Erbele: That was just a 30% increase in their utilities and their electrical costs. Nothing they could trim.

Senator Wardner: That is the Mill and Elevator portion of it. Then some others, not in the amendment, **The Bank of North Dakota** is nothing. The House didn't change anything and we didn't change anything. The bank is doing well. Things are going good for them.

Chairman Holmberg: Keep in mind, that we had discussions earlier on transfers from the Bank of ND to the general fund. That is in #2015, the OMB budget; it doesn't have anything to do with the Industrial Commission budget.

Senator Wardner: Referencing the Bank of ND, no FTE increases, they are the same.

Senator Wardner: Next, we have the **Housing Finance Agency**, we have nothing. They have no increase in FTE's.

Next is the Industrial Commission, which is made up of many entities. First, the **Renewable Research Development**. The executive budget put $3M in, on page 3; you'll see $1M. The House cut it $2M down to $1M, we (Senate) increased it 1, so now it is $2M. They do have some carry over so they are sitting with around $2.5M available for the next biennium.
The **Minerals Resource Division**, there are some changes there. Bottom of page 2 of amendment, we add funds for retention of employees, $247,013. They already had $255,819, so when you put them together, around ½ M, that is for retention. So you understand, the oil companies are robbing these people away. We have to keep them. That is the division that polices the oil industry, that's the group to make sure we don't have those accidents out there, we will have more problems. EPA will come in and close us down. One in Dickinson, one in Williston and one in Minot, if those three gentlemen left we would be hurting. They chose to stay and help train these young people. They have so much experience, when they speak, the oil people listen. The retention dollars are important.

The Core Library, we put in $90,000 for a temp position at UND. We have one of the best in the nation. They don't take a core from every well; you need to keep them in order. They reorganized them; this will keep us for 4 years. Why are those cores so important? It might be the key to unlock some technology for the future to get more oil out of the formation.

Dept. of Mineral Resources
Changes in funding source for bond payments. Karlene took care of that in her office. Any questions?

Senator Christmann: We missed # 3.

Senator Wardner: The $1M was back for the renewable energy development. There was $3M, the House cut it to $1M, bringing it to $2M, we put back $1M.

Senator Christmann: Are we talking about corn, ethanol or are we talking about windmills?

Senator Wardner: All of the above. Karlene could tell you about some of the projects. The Industrial Commission scrutinizes them very carefully. One of them was rejected at $500,000. It has to do with renewables. If they can show they are renewable, that's it.

Karlene Fine, Executive Director, Industrial Commission: Some examples of those projects are biomass, canola, corn, energy beet research, Dakota turbines, bulk wind energy, Dakota Salts, nitrogen, as well as ammonia. Some of it is very basic research and some of it is taking it up closer to commercialization, similar of what we are doing at Spiritwood.

Senator Wardner: One more thing, page 1, section 12. This is an amendment that V. Chair Grindberg asked us to put on. As you know the oil and gas research fund, we put $4M each biennium. That comes from the production tax, from all taxes. When it hits $4M, it is capped. It is used for research in the oil and gas area. This amendment says, "that if the money is all

gone from that fund and there is a project that the council deems necessary, that is worthwhile, they take it to the Industrial Commission and take it before budget commission, and if all say yes, we put another $4M in there with whatever project that may be, if all the dollars are used up".

V. Chair Grindberg: A couple of other points. This is a potential project that the research council could review. It could have some dramatic effects on the percentage of oil extracted, with visits with Karlene and Lynn Helms, enough projects and there needed to be a trigger that this would be a mechanism for providing additional funding for technology projects. The last comment from the federal side, the federal oil and gas research fund, it's really getting wacked in Congress. If we are going to make investments, this seems like a reasonable approach to provide additional resources, if projects were fully vetted and if they wanted to fund, they could come to us for approval.

Senator Wardner: Last comments and then I will move the amendments. Also in Karlene's office, is the **ND Bond Debt Service**. The debt service is going down. We are getting close to $80M and it continues to drop, when we talk about the fiscal health in this state. Our debt continues to go down because we do not bond, as of the last few biennium's. The Pipeline, Transmission, Lignite Research Authority and Development Program are all involved and things are going very well.

Senator Wardner moved the amendments #.02003 to HB 1014. Seconded by Senator Erbele.

Senator Wanzek: So to understand the crux of the amendment? There is $4M that goes into oil and gas and this could be an additional $4M, if a project would arise? Only to the extent that if the project comes forward?

V. Chair Grindberg: I would envision the $4M automatically being there July 1st. If enough projects were awarded in the first year and if that was all committed and some other quality projects came in, the industrial commission could make request, gather more information and ward an additional $4M in the biennium.

Senator Wanzek: Up to $4M? Sounds good.

Senator Christmann: I would request that #3, on page 3, the $1M for renewable dollars be separated.

Chairman Holmberg: We will vote on amendment, .2003 with exception of footnote 3, renewable energy development. Let's take up then the bulk of the amendment, which would be all of the amendments, except footnote 3. Would you call the roll on approval for .02003, the amendments for HB 1014? Footnote 3, as mentioned the House had dropped for a total of $2M.

A roll call vote was taken on amendment #.02003 with the exception of footnote #3. Yea: 13. Motion carried.

Chairman Holmberg: Now we have footnote #3. The House dropped the amount of money in this line to $1M from the executive budget of $3M. Now the Senate committee is recommending restoring $1M of that for a total of $2M.

Senator Christmann: My thoughts are, we have the Oil and Gas Research Fund. It's funded with money from the oil revenues. We have the Lignite Research Fund, and it is funded by a separate tax. The coal companies came in and asked to have on a line on there for their research fund. Then we have the Renewables, this is not a fledging thing. Do these things work or not? We have the 2 ethanol plants, Grafton and Walhalla and they were old. How would modern tech work and we invested into this? Now we have hundreds of wind turbines around the state, to the point that coal plants, which generate a lot of revenue for state, are dropping back. The Feds are requiring wind energy to go into the transmission lines first. We have quite a few ethanol plants; because of fuel prices they are making good money. When are the renewable energy folks going to step up and fund their research and development? Even without this amendment, we are already doing $1M. We just didn't have the money for other things, now we are going to pour it into research and development on generally things that we already have and going and understand fairly well. They could be funding their own R&D. These renewable energy people need to come up with their own money.

Senator Warner: All of us are not lucky to have oil or coal in their district. We need to have affluence across the state. We need to develop the resources in the state. I think this is an appropriate use of dollars.

Senator Wanzez: I would hope we would support the subcommittee as well. I think of the project in our area, actually, different sources of energy can complement one another. Working together, we can enhance and improve all types of energy. In Spiritwood, we won't be able to get off the ground until they find steam partners. The ethanol plant can be the steam partner that can help the coal plant. I can see as we interact with them together, we can enhance the efficiencies of both fossil fuels and renewable energy. We are still taking $1M out of executive budget. I hope we do support the additional $1M.

Chairman Holmberg: Call the roll on footnote 3 the $1M. You are voting to leave the $1M in here. Yes, means you put the money in and no means, you don't.

A roll call vote was taken on the Footnote (renewable energy) in amendment # .02003 Yea: 9; Nay: 4; Absent: 0. Motion carried. The Amendment, now as originally presented has been attached to HB1014.

Chairman Holmberg: Now there is $2M in that line item, instead of $1M sent to us from the House.

Senator Erbele: presented amendment #.0204. This is a satellite type amendment dealing with Corp land along the Missouri River. Coming out of our interim committee, we did a lot of research on getting the Corp land returned to the state of ND and that would have to happen by Federal action. It did happen in SD, where they got the land back from the Corp. So to bring full clarity to this bill, we did pass a resolution encouraging our Senators to run a similar bill through Congress. That is the way it worked in SD. This would allow the University of School Lands to receive the land in the event that would happen. This was defeated last

Friday, came out of the House 94-0. It came over to the Senate Natural Resources and at that time Standing Rock came in and raised some issues. The Natural Resources came out with a Do Not Pass of which I was not aware of. We have since talked to the Tribal Leaders; the Elders are for this bill. It was just the chairman that opposed it, of which made our committee back down. When the Corp met was here last week, they were still on board with it. I would move this amendment and answer any questions that you have.

Senator Erbele moved this amendment #.02004. Senator Fischer seconded the motion.

Senator Christmann: Two questions from the interim study. If this happened, would it be the long term plan that gets rented out to adjacent land owners or is this something we are requiring to give back to the tribes? What is the long term plan once we have it? Was it ever discussed, a lot of this land is infected with noxious weeds, too close to the water, the neighbors are furious that the feds don't take care of their land?

Senator Erbele: The whole discussion started in my district with the weed problem and Corp changing their grazing rules. The weed problem didn't exist until the grazing rules.
The resolution we sent forward is requesting that the land be returned to the requiem land owner. It needs to come through the Land Dept.

Senator Warner: It seems to me we are running interference with the federal government and the riparian land owners. I am guessing if the state got a hold of this land, we wouldn't give it back to anyone. They may have some alternate claim to it. The Native American, I'm not familiar with. I haven't had any conversations with my tribe. I want to be careful that we are not interfering with that process. I think it should go back to the original land owner and not the state, mineral rights are the issue.

Senator Erbele: If the federals do any action that would be put in place. The land owners, up and down the river, in my district, seem to like this method. They feel this is another wheel on the trailer to keep the thing moving and keep the issue alive and in the fore front.

A roll call vote was taken on the amendment .02004 in HB 1014. Yea: 12; Nay: 1; Absent: 0. Motion carried.

Senator Wardner moved Do Pass As Amended. Seconded by Senator Erbele.

A ROLL CALL VOTE WAS TAKEN ON A DO PASS AS AMENDED ON HB 1014. YEA: 13; NAY: 0; ABSENT: 0. MOTION CARRIED. Senator Wardner will carry the bill. The hearing was closed on HB 1014.

11.8157.01003
Title.

Prepared by the Legislative Council staff for
Senator Grindberg
February 10, 2011

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1014

Page 5, after line 20, insert:

"**SECTION 8. TRANSFER TO OIL AND GAS RESEARCH FUND FROM PERMANENT OIL TAX TRUST FUND - GRANTS - BUDGET SECTION APPROVAL.** During the biennium beginning July 1, 2011, and ending June 30, 2013, the director of the office of management and budget shall transfer $10,000,000 from the permanent oil tax trust fund to the oil and gas research fund for the oil and gas research program. The industrial commission may not award any grant from the funding provided in this section in excess of $4,000,000 without prior approval by the budget section."

Renumber accordingly

Date: 3-28-11
Roll Call Vote # 1

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1014

Senate Subcommittee Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number Adopt Amendments as discussed

Action Taken: ☐ Do Pass ☐ Do Not Pass ☐ Amended ☐ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Erbele Seconded By Warner

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg			Senator Warner		
Senator Bowman			Senator O'Connell		
Senator Grindberg			Senator Robinson		
Senator Christmann					
Senator Wardner					
Senator Kilzer					
Senator Fischer			Wardner	✓	
Senator Krebsbach			Warner	✓	
Senator Erbele			Erbele	✓	
Senator Wanzek					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

11.8157.02003
Title.
Fiscal No. 1

Prepared by the Legislative Council staff for
Senator Wardner
March 31, 2011

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1014

Page 1, replace line 16 with:

"Salaries and wages	$9,321,995	$2,889,625	$12,211,620"

Page 2, replace lines 1 through 4 with:

"Renewable energy development	0	2,000,000	2,000,000
Total all funds	$59,430,586	$4,911,783	$64,342,369
Less estimated income	49,308,484	(1,797,756)	47,510,728
Total general fund	$10,122,102	$6,709,539	$16,831,641"

Page 3, replace lines 3 and 4 with:

"Salaries and wages	$22,599,324	$3,712,292	$26,311,616
Operating expenses	16,982,918	3,460,951	20,443,869"

Page 3, replace lines 7 and 8 with:

"Total from mill and elevator fund	$40,057,242	$7,308,243	$47,365,485
Full-time equivalent positions	131.00	4.00	135.00"

Page 3, replace lines 23 through 25 with:

"Grand total general fund	$19,522,102	$6,709,539	$26,231,641
Grand total special funds	174,516,769	5,802,645	180,319,414
Grand total all funds	$194,038,871	$12,512,184	$206,551,055"

Page 4, replace line 5 with:

"Renewable energy development program	3,000,000	2,000,000"

Page 4, replace lines 11 through 13 with:

"Total all funds	$35,738,726	$2,709,400
Total special funds	30,360,574	0
Total general fund	$5,378,152	$2,709,400"

Page 7, after line 4, insert:

"**SECTION 12. TRANSFER TO OIL AND GAS RESEARCH FUND FROM PERMANENT OIL TAX TRUST FUND - GRANTS - BUDGET SECTION APPROVAL.** During the biennium beginning July 1, 2011, and ending June 30, 2013, the director of the office of management and budget shall transfer $4,000,000 from the permanent oil

tax trust fund to the oil and gas research fund for the oil and gas research program. The moneys may be transferred only if the industrial commission has awarded grants totaling $4,000,000 from the oil and gas research fund during the 2011-13 biennium and upon approval by the industrial commission and budget section."

Page 7, line 15, replace "12" with "13"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1014 - Summary of Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Industrial Commission				
Total all funds	$63,633,777	$63,005,356	$1,337,013	$64,342,369
Less estimated income	46,716,149	47,522,658	(11,930)	47,510,728
General fund	$16,917,628	$15,482,698	$1,348,943	$16,831,641
Bank of North Dakota				
Total all funds	$56,253,155	$56,253,155	$0	$56,253,155
Less estimated income	46,853,155	46,853,155	0	46,853,155
General fund	$9,400,000	$9,400,000	$0	$9,400,000
Housing Finance Agency				
Total all funds	$38,590,046	$38,590,046	$0	$38,590,046
Less estimated income	38,590,046	38,590,046	0	38,590,046
General fund	$0	$0	$0	$0
Mill and Elevator				
Total all funds	$46,741,421	$46,539,135	$826,350	$47,365,485
Less estimated income	46,741,421	46,539,135	826,350	47,365,485
General fund	$0	$0	$0	$0
Bill total				
Total all funds	$205,218,399	$204,387,692	$2,163,363	$206,551,055
Less estimated income	178,900,771	179,504,994	814,420	180,319,414
General fund	$26,317,628	$24,882,698	$1,348,943	$26,231,641

House Bill No. 1014 - Industrial Commission - Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Salaries and wages	$11,844,607	$11,874,607	$337,013	$12,211,620
Operating expenses	3,478,744	3,493,744		3,493,744
Grants - Lignite research	19,971,300	19,971,300		19,971,300
Grants - Bond payments	25,339,126	25,389,733		25,389,733
Renewable energy development	3,000,000	1,000,000	1,000,000	2,000,000
Carbon Dioxide Storage Fund		532,000		532,000
Mineral resources contingency		743,972		743,972
Total all funds	$63,633,777	$63,005,356	$1,337,013	$64,342,369
Less estimated income	46,716,149	47,522,658	(11,930)	47,510,728
General fund	$16,917,628	$15,482,698	$1,348,943	$16,831,641
FTE	73.06	74.06	0.00	74.06

Department No. 405 - Industrial Commission - Detail of Senate Changes

	Adds Funding for Retention of Employees[1]	Adds Funding for Temporary Employees[2]	Restores Funding for Renewable Energy[3]	Changes Funding Source for Bond Payments[4]	Total Senate Changes
Salaries and wages	$247,013	$90,000			$337,013
Operating expenses					
Grants - Lignite research					

Grants - Bond payments					
Renewable energy development			1,000,000		1,000,000
Carbon Dioxide Storage Fund					
Mineral resources contingency					
Total all funds	$247,013	$90,000	$1,000,000	$0	$1,337,013
Less estimated income	0	0	0	(11,930)	(11,930)
General fund	$247,013	$90,000	$1,000,000	$11,930	$1,348,943
FTE	0.00	0.00	0.00	0.00	0.00

[1] This amendment adds funding for retention of Department of Mineral Resources staff.

[2] This amendment adds funding for temporary employees for the Geological Survey Division.

[3] This amendment restores $1 million of the $2 million of funding removed by the House for renewable energy development to provide a total of $2 million.

[4] This amendment adjusts funding for bond payments to reflect a decrease in special funds rather than the general fund as provided in the House version.

This amendment adds a section providing for a transfer from the permanent oil tax trust fund to the oil and gas research fund.

House Bill No. 1014 - Mill and Elevator - Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Salaries and wages	$26,311,616	$26,049,330	$262,286	$26,311,616
Operating expenses	19,879,805	19,879,805	564,064	20,443,869
Contingencies	400,000	400,000		400,000
Agriculture promotion	150,000	210,000		210,000
Total all funds	$46,741,421	$46,539,135	$826,350	$47,365,485
Less estimated income	46,741,421	46,539,135	826,350	47,365,485
General fund	$0	$0	$0	$0
FTE	135.00	131.00	4.00	135.00

Department No. 475 - Mill and Elevator - Detail of Senate Changes

	Restores FTE Positions and Funding Removed by House[1]	Adds Funding for Increased Energy Costs[2]	Total Senate Changes
Salaries and wages	$262,286		$262,286
Operating expenses		564,064	564,064
Contingencies			
Agriculture promotion			
Total all funds	$262,286	$564,064	$826,350
Less estimated income	262,286	564,064	826,350
General fund	$0	$0	$0
FTE	4.00	0.00	4.00

[1] This amendment restores funding for 4 FTE positions removed by the House, including 2 car checker positions, 1 sales representative position, and 1 laboratory technician position.

[2] This amendment increases funding for operating expenses due to increased energy costs.

Date: 4-5-11

Roll Call Vote # 1

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 1014

Senate APPROPRIATIONS Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 11.8157.03003 w/ exception of footnote #3 renewable

Action Taken: ☐ Do Pass ☐ Do Not Pass ☐ Amended ☒ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Wardner Seconded By Erbele

Senators	Yes	No	Senators	Yes	No
	✓			✓	
Chairman Holmberg	✓		Senator Warner	✓	
Senator Bowman	✓		Senator O'Connell	✓	
Senator Grindberg	✓		Senator Robinson	✓	
Senator Christmann	✓				
Senator Wardner	✓				
Senator Kilzer	✓				
Senator Fischer	✓				
Senator Krebsbach	✓				
Senator Erbele	✓				
Senator Wanzek	✓				

Total (Yes) 13 No 0

Absent 0

Floor Assignment

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

Date: 4-5-11

Roll Call Vote # 2

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 1014

Senate APPROPRIATIONS Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number renewable energy Footnote #3 on .02003 amendment

Action Taken: ☐ Do Pass ☐ Do Not Pass ☐ Amended ☐ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By _____ Seconded By _____

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg		✓	Senator Warner	✓	
Senator Bowman		✓	Senator O'Connell		✓
Senator Grindberg	✓		Senator Robinson	✓	
Senator Christmann		✓			
Senator Wardner	✓				
Senator Kilzer	✓				
Senator Fischer	✓				
Senator Krebsbach	✓				
Senator Erbele	✓				
Senator Wanzek	✓				

Total (Yes) 9 No 4

Absent 0

Floor Assignment _____

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

11.8157.02004
Title.

Prepared by the Legislative Council staff for
Senator Erbele
March 31, 2011

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1014

Page 1, line 2, after the semicolon insert "to create and enact a new section to chapter 15-02 of the North Dakota Century Code, relating to the authority of the board of university and school lands;"

Page 4, after line 17, insert:

"**SECTION 3.** A new section to chapter 15-02 of the North Dakota Century Code is created and enacted as follows:

Authority to accept Lake Sakakawea lands.

If, through federal legislation, the United States army corp of engineers returns excess lands around Lake Sakakawea above elevation of 1,854 feet [565.098 meters] mean sea level and excess lands around Lake Oahe about 1,620 feet [493.766 meters] mean sea level, the board of university and school lands may accept the land on behalf of the state of North Dakota."

Page 7, line 15, replace "12" with "13"

Renumber accordingly

Date: 4-5-11

Roll Call Vote # 3

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 1014

Senate APPROPRIATIONS Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 11.8157.02004

Action Taken: ☐ Do Pass ☐ Do Not Pass ☐ Amended ☐ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Erbele Seconded By Fischer

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	✓		Senator Warner		✓
Senator Bowman	✓		Senator O'Connell	✓	
Senator Grindberg	✓		Senator Robinson	✓	
Senator Christmann	✓				
Senator Wardner	✓				
Senator Kilzer	✓				
Senator Fischer	✓				
Senator Krebsbach	✓				
Senator Erbele	✓				
Senator Wanzek	✓				

Total (Yes) 12 No 1

Absent 0

Floor Assignment

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

Date: 4-5-11

Roll Call Vote # 4

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 1014

Senate APPROPRIATIONS Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: ☒ Do Pass ☐ Do Not Pass ☒ Amended ☐ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Wardner Seconded By Erbele

Senators	Yes	No	Senators	Yes	No
	✓			✓	
Chairman Holmberg	✓		Senator Warner	✓	
Senator Bowman	✓		Senator O'Connell	✓	
Senator Grindberg	✓		Senator Robinson	✓	
Senator Christmann	✓				
Senator Wardner	✓				
Senator Kilzer	✓				
Senator Fischer	✓				
Senator Krebsbach	✓				
Senator Erbele	✓				
Senator Wanzek	✓				

Total (Yes) 13 No 0

Absent 0

Floor Assignment Wardner

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

REPORT OF STANDING COMMITTEE

HB 1014, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1014 was placed on the Sixth order on the calendar.

Page 1, line 2, after the semicolon insert "to create and enact a new section to chapter 15-02 of the North Dakota Century Code, relating to the authority of the board of university and school lands;"

Page 1, line 4, after the second semicolon insert "to provide for budget section approval;"

Page 1, replace line 16 with:

"Salaries and wages	$9,321,995	$2,889,625	$12,211,620"

Page 2, replace lines 1 through 4 with:

"Renewable energy development	0	2,000,000	2,000,000
Total all funds	$59,430,586	$4,911,783	$64,342,369
Less estimated income	49,308,484	(1,797,756)	47,510,728
Total general fund	$10,122,102	$6,709,539	$16,831,641"

Page 3, replace lines 3 and 4 with:

"Salaries and wages	$22,599,324	$3,712,292	$26,311,616
Operating expenses	16,982,918	3,460,951	20,443,869"

Page 3, replace lines 7 and 8 with:

"Total from mill and elevator fund	$40,057,242	$7,308,243	$47,365,485
Full-time equivalent positions	131.00	4.00	135.00"

Page 3, replace lines 23 through 25 with:

"Grand total general fund	$19,522,102	$6,709,539	$26,231,641
Grand total special funds	174,516,769	5,802,645	180,319,414
Grand total all funds	$194,038,871	$12,512,184	$206,551,055"

Page 4, replace line 5 with:

"Renewable energy development program	3,000,000	2,000,000"

Page 4, replace lines 11 through 13 with:

"Total all funds	$35,738,726	$2,709,400
Total special funds	30,360,574	0
Total general fund	$5,378,152	$2,709,400"

Page 4, after line 17, insert:

"**SECTION 3.** A new section to chapter 15-02 of the North Dakota Century Code is created and enacted as follows:

Authority to accept Lake Sakakawea lands.

If, through federal legislation, the United States army corps of engineers returns excess lands around Lake Sakakawea above an elevation of on thousand eight hundred fifty-four feet [565.098 meters] mean sea level and excess lands around Lake Oahe about one thousand six hundred twenty feet [493.766 meters] mean sea level, the board of university and school lands may accept the land on behalf of the state of North Dakota."

Page 7, after line 4, insert:

"**SECTION 13. TRANSFER TO OIL AND GAS RESEARCH FUND FROM PERMANENT OIL TAX TRUST FUND - GRANTS - BUDGET SECTION APPROVAL.** During the biennium beginning July 1, 2011, and ending June 30, 2013, the director of the office of management and budget shall transfer $4,000,000 from the permanent oil tax trust fund to the oil and gas research fund for the oil and gas research program. The moneys may be transferred only if the industrial commission has awarded grants totaling $4,000,000 from the oil and gas research fund during the 2011-13 biennium and upon approval by the industrial commission and budget section."

Page 7, line 15, replace "12" with "14"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1014 - Summary of Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Industrial Commission				
Total all funds	$63,633,777	$63,005,356	$1,337,013	$64,342,369
Less estimated income	46,716,149	47,522,658	(11,930)	47,510,728
General fund	$16,917,628	$15,482,698	$1,348,943	$16,831,641
Bank of North Dakota				
Total all funds	$56,253,155	$56,253,155	$0	$56,253,155
Less estimated income	46,853,155	46,853,155	0	46,853,155
General fund	$9,400,000	$9,400,000	$0	$9,400,000
Housing Finance Agency				
Total all funds	$38,590,046	$38,590,046	$0	$38,590,046
Less estimated income	38,590,046	38,590,046	0	38,590,046
General fund	$0	$0	$0	$0
Mill and Elevator				
Total all funds	$46,741,421	$46,539,135	$826,350	$47,365,485
Less estimated income	46,741,421	46,539,135	826,350	47,365,485
General fund	$0	$0	$0	$0
Bill total				
Total all funds	$205,218,399	$204,387,692	$2,163,363	$206,551,055
Less estimated income	178,900,771	179,504,994	814,420	180,319,414
General fund	$26,317,628	$24,882,698	$1,348,943	$26,231,641

House Bill No. 1014 - Industrial Commission - Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Salaries and wages	$11,844,607	$11,874,607	$337,013	$12,211,620
Operating expenses	3,478,744	3,493,744		3,493,744
Grants - Lignite research	19,971,300	19,971,300		19,971,300

Grants - Bond payments	25,339,126	25,389,733		25,389,733
Renewable energy development	3,000,000	1,000,000	1,000,000	2,000,000
Carbon Dioxide Storage Fund		532,000		532,000
Mineral resources contingency		743,972		743,972
Total all funds	$63,633,777	$63,005,356	$1,337,013	$64,342,369
Less estimated income	46,716,149	47,522,658	(11,930)	47,510,728
General fund	$16,917,628	$15,482,698	$1,348,943	$16,831,641
FTE	73.06	74.06	0.00	74.06

Department No. 405 - Industrial Commission - Detail of Senate Changes

	Adds Funding for Retention of Employees[1]	Adds Funding for Temporary Employees[2]	Restores Funding for Renewable Energy[3]	Changes Funding Source for Bond Payments[4]	Total Senate Changes
Salaries and wages	$247,013	$90,000			$337,013
Operating expenses					
Grants - Lignite research					
Grants - Bond payments					
Renewable energy development			1,000,000		1,000,000
Carbon Dioxide Storage Fund					
Mineral resources contingency					
Total all funds	$247,013	$90,000	$1,000,000	$0	$1,337,013
Less estimated income	0	0	0	(11,930)	(11,930)
General fund	$247,013	$90,000	$1,000,000	$11,930	$1,348,943
FTE	0.00	0.00	0.00	0.00	0.00

[1] This amendment adds funding for retention of Department of Mineral Resources staff.

[2] This amendment adds funding for temporary employees for the Geological Survey Division.

[3] This amendment restores $1 million of the $2 million of funding removed by the House for renewable energy development to provide a total of $2 million.

[4] This amendment adjusts funding for bond payments to reflect a decrease in special funds rather than the general fund as provided in the House version.

This amendment adds sections relating to a transfer from the permanent oil tax trust fund to the oil and gas research fund and to the authority of the Board of University and School Lands.

House Bill No. 1014 - Mill and Elevator - Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Salaries and wages	$26,311,616	$26,049,330	$262,286	$26,311,616
Operating expenses	19,879,805	19,879,805	564,064	20,443,869
Contingencies	400,000	400,000		400,000
Agriculture promotion	150,000	210,000		210,000
Total all funds	$46,741,421	$46,539,135	$826,350	$47,365,485
Less estimated income	46,741,421	46,539,135	826,350	47,365,485
General fund	$0	$0	$0	$0
FTE	135.00	131.00	4.00	135.00

Department No. 475 - Mill and Elevator - Detail of Senate Changes

	Restores FTE Positions and Funding Removed by House[1]	Adds Funding for Increased Energy Costs[2]	Total Senate Changes
Salaries and wages	$262,286		$262,286
Operating expenses		564,064	564,064
Contingencies			
Agriculture promotion			
Total all funds	$262,286	$564,064	$826,350
Less estimated income	262,286	564,064	826,350
General fund	$0	$0	$0
FTE	4.00	0.00	4.00

[1] This amendment restores funding for 4 FTE positions removed by the House, including 2 car checker positions, 1 sales representative position, and 1 laboratory technician position.

[2] This amendment increases funding for operating expenses due to increased energy costs.

2011 HOUSE APPROPRIATIONS

CONFERENCE COMMITTEE

HB 1014

2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division
Medora Room, State Capitol

HB1014
April 12, 2011
Recorder Job# 16508

☒ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A Bill to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission

Minutes:

Chairman Brandenburg: Opened the conference committee on HB1014.

Roll call was taken and all members were present.

Senator Wardner: On page 3 the Industrial Commission budget is broken down into 4 parts. You have the bonding, research and authority, which Karlene Fine is in charge of, North Dakota Housing Authority, Bank of North Dakota, North Dakota Mill and Elevator. We did nothing we to the North Dakota Housing Authority or Bank of North Dakota and are exactly the way they came over from the house. We did make some adjustments for the North Dakota Mill and Elevator and we made some adjustments under the administration of Karlene Fine which deals with research, authority and different funds. We made an adjustment to the renewable energy program under administration. It's on page 3 of the amendments and says restores funding for renewable energy; the executive budget came in at $3 million, the house moved it to $1 million, we restored $1 million. That's all we did on that part.

Chairman Brandenburg: Just so everyone understands you've added $1 million to the renewable energy for a total of $2 million; is that correct?

Senator Wardner: That is correct. We had one of the members put an amendment on and it has to deal with the oil and gas research fund. It would be under the oil and gas research part. As you know the oil and gas research fund is capped at $4 million. The oil revenue goes into that fund right after the legacy fund. When it fills with $4 million and then goes to the general fund. In this amendment it says that if the original $4 million is spent on projects and it's gone, then the advisory group, if they find a project that they deem is worthy, they have to take it to the Industrial Commission for approval and then it would have to go through the budget section of the legislature. Then, there would be another $4 million available.

Becky Keller, North Dakota Legislative Council: You will not see that actual section in this SPA. You will see it on the online version of the bill as it's engrossed with senate amendments and will be section 12.

Senator Wardner: Read the amendment from section 12 of the amendment.

Representative Thoreson: I did find that in the senate amendments in the packet. Why the $4 million; what was the rationale behind that amount?

Senator Wardner: The person who brought the amendment forward wanted to have enough to be able to fund a substantial project. It started out at a lot more; it started out at $10 million and it didn't have it going through the Industrial Commission and the budget section. When we cut the amount down and add safeguards we were a little more interested in it.

Representative Thoreson: So there was originally $10 million and it was reduced to $4 million. Were there projects identified then that the $4 million would go towards if this were to be approved?

Senator Wardner: No. This is a wide open grant. I think that there are some projects out there that are eyeing this money; but, the way it's presented it's open to anybody. It's not earmarked for any particular project; they'd have to go through the granting process and be accepted.

Representative Thoreson: That's what I was trying to get towards whether anything had been enumerated as to what it was going to be used for.

Senator Wardner: Next I'd like to go to mineral resources. We added on page 3 it adds funding for retention of employees; $247,013.00 was added. The house already had $255,819.00 when you add the two together, you have $502,838.00 for retention of the department of mineral resources and it brings them up to 95%.

Chairman Brandenburg: The funding and retention is that because of the competition of employees in the oil field? Could you clarify that because I know there's competition in those positions.

Senator Wardner: You're correct. The competition for those people in the oil industry is very great. The state hires and trains them and it doesn't seem long before they get a much better offer out into the private sector and they're gone. Whatever we can do to helpt maintain this staff is critical to the oil industry overall. It's this department and those people out there in the field offices in Dickinson, Minot, and Williston. They're the ones that supervise what's going on, the drilling activities and make sure the environment concerns are taken care of, making sure companies aren't fudging on the regulations. We have one person at each one of those sites that has experience; the rest of them are all rookies. The 3 that have the experience are teaching these people and it's frustrating for them when they have the individual 3 months and they're gone. Those 3 that have the experience could leave tomorrow and double or triple their salaries.

Representative Thoreson: Give me the numbers again? There's $247,013.00 that you added and the amount again that the house had was?

Senator Wardner: The house had $255,819.00 that was already in there for retention and we added $247,013.00.

Representative Thoreson: This would go to retain how many employees?

Senator Wardner: I can't give you the specific amount. Mr. Helms is here and could give you the number of people.

Representative Thoreson: I certainly didn't mean to open this up to a hearing; if we could get that number now or before we meet again.

Senator Wardner: It was to bring those that were below average up to 95%.

Senator Wardner: We did give $90,000.00 for a temporary for the core library. That particular situation North Dakota has one of the best core libraries in the nation and they have to get those cores organized so they can get more room. If they have an individual dedicated to that, they believe they can put off from building another building to put cores in for at least 4 years.

Chairman Brandenburg: Those are the pictures of rocks that need to be put in order so they don't get separated. Is that what you're talking about?

Senator Wardner: Yes.

Representative Thoreson: So the $90,000.00; any idea of how many people they'd be looking at adding as temporary and for what length of time? I was wondering if there was any discussion on how long of a project this would be? This is in Grand Forks correct?

Senator Wardner: This would be in Grand Forks. We're talking about 1 person over the 2 years. Moving on to the next part; we changed the funding source of bond payments. This amendment adjusts funding for bond payments to reflect a decrease in special funds rather than general funds; as provided in the house version. It's my understanding it was just a technical mistake and wasn't something that we put in for the Industrial Commission.

Chairman Brandenburg: If you could explain that general funds and special funds; what was the discrepancy there?

Senator Wardner: It was my understanding that it reflected that there was a decrease in general funding and it should have been a decrease in special funding. As far as that division of the Industrial Commission that was it. Moving on to the mill and elevator. We re-instated the 4 FTE's that you had taken out and added some operational expenses. The amount was $564,064.00 Right now the mill and elevator is functioning at the highest rate ever. They're turning back $6.65 million to the state and if you recall, a few years ago, they were going through remodeling and adding new mills, updating, etc. They had some hard times and they weren't able to come up with the dollars that they had thought they could

give to the general fund. Now they've gone above it; $5 million was usually their normal amount. They're out there competing in the market and doing a very good job. If they're going to continue this and we look at the mill and elevator as a private sector business; if they don't have the revenue to do it they can't hire these people. The 2 FTE's are rail car checkers and are the most important of the four. That they have clean cars in order to send their produce to market. They have 1 FTE that's a lab technician and would always look for new ways to market the product of the mill and elevator; and 1 FTE that's the sales representative making the calls and increasing sales. That's what we did there. Then they were told by their local electric that their energy bill was going to increase. We increased the operational line $564,064.00. It's basically about energy costs and if there is anything different to that we can research that more.

Chairman Brandenburg: You've added the 4 positions back in; the 2 car checkers, the sales representative and the lab technician. The cost is an additional $262,286.00 and electric costs which are $564,000.00.

Senator Erbele: They told us that they've just been notified that they have a 30% rate increase coming.

Representative Thoreson: I believe the mill buys power from 2 different sources; is that correct? Or who are the increases coming from?

Senator Erbele: I believe it wasn't NoDak.

Representative Thoreson: I would just like to get that information about the additional dollars added for the retention of employees.

Representative Kroeber: At 95%; are you talking of 95% midpoint or 95% of average salaries for these positions? What are we talking 95% of what?

Senator Wardner: Conceptually, the senate approached this as a sort of equity pool. It can be allocated at the executive level; depending on where they thought it needed to be allocated to bring up and keep them up to the level. The 95% number we used was an average industry cost, not average government employee; but average industry employee and it's done at job service. The job service report is a large scale thing that determines average and midpoint salaries for all industries across the state; it's not a specific study to oil and gas. We just determined a number that's about 95% of the industry average. It acknowledges that state employees have a slightly larger amount of job security than industry people would and perhaps the 95% was an adequate number.

Chairman Brandenburg: Closed the conference committee.

2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division
Medora Room, State Capitol

HB1014
April 13, 2011
Recorder Job# 16541

☐ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A Bill for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide legislative intent; to provide an appropriation; and to authorize transfers.

Minutes:

Chairman Brandenburg: Opened the conference committee on HB1014.

The clerk took the roll and all members were present.

Chairman Brandenburg: Last time we met we over the changes from the senate. We have a change in the senate of adding $4 million dealing with the oil and gas division for a project. Item #2 would be $250,000.00 addition of retention bonuses for employees for the mineral division and also $90,000.00 for the core samples in Grand Forks to hire a temporary. Item #3 would be the renewable energy of adding $1 million for renewable energy projects. Item #4 is the 4 FTE's at the state mill and elevator and also the additional $500,000.00 of additional electrical cost because of a 30% increase from NoDak Electric. Was there a language change also?

Senator Wardner: That's correct. It had to do with a language change on the bonding; special funds instead of general funds.

Chairman Brandenburg: Let's talk about that language change. I think a correction needs to be done.

Senator Wardner: It's already the way the executive director from the industrial commission wants it and the way it sits in the bill right now.

Chairman Brandenburg: If the senate could talk about the $4 million. If the senate could explain exactly what that $4 million would do so we would have a better understanding in the house what that's about.

Senator Wardner: First of all, we've been putting $4 million in the fund. That's what's been legislatively mandated and appropriated for 2 bienniums now. The money is used for

oil and gas research development; finding new ways to recover more oil from the formations. They say we're only capturing 5% of the oil from the Bakken formation. With new technology, we'd be able to recover more. What happens is a group, university, oil company, etc., would come in and have a project in which they're looking at new techniques to recover more oil, as an example. They would offer their grant to the oil and gas research advisory group and they look it over and if they think it's a good one and they recommend it on to the industrial commission. The industrial commission is the final say in whether that project goes forward; whether they get the money to do it. I don't think the budget section works on the first $4 million. If the first $4 million is used up on grants, then and only then, if the advisory group finds a project out there and it goes before the industrial commission and they give approval and then it goes before the budget section in the interim. If they vote that it's ok, then $4 million will be transferred into the fund to be used.

Chairman Brandenburg: I understand there's $4 million in there now and if the first $4 million is used up there would be a way to get another $4 million to be used through approval of the budget section and the industrial commission.

Senator Wardner: The advisory group for the oil and gas research and development fund would have to forward it to the industrial commission and they would study it and if they agree to it and give approval, it still wouldn't release the money and then it would need to go through the budget section and then we would decide if we would allow it to go any further. Then and only then would the $4 million be transferred; and they may not need the $4 million they might require less but they could transfer up to $4 million.

Chairman Brandenburg: Looking again at the $250,000.00 of retention bonuses and $90,000.00 for the core samples. The house put in $247,000.00 for retention bonuses and the senate put in an additional $255,000.00 for retention bonuses for a total of $502,000.00. They're also requesting an additional $90,000.00 for a temporary for core samples at the library in Grand Forks.

Senator Wardner: The house had $255,000.00 that was in the budget and we added $247,000.00. That was to bring the individuals up to 95% of the industry average. The bottom line is that out where these people work the mineral's division has to compete in the private sector to hire these people; otherwise they can go out and make twice as much working for the private industry. The other factor is housing and it's serious not only in this particular area but also in other professions out there. I think this is a small amount. The fact that these are the people on the front lines that make sure that industry runs in a safe way and make sure that these companies don't cut corners. I have had conversations that the EPA is watching us very closely.

Chairman Brandenburg: I believe that this covers 25 employees that there looking at with this issue.

Senator Wardner: That's correct.

Chairman Brandenburg: The core samples are to get those in the proper place.

Senator Erbele: This would give us some continuity of effort.

Senator Wardner: The big thing is to get these core samples organized and stacked correctly. We're looking at the $90,000.00 as being a good investment.

Chairman Brandenburg: Let's move on to renewable energy. The house put in $1 million and the senate added $1 million.

Senator Wardner: It goes back to the empowerment, the empowerment group in the state of North Dakota is made up of people from all different energy types. They've worked together and came up with this proposal. The non-renewables are coal, oil, fossil fuels. In the budget of the governor, it was $3 million. I think we do need to position ourselves into the future. The way it came to the house is it came with $3 million, you took out $2 million and we put $1 million back in.

Representative Kroeber: I think it's extremely important to get our dollars into the renewable energy part. A certain amount of that energy needs to be renewable energy. I think that this is an investment that we should be looking at. I think this is an important part of the energy puzzle.

Chairman Brandenburg: There are two issues with the state mill and elevator. Increase in electrical costs and FTE's. There's been some information handed out about the FTE's. See attached documentation 1014.4.13.11A and 1014.4.13.11B.

Senator Wardner: I would like to make some comments about these FTE's. I would like to point out about 75% of the product is shipped in bulk trucks and rail cars. They're adding customers and there's more demand from the ones that they have. They're demand for spring wheat and durham is fantastic. We talk about the $6.65 million coming from the mill and elevator. There's going to be another payment very similar to it that's going to be made and going into the general fund. These checkers are going to help the bottom line of the mill.

Chairman Brandenburg: One other issue dealing with electrical costs; $564,000.00 increase. The attachment talks about the original electrical costs and the revised electrical costs.

Senator Erbele: I would like a little clarity, what are you willing to take off the table and agree to?

Chairman Brandenburg: These are the things we need to discuss with the house and to commit to anything right now, we're not ready to do that. At this time we're not ready to make that decision.

Chairman Brandenburg: Closed the discussion of the conference committee.

2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division
Medora Room, State Capitol

HB1014
April 14, 2011
Recorder Job# 16591

☐ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A Bill for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide legislative intent; to provide an appropriation; and to authorize transfers

Minutes:

Chairman Brandenburg: Opened the conference committee on HB1014.

The clerk took the roll and all were present except for Senator Wardner.

Chairman Brandenburg: The house is not supportive of the $4 million for the oil projects.

Senator Warner: Just for clarification, it's the additional $4 million?

Chairman Brandenburg: Yes. We're fine with the way it was, but it was the additional $4 million that we're not in agreement with. The second item dealing with $247,013.00 is in support of that; but they are not in support of the $90,000.00 for the core samples.

Senator Wardner: Joined the conference committee.

Chairman Brandenburg: Item #3 for renewable energy we would support $500,000.00. The senate requested $1 million; but, we'd support $500,000.00.

Senator Erbele: You're at $1 million, we're at $2 million; you'd go to $1.5 million. Is that what you're saying?

Chairman Brandenburg: Yes. The last item is for the state mill, the $564,000.00 for the operational costs for electricity; we are in agreement with that but we are not in agreement with the FTE's. So that's where the house position is at.

Senator Warner: The FTE's, you don't want any of them?

Chairman Brandenburg: That is the house's position.

Senator Warner: The FTE's are a natural extension of the growth of the services they can provide. They use entirely special funds; there's not a penny of general fund. I think contribute $6 million per year to the general fund. I would hate to see you sabotage their efforts.

Chairman Brandenburg: That's well stated and very true. In the house FTE's we've been real strong in that position.

Senator Erbele: I would almost liken it to a farm operation where you're in a good equity position and even had money CD's and you're banker would not let you take your own money out of your CD's to invest it back in your ranch. It's not like we're pulling it out of the general fund pool.

Senator Wardner: I understand watching FTE's when we have to come up with general fund ongoing dollars. Once you put those in place it's difficult to remove them. They're different than the FTE's we're talking about here. The FTE's here are under a special fund and this is a business. I know that the legislature really frowned upon it when the mill and elevator was going through it's remodeling. It looked like we might even give them some money to keep them going. They're growing now and they're putting money back into the treasury. It shows $6.65 million being put in the general fund and I'm told that there will be a similar amount going into the general fund again. Normally, I would agree with you on the FTE's; but in this case I would have to respectfully disagree with you.

Chairman Brandenburg: So the senate would want to keep the FTE's.

Senator Warner: Can we back up to the $90,000.00 for the temporary employee at the core library?

Chairman Brandenburg: Go ahead.

Senator Warner: I would say that this is a temporary position just over the next biennium. It's to provide some continuity into restoring the integrity of the collection. They estimate that they could save about 30% of the space. It would give them 4 years of additional core capacity; where they would have to consider building. To me it's good housekeeping.

Representative Thoreson: This was not an issue that was discussed on our side. I'm just wondering how did the core samples get in this situation. Was it brought up on the senate side as to why they are in such a state of disrepair? I would think if someone is there now archiving them and keeping in decent shape, I'm curious as to why they've gotten into a position where we have to bring someone in to fix up what's already there?

Senator Wardner: It's in the testimony and we have pictures of how they did do some work, did get them organized and how it freed up space. This individual would have some knowledge in the area; not just a bunch of students running around. They would get them organized and get them stacked on shelves in the right order. By doing that, they free up enough space that they can waylay the addition or asking for more room and building.

Representative Thoreson: With books, the librarian's job is to make sure those books are organized using whatever system they have. I'm wondering if we have somebody there now or more than one person, have they not been doing that?

Senator Wardner: It is my understanding that the increased activity in the oil patch has created more samples coming in and that's created the problem. I think prior to that there were people putting it in an orderly form. I think there is someone that would be responsible for the core library.

Chairman Brandenburg: Let's talk about the $4 million.

Senator Wardner: It would only come into play if the first $4 million was used. It wouldn't be in play and it would have to go through the advisory group. Then it would have to go through the industrial commission and if they approve it, after that it has to go before the budget section.

Representative Kroeber: How many projects do we have up front right now vying for the present $4 million? Do we know if that's going to be taken and awarded or not?

Chairman Brandenburg: That's something that's up in the air and we don't have any definite answers for that.

Senator Wardner: I think there's a balance left in that fund this biennium; so they did not use up the $4 million and I can't tell you that amount. It's just shy of $1 million left in that account. I'm thinking that the sponsor of the amendment in the future there could be some bigger projects that might be viable and qualify for the grants from this. At this point, they haven't used it all up.

Representative Kroeber: I'm assuming they can carry over the $1 million and that would be $5 million that they're working with at this time?

Senator Wardner: Yes.

Chairman Brandenburg: Let's talk about the renewable energy meeting half way; adding $500,000.00 to $1.5 million.

Senator Wardner: From my standpoint, we're not putting a lot of money into research of renewable at this time and $2 million is not a great amount of money. This is something they worked on and feel good about putting some money into the research of renewables. We think $2 million is not a lot of money. I think the last 2 bienniums they had $3 million to work with.

Chairman Brandenburg: Closed the conference committee.

2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division
Medora Room, State Capitol

HB1014
April 15, 2011
Recorder Job# 16667

☒ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A Bill for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide legislative intent; to provide an appropriation; and to authorize transfers

Minutes:

Chairman Brandenburg: Opened the conference committee on HB1014.

The clerk took the roll and all members were present.

Chairman Brandenburg: Just to review where we're at, we talked about the additional $4 million is out, retention bonus is in, the $90,000.00 is out, the electrical costs for the state mill is in, the 4 FTE's are out and renewable energy; the house added $500,000.00 for a total of $1.5 million.

Senator Wardner: We still think what we're proposing is reasonable. With the renewable energy being at $2 million, as the senate's position and having the $90,000.00 in for the temporary core person. We're still staying under the executive recommendation and those 2 items are still general funded. We'd like another $500,000.00 from where you're at. The executive budget is still above the senate position. The FTE's are with the mill and elevator; that's a special fund. The $400 million would come out of the permanent oil trust fund and that particular bill that deals with it is in a another conference committee. They have 2 people working but the thing that has created a problem for them in the past 3 years they've received more boxes in the core library than the previous 12 years. One of the things they're doing up there is reboxing the core samples. So you'd have an individual who would be there for 2 years; are they going to need student help to lift things, probably. They'd have to figure a way for that to come out of their budget. The reason we think we're getting a good return on the $90,000.00 is that we're pushing off a building project.

Representative Kroeber: When they're still considered temporary, does it increase your FTE level?

Karlene Fine from the Industrial Commission shook her head to answer the question.

Representative Thoreson: The $500,000.00 for what?

Chairman Brandenburg: For renewable energy.

Representative Thoreson: An additional $500,000.00 is what you're saying?

Chairman Brandenburg: Yes.

Senator Wardner: The renewable energy people need to figure out a way to put some money into this fund. We're cutting it from past bienniums and we'd be going to $2 million.

Representative Kroeber: Do we want to have any discussion on the mill and elevator while we're here? We're still at a difference on the mill and elevator positions. We've talked about accepting the $564,000.00 on the energy increases. I was wondering if the senate had had any more discussion on the 4 FTE positions.

Senator Erbele: If you look at what the job descriptions are for those 4 FTE's and you said the house position was that you might go with two, they're also interrelated. You need the car checkers, you need that lab tech and the salesman to sell it. It's like a package deal and it's one of those things. We almost view it as an all or none situation.

Senator Wardner: These aren't general fund FTE's. These are special fund FTE's and are growing the business. As a result we have the ag sector has grown, there's more competition in there which helps our ag people and as a result the state general fund is a benefactor of the added profit. These individuals are going to pay for themselves and there's not question that they need the people. The number of employees they have does limit some of the things they can do.

Chairman Brandenburg: Closed the conference committee.

2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division
Medora Room, State Capitol

HB1014
April 16, 2011
Recorder Job# 16682

☒ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A Bill for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide legislative intent; to provide an appropriation; and to authorize transfers

Minutes:

Chairman Brandenburg: Opened the conference committee on HB1014.

Chairman Brandenburg: Recapped what the issues were on HB1014.

Senator Erbele: There's also that $4 million in grants.

Chairman Brandenburg: The house has talked and we're willing to talk about a couple of areas. On the core samples we would offer $45,000.

Senator Wardner: That gets part of the job done; I don't know if it gets the whole job done. There is no question that some of that activity that's going on in the oil field today is because we had a good core library. What happens is when they take them off and on the shelves the boxes break down.

Representative Thoreson: In discussions with some of the people involved; and it would give it a start and give it some organization. This may be able to bring a temporary person on; we understand the issue. We don't know if we need to do this for the full 2 years; so the $45,000.00 would get 1 temporary person in there for a while to help the people there.

Chairman Brandenburg: Also on the state mill, the house is willing to allow the 2 non union positions.

Representative Thoreson: That would be the marketing person and the lab technician?

Chairman Brandenburg: That's correct.

Senator Erbele: What would make a union person less desirable to hire than someone else?

Chairman Brandenburg: There both desirable; if I made it sound that way it's not the way I meant it.

Senator Taylor: The positions that are there are those positions that are much more needed in terms of the urgency of the tasks that they're asked to perform versus the other two?

Representative Thoreson: I think the people that might be doing the car checker; maybe there'd be some ability to hire people temporarily. Our thought was if we were going to hire people, if we're going to have a successful mill we should have somebody that can find uses for the products which is the lab technician. Then also to have someone sell it; that's why the marketing position would be important.The mill has been around for close to 100 years.

Senator Wardner: We appreciate the fact that you've made some movement and we're going to take a look at them and contemplate. The 2 that are most needed currently are the car checkers. From their testimony, they have to keep up with increased production. The number of clean cars to get them loaded is a limiting factor. They can't get these cars checked and cleaned and ready to go. When the customers have good product, they tell more people and there's more sales. Even though they're front line people, they're critical to the mill and elevator.

Representative Kroeber: I've never heard us breaking down the positions of union and nonunion. Are the 2 sales rep and lab tech are they nonunion and the others union?

Chairman Brandenburg: Karlene can just nod if she knows.

Representative Kroeber: That's correct. The last thing I heard was that the 2 FTE car checker positions are the most important positions to them.

Chairman Brandenburg: We've made an offer to the senate on the 2 positions at the state mill and $45,000.00 for the core samples.

Senator Erbele: You've moved on 2 issues and we still have 2 other issues left. Are they off the table in your mind? In our deliberations we've already moved that number considerably from $10 million to $4 million. Have you considered any portion of that?

Chairman Brandenburg: The house feels that there is $4 million in there now and the house wouldn't have any support for the additional $4 million.

Senator Wardner: Even with the contingency that has to be guided by 3 different bodies?

Chairman Brandenburg: I would say that the $4 million is something that the house would not be in support of.

Senator Wardner: Has there been any discussion on renewable energy?

Chairman Brandenburg: That number is still at $1.5 million.

Senator Wardner: We need to sit and think about this a little bit.

Chairman Brandenburg: Closed the conference committee.

2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division
Medora Room, State Capitol

HB1014
April 16, 2011
Recorder Job# 16698

☒ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A Bill for an Act to provide an appropriation for defraying the expenses of the state industrial commission and the agencies under the management of the industrial commission; to provide legislative intent; to provide an appropriation; and to authorize transfers

Minutes:

Chairman Brandenburg: Reopened the conference committee on HB1014.

The clerk took the roll and all members were present.

Becky Keller, North Dakota Legislative Council: Explained the amendments to HB1014. See attachment 1014.4.16.11A

Representative Thoreson: The amendment we have in front of us has a little different wording. We did try and kind of tweak that for the final amendment. That way it would give them flexibility if they decide that they need to find a space big enough to put everything. It would give the industrial commission some flexibility in that area.

Senator Winrich: Could you read that language again Becky?

Becky Keller: Reread the language on the amendment.

Representative Thoreson: Just to be sure the money will be there; the language will allow them to do this. It just looks a little different.

Senator Taylor: When we were looking at 4 FTE's and this is probably a good compromise at the $200,000.00. Is there an estimation of how that will equate to the 4 FTE's; when you look at temporary and whether you pay benefits, are you looking at 3 people now or 3.5?

Chairman Brandenburg: When we were looking at the 4 FTE's it was $262,000.00 and we said we'd give them $200,000.00 and they'd find out how to do it within their own system. Then, we'll address this next session when we come back and see where they're at.

Senator Wardner: From our perceptive we appreciate your work and efforts on this. This is a compromise we can live with. Made a motion that the senate recede from it's amendments and further amend to adopt the amendment.

Senator Erbele: Seconded the motion.

A roll call vote was made. 6 Yea's 0 Nay's 0 Absent.

Senator Wardner: Just to let you know the $4 million contingency on the oil and gas research is out.

Chairman Brandenburg: Closed the conference committee.

2011 HOUSE CONFERENCE COMMITTEE ROLL CALL VOTES

Committee: House Appropriations - Government Operations

Bill/Resolution No. HB1014 as (re) engrossed

Date: 4-12-11

Roll Call Vote #: _____

Action Taken

- ☐ HOUSE accede to Senate amendments
- ☐ HOUSE accede to Senate amendments and further amend
- ☐ SENATE recede from Senate amendments
- ☐ SENATE recede from Senate amendments and amend as follows

House/Senate Amendments on HJ/SJ page(s) _____

- ☐ Unable to agree, recommends that the committee be discharged and a new committee be appointed

((Re) Engrossed) _____ was placed on the Seventh order of business on the calendar

Motion Made by: _____ Seconded by: _____

Representatives	4/12	4/13	4/14	Yes	No	Senators	4/12	4/13	4/14	Yes	No
Mike Brandenburg	✓	✓	✓			Rick Wardner	✓	✓			
Blair Thoreson	✓	✓	✓			Robert Eberle	✓	✓	✓		
Joe Kroeber	✓	✓	✓			John Warner	✓	✓	✓		

Vote Count Yes: _____ No: _____ Absent: _____

House Carrier _____ Senate Carrier _____

LC Number _____ . _____ of amendment

LC Number _____ . _____ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

2011 HOUSE CONFERENCE COMMITTEE ROLL CALL VOTES

Committee: House Appropriations - Government Operations

Bill/Resolution No. HB 1014 as (re) ~~engrossed~~

Date: 4-15-11

Roll Call Vote #: _____

Action Taken

- ☐ HOUSE accede to Senate amendments
- ☐ HOUSE accede to Senate amendments and further amend
- ☐ SENATE recede from Senate amendments
- ☐ SENATE recede from Senate amendments and amend as follows

House/Senate Amendments on HJ/SJ page(s) _____

- ☐ Unable to agree, recommends that the committee be discharged and a new committee be appointed

((Re) Engrossed) _____ was placed on the Seventh order of business on the calendar

Motion Made by: _____ Seconded by: _____

Representatives	4/15	4/16		Yes	No		Senators	4/15	4/16		Yes	No
Mike Brandenburg	✓	✓					Rich Wardner	✓	✓			
Blair Thoreson	✓	✓					Robert Erbele	✓	✓			
Joe Kroeber	✓	✓					John Warner	✓	✓			

Vote Count Yes: _____ No: _____ Absent: _____

House Carrier _____ Senate Carrier _____

LC Number _____ . _____ of amendment

LC Number _____ . _____ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

11.8157.02009
Title.05000
Fiscal No. 1

Prepared by the Legislative Council staff for
Conference Committee
April 18, 2011

YR
4/18/11
108 4

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1014

That the Senate recede from its amendments as printed on pages 1491-1494 of the House Journal and pages 1243-1246 of the Senate Journal and that Engrossed House Bill No. 1014 be amended as follows:

Page 1, replace line 16 with:

"Salaries and wages	$9,321,995	$2,889,625	$12,211,620"

Page 2, replace lines 1 through 4 with:

"Renewable energy development	0	1,500,000	1,500,000
Total all funds	$59,430,586	$4,411,783	$63,842,369
Less estimated income	49,308,484	(1,797,756)	47,510,728
Total general fund	$10,122,102	$6,209,539	$16,331,641"

Page 3, replace lines 3 and 4 with:

"Salaries and wages	$22,599,324	$3,418,684	$26,018,008
Operating expenses	16,982,918	3,460,951	20,443,869"

Page 3, replace lines 7 and 8 with:

"Total from mill and elevator fund	$40,057,242	$7,014,635	$47,071,877
Full-time equivalent positions	131.00	0.00	131.00"

Page 3, replace lines 23 through 25 with:

"Grand total general fund	$19,522,102	$6,209,539	$25,731,641
Grand total special funds	174,516,769	5,509,037	180,025,806
Grand total all funds	$194,038,871	$11,718,576	$205,757,447"

Page 4, replace line 5 with:

"Renewable energy development program	3,000,000	1,500,000
Temporary employees - Core library	0	90,000"

Page 4, replace lines 11 through 13 with:

"Total all funds	$35,738,726	$2,299,400
Total special funds	30,360,574	0
Total general fund	$5,378,152	$2,299,400"

Page 7, after line 4, insert:

"**SECTION 12. LEGISLATIVE INTENT - CORE LIBRARY HOUSING.** It is the intent of the sixty-second legislative assembly that the industrial commission not construct a new building for the expansion for the core library. If the existing location of the core library does not have sufficient space, the industrial commission may relocate parts or all of the library to an existing state-owned facility."

Page 7, line 15, replace "12" with "13"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1014 - Summary of Conference Committee Action

	Executive Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Industrial Commission						
Total all funds	$63,633,777	$63,005,356	$837,013	$63,842,369	$64,342,369	($500,000)
Less estimated income	46,716,149	47,522,658	(11,930)	47,510,728	47,510,728	0
General fund	$16,917,628	$15,482,698	$848,943	$16,331,641	$16,831,641	($500,000)
Bank of North Dakota						
Total all funds	$56,253,155	$56,253,155	$0	$56,253,155	$56,253,155	$0
Less estimated income	46,853,155	46,853,155	0	46,853,155	46,853,155	0
General fund	$9,400,000	$9,400,000	$0	$9,400,000	$9,400,000	$0
Housing Finance Agency						
Total all funds	$38,590,046	$38,590,046	$0	$38,590,046	$38,590,046	$0
Less estimated income	38,590,046	38,590,046	0	38,590,046	38,590,046	0
General fund	$0	$0	$0	$0	$0	$0
Mill and Elevator						
Total all funds	$46,741,421	$46,539,135	$532,742	$47,071,877	$47,365,485	($293,608)
Less estimated income	46,741,421	46,539,135	532,742	47,071,877	47,365,485	(293,608)
General fund	$0	$0	$0	$0	$0	$0
Bill total						
Total all funds	$205,218,399	$204,387,692	$1,369,755	$205,757,447	$206,551,055	($793,608)
Less estimated income	178,900,771	179,504,994	520,812	180,025,806	180,319,414	(293,608)
General fund	$26,317,628	$24,882,698	$848,943	$25,731,641	$26,231,641	($500,000)

House Bill No. 1014 - Industrial Commission - Conference Committee Action

	Executive Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Salaries and wages	$11,844,607	$11,874,607	$337,013	$12,211,620	$12,211,620	
Operating expenses	3,478,744	3,493,744		3,493,744	3,493,744	
Grants - Lignite research	19,971,300	19,971,300		19,971,300	19,971,300	
Grants - Bond payments	25,339,126	25,389,733		25,389,733	25,389,733	
Renewable energy development	3,000,000	1,000,000	500,000	1,500,000	2,000,000	(500,000)
Carbon Dioxide Storage Fund		532,000		532,000	532,000	
Mineral resources contingency		743,972		743,972	743,972	
Total all funds	$63,633,777	$63,005,356	$837,013	$63,842,369	$64,342,369	($500,000)
Less estimated income	46,716,149	47,522,658	(11,930)	47,510,728	47,510,728	0
General fund	$16,917,628	$15,482,698	$848,943	$16,331,641	$16,831,641	($500,000)
FTE	73.06	74.06	0.00	74.06	74.06	0.00

Department No. 405 - Industrial Commission - Detail of Conference Committee Changes

	Adds Funding for Retention of Employees[1]	Adds Funding for Temporary Employees[2]	Restores Funding for Renewable Energy[3]	Changes Funding Source for Bond Payments[4]	Total Conference Committee Changes
Salaries and wages	$247,013	$90,000			$337,013
Operating expenses					
Grants - Lignite research					
Grants - Bond payments					
Renewable energy development			500,000		500,000
Carbon Dioxide Storage Fund					
Mineral resources contingency					
Total all funds	$247,013	$90,000	$500,000	$0	$837,013
Less estimated income	0	0	0	(11,930)	(11,930)
General fund	$247,013	$90,000	$500,000	$11,930	$848,943
FTE	0.00	0.00	0.00	0.00	0.00

[1] This amendment adds funding for retention of Department of Mineral Resources staff, the same as the Senate version.

[2] One-time funding is added for temporary employees for the Geological Survey Division, the same as the Senate version. A section is added to provide legislative intent regarding the housing of the core library.

[3] This amendment restores $500,000 of the $2 million of funding removed by the House for renewable energy development to provide a total of $1.5 million. The Senate restored $1 million.

[4] Funding for bond payments is adjusted to reflect a decrease in special funds rather than the general fund as provided in the House version, the same as the Senate version.

This amendment does not include a section added by the Senate relating to a transfer from the permanent oil tax trust fund to the oil and gas research fund.

House Bill No. 1014 - Bank of North Dakota - Conference Committee Action

The conference committee did not change the House version for the Bank of North Dakota. The Senate also did not make any changes to the House version.

House Bill No. 1014 - Housing Finance Agency - Conference Committee Action

The conference committee did not change the House version for the Housing Finance Agency. The Senate also did not make any changes to the House version.

House Bill No. 1014 - Mill and Elevator - Conference Committee Action

	Executive Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Salaries and wages	$26,311,616	$26,049,330	($31,322)	$26,018,008	$26,311,616	($293,608)
Operating expenses	19,879,805	19,879,805	564,064	20,443,869	20,443,869	
Contingencies	400,000	400,000		400,000	400,000	
Agriculture promotion	150,000	210,000		210,000	210,000	
Total all funds	$46,741,421	$46,539,135	$532,742	$47,071,877	$47,365,485	($293,608)

Less estimated income	46,741,421	46,539,135	532,742	47,071,877	47,365,485	(293,608)
	$0	$0	$0	$0	$0	$0
General fund						
	135.00	131.00	0.00	131.00	135.00	(4.00)
FTE						

Department No. 475 - Mill and Elevator - Detail of Conference Committee Changes

	Provides Funding for Temporary Employees[1]	Adds Funding for Increased Energy Costs[2]	Removes Funding for FTE Positions[3]	Total Conference Committee Changes
Salaries and wages	$200,000		($231,322)	($31,322)
Operating expenses		564,064		564,064
Contingencies				
Agriculture promotion				
Total all funds	$200,000	$564,064	($231,322)	$532,742
Less estimated income	200,000	564,064	(231,322)	532,742
General fund	$0	$0	$0	$0
FTE	0.00	0.00	0.00	0.00

[1] This amendment adds funding for temporary employees to be used as determined by the Mill and Elevator. The Senate restored funding for 4 FTE positions removed by the House--2 car checker positions, 1 sales representative position, and 1 laboratory technician position.

[2] This amendment increases funding for operating expenses due to increased energy costs, the same as the Senate version.

[3] This amendment removes funding that was inadvertently not removed from the budget when the associated FTE positions were removed. The conference committee did not restore the FTE positions.

2011 HOUSE CONFERENCE COMMITTEE ROLL CALL VOTES

Committee: House Appropriations - Govt Operations

Bill/Resolution No. HB 1014 as (re) engrossed

Date: 4-16-11

Roll Call Vote #: 1

Action Taken

- ☐ HOUSE accede to Senate amendments
- ☐ HOUSE accede to Senate amendments and further amend
- ☐ SENATE recede from Senate amendments
- ☒ SENATE recede from Senate amendments and amend as follows

House/Senate Amendments on HJ/SJ page(s) 1491 - 1494

- ☐ Unable to agree, recommends that the committee be discharged and a new committee be appointed

((Re) Engrossed) HB 1014 was placed on the Seventh order of business on the calendar

Motion Made by: Senator Wardner Seconded by: Senator Erbele

Representatives	4/16	4/16		Yes	No	Senators	4/16	4/16		Yes	No
Mike Brandenburg	✓	✓		✓		Jack Wardner	✓	✓		✓	
Blair Thoreson	✓	✓		✓		Robert Erbele	✓	✓		✓	
Joe Kroeber	✓			✓		Ryan Taylor	✓	✓		✓	
Lonnie Wesnick		✓				John Warner					

Vote Count Yes: 6 No: 0 Absent: 0

House Carrier Rep Brandenburg Senate Carrier Senator Wardner

LC Number 11.8157.02009 . _____ of amendment

LC Number _____ . _____ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

Add funding, temporary employees

REPORT OF CONFERENCE COMMITTEE

HB 1014, as engrossed: Your conference committee (Sens. Wardner, Erbele, Taylor and Reps. Brandenburg, Thoreson, Winrich) recommends that the **SENATE RECEDE** from the Senate amendments as printed on HJ pages 1491-1494, adopt amendments as follows, and place HB 1014 on the Seventh order:

That the Senate recede from its amendments as printed on pages 1491-1494 of the House Journal and pages 1243-1246 of the Senate Journal and that Engrossed House Bill No. 1014 be amended as follows:

Page 1, replace line 16 with:

"Salaries and wages	$9,321,995	$2,889,625	$12,211,620"

Page 2, replace lines 1 through 4 with:

"Renewable energy development	0	1,500,000	1,500,000
Total all funds	$59,430,586	$4,411,783	$63,842,369
Less estimated income	49,308,484	(1,797,756)	47,510,728
Total general fund	$10,122,102	$6,209,539	$16,331,641"

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Grand total special funds	174,516,769	5,509,037	180,025,806
Grand total all funds	$194,038,871	$11,718,576	$205,757,447"

Page 4, replace line 5 with:

"Renewable energy development program	3,000,000	1,500,000
Temporary employees - Core library	0	90,000"

Page 4, replace lines 11 through 13 with:

"Total all funds	$35,738,726	$2,299,400
Total special funds	30,360,574	0
Total general fund	$5,378,152	$2,299,400"

Page 7, after line 4, insert:

"SECTION 12. LEGISLATIVE INTENT - CORE LIBRARY HOUSING. It is the intent of the sixty-second legislative assembly that the industrial commission not construct a new building for the expansion for the core library. If the existing location of the core library does not have sufficient space, the industrial commission may relocate parts or all of the library to an existing state-owned facility."

Page 7, line 15, replace "12" with "13"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1014 - Summary of Conference Committee Action

	Executive Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Industrial Commission						
Total all funds	$63,633,777	$63,005,356	$837,013	$63,842,369	$64,342,369	($500,000)
Less estimated income	46,716,149	47,522,658	(11,930)	47,510,728	47,510,728	0
General fund	$16,917,628	$15,482,698	$848,943	$16,331,641	$16,831,641	($500,000)
Bank of North Dakota						
Total all funds	$56,253,155	$56,253,155	$0	$56,253,155	$56,253,155	$0
Less estimated income	46,853,155	46,853,155	0	46,853,155	46,853,155	0
General fund	$9,400,000	$9,400,000	$0	$9,400,000	$9,400,000	$0
Housing Finance Agency						
Total all funds	$38,590,046	$38,590,046	$0	$38,590,046	$38,590,046	$0
Less estimated income	38,590,046	38,590,046	0	38,590,046	38,590,046	0
General fund	$0	$0	$0	$0	$0	$0
Mill and Elevator						
Total all funds	$46,741,421	$46,539,135	$532,742	$47,071,877	$47,365,485	($293,608)
Less estimated income	46,741,421	46,539,135	532,742	47,071,877	47,365,485	(293,608)
General fund	$0	$0	$0	$0	$0	$0
Bill total						
Total all funds	$205,218,399	$204,387,692	$1,369,755	$205,757,447	$206,551,055	($793,608)
Less estimated income	178,900,771	179,504,994	520,812	180,025,806	180,319,414	(293,608)
General fund	$26,317,628	$24,882,698	$848,943	$25,731,641	$26,231,641	($500,000)

House Bill No. 1014 - Industrial Commission - Conference Committee Action

	Executive Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Salaries and wages	$11,844,607	$11,874,607	$337,013	$12,211,620	$12,211,620	
Operating expenses	3,478,744	3,493,744		3,493,744	3,493,744	
Grants - Lignite research	19,971,300	19,971,300		19,971,300	19,971,300	
Grants - Bond payments	25,339,126	25,389,733		25,389,733	25,389,733	
Renewable energy development	3,000,000	1,000,000	500,000	1,500,000	2,000,000	(500,000)
Carbon Dioxide Storage Fund		532,000		532,000	532,000	
Mineral resources contingency		743,972		743,972	743,972	
Total all funds	$63,633,777	$63,005,356	$837,013	$63,842,369	$64,342,369	($500,000)
Less estimated income	46,716,149	47,522,658	(11,930)	47,510,728	47,510,728	0
General fund	$16,917,628	$15,482,698	$848,943	$16,331,641	$16,831,641	($500,000)
FTE	73.06	74.06	0.00	74.06	74.06	0.00

Department No. 405 - Industrial Commission - Detail of Conference Committee Changes

	Adds Funding for Retention of Employees[1]	Adds Funding for Temporary Employees[2]	Restores Funding for Renewable Energy[3]	Changes Funding Source for Bond Payments[4]	Total Conference Committee Changes
Salaries and wages	$247,013	$90,000			$337,013

Operating expenses					
Grants - Lignite research					
Grants - Bond payments					
Renewable energy development			500,000		500,000
Carbon Dioxide Storage Fund					
Mineral resources contingency					
Total all funds	$247,013	$90,000	$500,000	$0	$837,013
Less estimated income	0	0	0	(11,930)	(11,930)
General fund	$247,013	$90,000	$500,000	$11,930	$848,943
FTE	0.00	0.00	0.00	0.00	0.00

[1] This amendment adds funding for retention of Department of Mineral Resources staff, the same as the Senate version.

[2] One-time funding is added for temporary employees for the Geological Survey Division, the same as the Senate version. A section is added to provide legislative intent regarding the housing of the core library.

[3] This amendment restores $500,000 of the $2 million of funding removed by the House for renewable energy development to provide a total of $1.5 million. The Senate restored $1 million.

[4] Funding for bond payments is adjusted to reflect a decrease in special funds rather than the general fund as provided in the House version, the same as the Senate version.

This amendment does not include a section added by the Senate relating to a transfer from the permanent oil tax trust fund to the oil and gas research fund.

House Bill No. 1014 - Bank of North Dakota - Conference Committee Action

The conference committee did not change the House version for the Bank of North Dakota. The Senate also did not make any changes to the House version.

House Bill No. 1014 - Housing Finance Agency - Conference Committee Action

The conference committee did not change the House version for the Housing Finance Agency. The Senate also did not make any changes to the House version.

House Bill No. 1014 - Mill and Elevator - Conference Committee Action

	Executive Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Salaries and wages	$26,311,616	$26,049,330	($31,322)	$26,018,008	$26,311,616	($293,608)
Operating expenses	19,879,805	19,879,805	564,064	20,443,869	20,443,869	
Contingencies	400,000	400,000		400,000	400,000	
Agriculture promotion	150,000	210,000		210,000	210,000	
Total all funds	$46,741,421	$46,539,135	$532,742	$47,071,877	$47,365,485	($293,608)
Less estimated income	46,741,421	46,539,135	532,742	47,071,877	47,365,485	(293,608)
General fund	$0	$0	$0	$0	$0	$0
	135.00	131.00	0.00	131.00	135.00	(4.00)

FTE

Department No. 475 - Mill and Elevator - Detail of Conference Committee Changes

	Provides Funding for Temporary Employees[1]	Adds Funding for Increased Energy Costs[2]	Removes Funding for FTE Positions[3]	Total Conference Committee Changes
Salaries and wages	$200,000		($231,322)	($31,322)
Operating expenses		564,064		564,064
Contingencies				
Agriculture promotion				
Total all funds	$200,000	$564,064	($231,322)	$532,742
Less estimated income	200,000	564,064	(231,322)	532,742
General fund	$0	$0	$0	$0
FTE	0.00	0.00	0.00	0.00

[1] This amendment adds funding for temporary employees to be used as determined by the Mill and Elevator. The Senate restored funding for 4 FTE positions removed by the House--2 car checker positions, 1 sales representative position, and 1 laboratory technician position.

[2] This amendment increases funding for operating expenses due to increased energy costs, the same as the Senate version.

[3] This amendment removes funding that was inadvertently not removed from the budget when the associated FTE positions were removed. The conference committee did not restore the FTE positions.

Engrossed HB 1014 was placed on the Seventh order of business on the calendar.

2011 TESTIMONY

HB 1014

Prepared by the North Dakota Legislative Council staff for House Appropriations
January 7, 2011

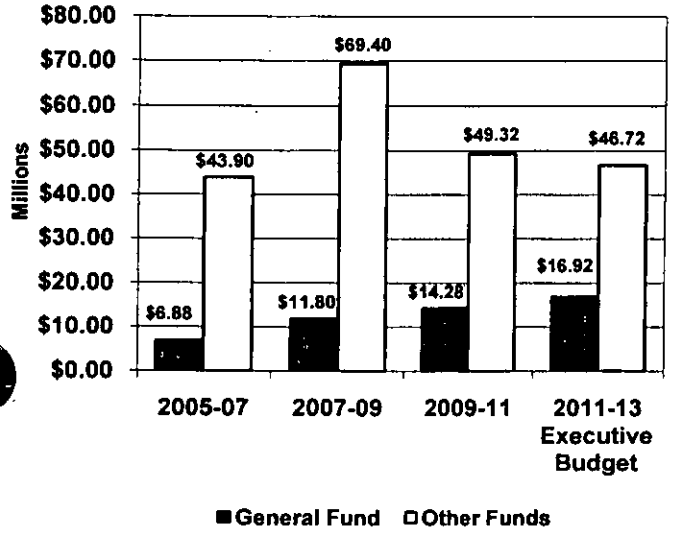
Department 405 - Industrial Commission
House Bill No. 1014

	FTE Positions	General Fund	Other Funds	Total
2011-13 Executive Budget	73.06	$16,917,628	$46,716,149	$63,633,777
2009-11 Legislative Appropriations	61.06[1]	14,275,254	49,317,984	63,593,238[2]
Increase (Decrease)	12.00	$2,642,374	($2,601,835)	$40,539

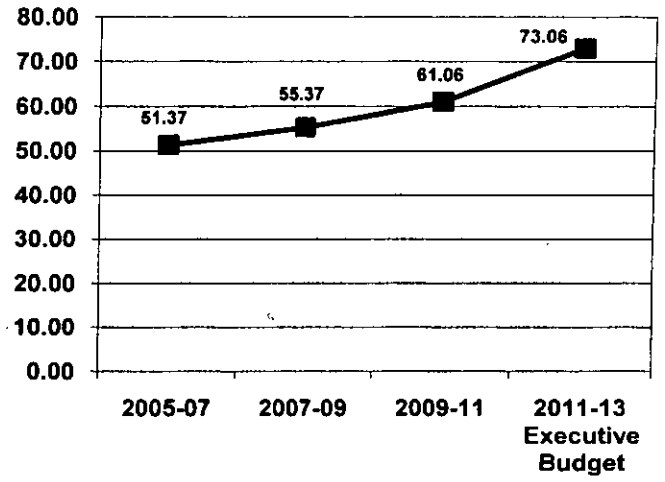
[1]The number of FTE positions for the 2009-11 biennium has not been adjusted to reflect the additional 2 FTE positions authorized by Emergency Commission action during the 2009-11 biennium.

[2]The 2009-11 appropriation amounts include $484,500, $475,000 of which is from the general fund, for the agency's share of the $16 million funding pool appropriated to the Office of Management and Budget for special market equity adjustments for executive branch employees.

Agency Funding



FTE Positions



Ongoing and One-Time General Fund Appropriations

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2011-13 Executive Budget	$13,740,228	$3,177,400	$16,917,628
2009-11 Legislative Appropriations	10,597,102	3,678,152	14,275,254
Increase (Decrease)	$3,143,126	($500,752)	$2,642,374

Executive Budget Highlights

	General Fund	Other Funds	Total
1. Adds funding for operating expenses ($44,946) and temporary salaries ($290,880)	$335,826		$335,826
2. Adds **one-time funding** for a sand deposit study	$50,000		$50,000
3. Adds **one-time funding** to continue the shallow gas study	$25,000		$25,000
4. Adds **one-time funding** for an analysis of oil-bearing rocks	$40,000		$40,000
5. Adds **one-time funding** for paleontology preparation work to transfer fossil specimens to a new laboratory in the expanded Heritage Center	$62,400		$62,400
6. Adds **one-time funding** for a transfer from the general fund to the renewable energy development fund to continue renewable energy research, development, and education programs	$3,000,000		$3,000,000
Adds funding for increased operating expenses due to anticipated inflationary increases	$158,317		$158,317

8. Changes the funding source and adds 2 FTE positions for the Department of Mineral Resources. In the 2009-11 biennium these positions were contingent and funded from the lands and minerals trust fund, including $249,819 for salaries and wages and $69,400 for related operating expenses. (The positions were authorized to be filled by the Emergency Commission in the 2009-11 biennium.)	$319,219	($319,219)	$0
9. Adds funding for salary equity increases for geologists and engineers	$255,819		$255,819
10. Adds 1 FTE petroleum engineer position ($138,356) and related operating expenses ($61,500)	$199,865		$199,865
11. Adds 6 FTE engineering technician field inspector positions ($564,336) and related operating expenses ($276,750)	$841,086		$841,086
12. Adds 1 FTE engineering technician measurement specialist position ($124,871) and related operating expenses ($61,500)	$186,371		$186,371
13. Adds 1 FTE production analyst position ($116,341) and related operating expenses ($8,500)	$124,841		$124,841
14. Adds 1 FTE subsurface geologist position ($159,814) and related operating expenses ($61,500)	$221,314		$221,314
15. Decreases funding for bond payments to reflect bonds which have matured		($2,102,739)	($2,102,739)
16. Removes one-time funding provided in the 2009-11 biennium for the renewable energy program, recruitment and retention bonuses, the state facility lignite feasibility demonstration project, and shallow gas and fracture sand studies	($3,678,152)		($3,678,152)

Continuing Appropriations

Fossil excavation and restoration fund - North Dakota Century Code Section 54-17.4-09.1 - Excavation and restoration of fossils.

Cartographic products fund - Section 54-17.4-10 - Topographic map sales and purchases.

Global positioning system community base station - Section 54-17.4-12 - For maintenance of base station.

Oil and gas reservoir data fund - Section 38-08-04.6 - Oil and gas reservoir data.

Abandoned oil and gas reclamation fund - Section 38-08-04.5 - Abandoned oil and gas reclamation.

Cash bond fund - Section 38-08-04.11 - For defraying costs incurred in plugging and reclamation of abandoned oil and gas wells and related activities.

Oil and gas research fund - Chapter 57-51.1 - Oil and gas research and education.

Lignite research fund - Section 57-61-01.5 - Research, development, and marketing for lignite industry.

North Dakota Pipeline Authority administrative fund - Section 54-17.7-11 - For operations of the North Dakota Pipeline Authority.

Renewable energy development fund - Section 54-63-04 - Renewable energy research, development, and education.

Geophysical, geothermal, subsurface minerals, and coal exploration fund - Chapter 38-21 - Reclamation of orphaned facilities and exploration holes.

Geological data preservation fund - Section 54-17.4-13 - Data preservation.

Carbon dioxide storage facility administration fund - Section 38-22-05 - For defraying costs of processing applications for regulating carbon dioxide storage facilities.

Carbon dioxide storage facility trust fund - Section 38-22-15 - For costs associated with long-term monitoring and management of a closed carbon dioxide storage facility.

Significant Audit Findings

The operational audit for the Industrial Commission conducted by the State Auditor's office during the 2009-10 interim identified no significant audit findings.

Major Related Legislation

Senate Bill No. 2032 - Oil and Gas Research Council purposes. This bill expands the purposes of the Oil and Gas Research Council to allow the promotion of innovation in safety, enhancement of environment, an increase in education concerning distribution of petroleum products and allows the Industrial Commission, as manager of the Oil and Gas Research Council, to pro financial assistance for processes and activities directly related to the refining industry and petroleum marketing industry.

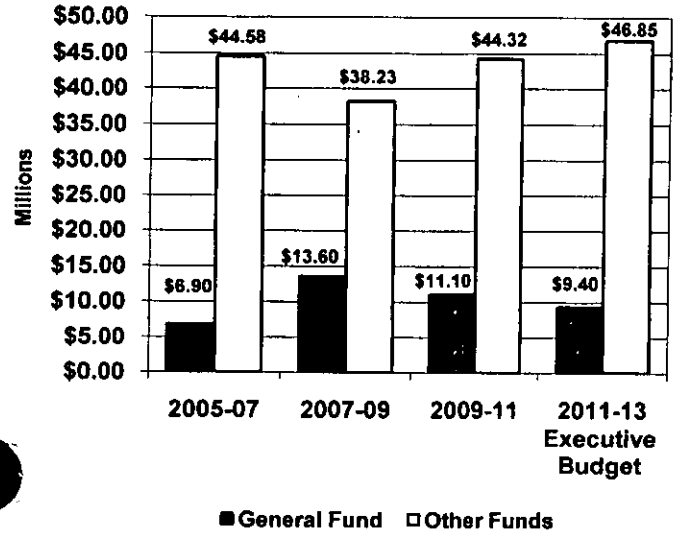
Prepared by the North Dakota Legislative Council staff for House Appropriations
January 7, 2011

Department 471 - Bank of North Dakota
House Bill No. 1014

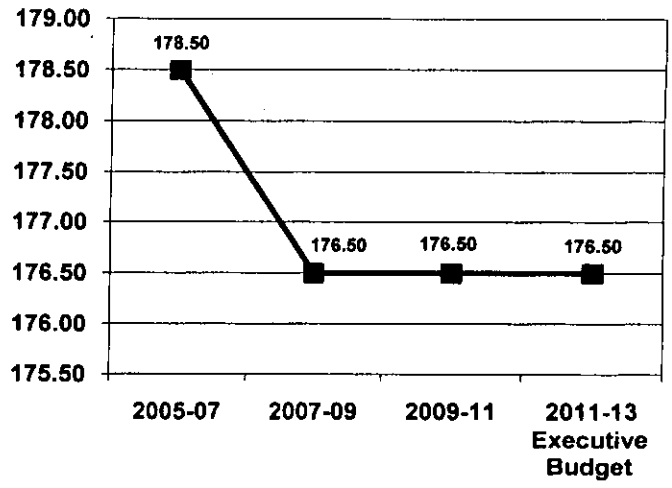
	FTE Positions	General Fund	Other Funds	Total
2011-13 Executive Budget	176.50	$9,400,000	$46,853,155	$56,253,155
2009-11 Legislative Appropriations	176.50	11,100,000	44,317,274	55,417,274[1]
Increase (Decrease)	0.00	($1,700,000)	$2,535,881	$835,881

[1]The 2009-11 appropriation amounts include $150,000 of other funds for the agency's share of the $16 million funding pool appropriated to the Office of Management and Budget for special market equity adjustment for executive branch employees.

Agency Funding



FTE Positions



Ongoing and One-Time General Fund Appropriations

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2011-13 Executive Budget	$9,400,000	$0	$9,400,000
2009-11 Legislative Appropriations	9,400,000	1,700,000	11,100,000
Increase (Decrease)	$0	($1,700,000)	($1,700,000)

Executive Budget Highlights

	General Fund	Other Funds	Total
1. Changes funding source from the beginning farmer revolving loan program to the general fund and increases funding to enhance the beginning farmer revolving loan program for a total of $1.4 million for the 2011-13 biennium	$1,400,000	($950,000)	$450,000
2. Increases funding from federal funds ($2,424,257) and decreases funding from the Bank of North Dakota operating fund ($602,900) for bank operations		$1,821,357	$1,821,357
3. Adds funding for purchase or replacement of information technology equipment		$1,134,000	$1,134,000
4. Decreases ongoing funding for the partnership in assisting community expansion (PACE) to provide total funding of $6 million for the 2011-13 biennium	($2,000,000)		($2,000,000)
5. Decreases ongoing funding for Ag PACE to provide total funding of $1 million for the 2011-13 biennium	($400,000)		($400,000)
6. Provides ongoing funding for the biofuels PACE program, an increase of $300,000 from the one-time funding provided in the 2009-11 biennium	$1,000,000		$1,000,000
7. Removes one-time funding provided in the 2009-11 biennium for biofuels PACE ($700,000) and the Ag PACE disaster program ($1,000,000)	($1,700,000)		($1,700,000)

Continuing Appropriations

Ag PACE - North Dakota Century Code Section 6-09.13-04 - Buydown interest rates on agriculture-related loans.

PACE - Section 6-09.14-02 - Buydown interest rates on loans for new or expanding businesses.

College SAVE - Section 6-09-38 - Higher education savings plan.

Significant Audit Findings

The financial statement audit for the Bank of North Dakota conducted by Brady, Martz & Associates PC, Certified Public Accountants, during the 2009-10 interim identified no significant audit findings.

Major Related Legislation

House Bill No. 1021 - Bank of North Dakota transfers - Section 4 of this bill provides for a transfer of $5 million from the current earnings and undivided profits of the Bank to the health information technology planning loan fund or to the health information technology fund. Section 6 of this bill amends Section 8 of Chapter 519 of the 2009 Session Laws to extend the $8 million transfer provided for the 2009-11 biennium into the 2011-13 biennium.

Senate Bill No. 2015 - Transfer to general fund from Bank of North Dakota - Section 7 of this bill provides for a transfer of $60 million from the current earnings and undivided profits of the Bank to the general fund during the 2011-13 biennium.

Senate Bill No. 2034 - Green diesel parity - This bill treats green diesel the same as biodiesel with a clawback provision for the biofuels PACE program upon change in ownership within five years of the grant which negates the agricultural producer or resident ownership requirements.

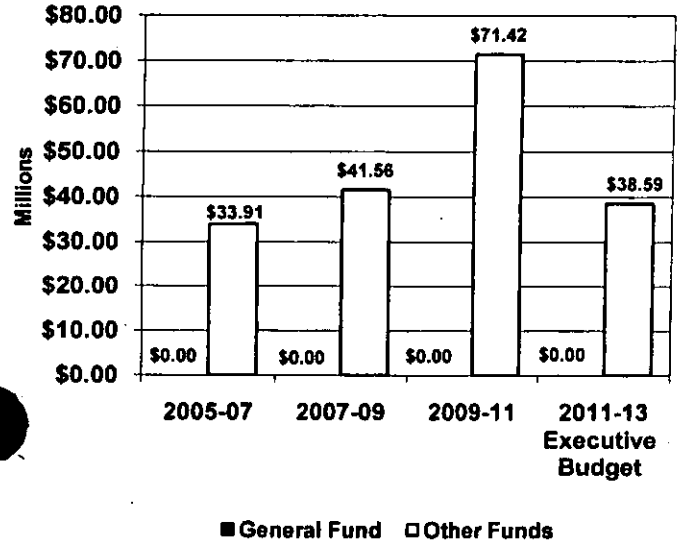
Prepared by the North Dakota Legislative Council staff for House Appropriations
January 7, 2011

Department 473 - Housing Finance Agency
House Bill No. 1014

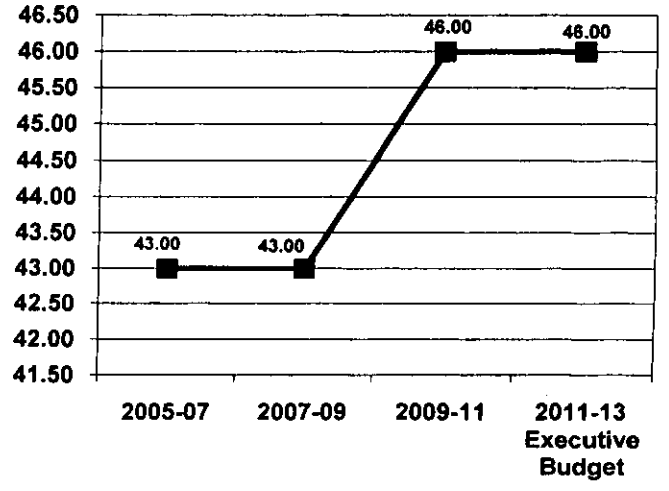
	FTE Positions	General Fund	Other Funds	Total
2011-13 Executive Budget	46.00	$0	$38,590,046	$38,590,046
2009-11 Legislative Appropriations	46.00	0	71,424,343	71,424,343[1]
Increase (Decrease)	0.00	$0	($32,834,297)	($32,834,297)

[1]The 2009-11 appropriation amounts include $80,000 of other funds for the agency's share of the $16 million funding pool appropriated to the Office of Management and Budget for special market equity adjustment for executive branch employees. The 2009-11 appropriation amounts do not include $6,695,000 of additional special funds received pursuant to additional income authority under Section 4 of 2009 Senate Bill No. 2014.

Agency Funding



FTE Positions



Executive Budget Highlights

	General Fund	Other Funds	Total
1. Increases funding for program outreach		$113,350	$113,350
2. Decreases federal funds received for housing and urban development grants		($5,960,440)	($5,960,440)
3. Decreases funding for costs associated with warehousing loans prior to sale of bond issues		($3,288,955)	($3,288,955)
4. Removes federal fiscal stimulus funding appropriated for the 2009-11 biennium		($30,360,574)	($30,360,574)
5. Removes one-time funding provided in the 2009-11 biennium for relocation and furnishing expenses		($250,000)	($250,000)

Continuing Appropriations

No continuing appropriations for this agency.

Significant Audit Findings

The financial statement audit for the Housing Finance Agency conducted by Eide Bailly LLP, Certified Public Accountants, during the 2009-10 interim identified no significant audit findings.

Major Related Legislation

At this time, no major legislation has been introduced affecting this agency.

1014.1.10.1B

ARRA Projects

Status as of December 31, 2010

Loan Recipient	Binding Commitment	SRF Loan Amount				Cumulative Payments				Total Balance To Fund	ARRA Balance To Fund
		Total Amount	Principal Forgiveness	1% Loan	Base SRF	Total Payments	Principal Forgiveness	1% Loan	Base SRF		
CWSRF											
Cavalier	07/01/09	487,315		467,181	20,134	487,315		467,181	20,134	0	0
Davenport	08/05/09	400,000	234,416		165,584	359,677	226,347		133,330	40,323	8,069
Drayton	01/19/10	2,262,345	1,547,000		715,345	1,292,583	1,291,417		1,166	969,762	255,583
Edgeley	10/08/09	1,720,000	1,269,079		450,921	1,543,624	1,269,079		274,545	176,376	0
Enderlin	09/22/09	800,000	311,223		488,777	735,903	311,223		424,680	64,097	0
Fargo	02/08/10	853,974		344,997	508,977	344,580		344,580		509,394	417
Glenburn	06/30/09	824,900	378,461		446,439	548,273	378,461		169,812	276,627	0
Hankinson	02/11/10	585,000		406,494	178,506	533,289		406,494	126,795	51,711	0
Hazen	06/11/09	290,000		252,164	37,836	233,686		233,686		56,314	18,478
Lake Metigoshe RSD	07/06/09	517,400	256,774		260,626	517,400	256,774		260,626	0	0
Lisbon	06/02/09	1,435,000	710,739		724,261	1,242,211	694,841		547,370	192,789	15,898
Michigan	09/24/09	1,697,336	1,100,000		597,336	1,442,332	1,100,000		342,332	255,004	0
Munich	09/10/09	1,200,120	1,044,570		155,550	1,200,120	1,044,570		155,550	0	0
Northwood	02/12/10	2,363,000	1,325,602		1,037,398	2,275,500	1,325,602		949,898	87,500	0
Strasburg	09/21/09	1,600,000	1,054,738		545,262	1,211,189	1,054,738		156,451	388,811	0
Stutsman RWD	05/26/09	5,500,000		4,341,836	1,158,164	4,410,131		4,247,207	162,924	1,089,869	94,629
Valley City	09/15/09	480,000		437,314	42,686	193,484		193,484		286,516	243,830
Velva	06/04/09	501,032	386,948		114,084	321,032	316,948		4,084	180,000	70,000
Totals		23,517,422	9,619,550	6,249,986	7,647,886	18,892,329	9,270,000	5,892,632	3,729,697	4,625,093	706,904
DWSRF											
BDW Water System	01/15/10	2,500,000	2,500,000			1,301,984	1,301,984			1,198,016	1,198,016
Hillsboro	11/10/09	1,351,400	243,000	957,000	151,400	979,129	195,675	782,699	755	372,271	221,626
Jamestown	11/23/09	5,650,000		2,996,823	2,653,177	1,334,009		1,334,009		4,315,991	1,662,814
Karlsruhe	11/04/09	873,100	619,000	136,400	117,700	750,085	614,246	134,835	1,004	123,015	6,319
Kenmare	01/11/10	500,000		500,000		397,772		397,772		102,228	102,228
Ray	08/19/09	864,000	864,000			820,800	820,800			43,200	43,200
Strasburg	09/17/09	2,230,000	1,672,000	375,630	182,370	1,935,822	1,560,192	375,630		294,178	111,808
Valley City	11/13/09	4,646,000	2,600,000	2,046,000		2,058,532	1,152,778	905,754		2,587,468	2,587,468
Washburn	08/12/09	4,668,000	2,072,000	2,071,000	525,000	3,779,291	1,889,646	1,889,645		888,709	363,709
Wildrose	10/15/09	1,780,000	1,503,094		276,906	1,469,385	1,469,385			310,615	33,709
Wimbledon	03/03/09	258,353		164,053	94,300	258,353		164,053	94,300	0	0
Totals		25,320,853	12,073,094	9,246,906	4,000,853	15,085,162	9,004,706	5,984,397	96,059	10,235,691	6,330,897

1014.1.10.1rc

North Dakota Public Finance Authority
FTE History

Biennium	FTE
1997-1999	3.00
1999-2001	4.00
2001-2003	4.00
2003-2005	2.75
2005-2007	2.75
2007-2009	2.75
2009-2011	2.75
2011-2013	2.75 *Requested*

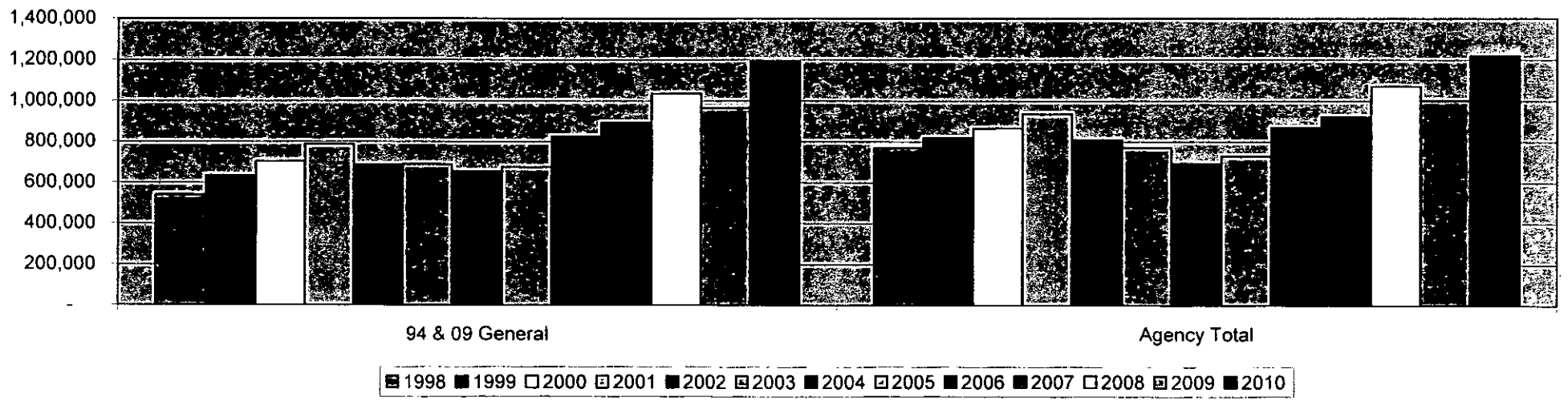
1014.1.19.11A

North Dakota Housing Finance Agency
Advisory Board
(Effective December 28, 2010)

Board Member	Appointed	Term Expiration Date
Gerald Eid, Chairman Eid-Co Buildings, Inc 1701 32nd Ave S Fargo, ND 58103 *(builder member)*	October 1, 1994 (Reappointed Chairman December 28, 2010)	July 1, 2011
Becky Knight PO Box 87 New Town, ND 58763 *(homebuyer/homeowner member)*	March 8, 2000	July 1, 2011
Ninetta Wandler Everett Real Estate, Inc. PO Box 1036 Dickinson, ND 58601 *(real estate member)*	January 22, 2004	July 1, 2012
Lisa Rotvold Beyond Shelter, Inc. 521 1st Ave NE Hillsboro, ND 58045 *(homebuyer/homeowner member)*	January 22, 2004	July 1, 2012
Jim Farnsworth Colonial Estates 1501 East Bismarck Expressway Bismarck, ND 58504 *(manufactured housing member)*	December 28, 2010	July 1, 2013
Ron Jordan, Vice Chairman State Bank & Trust 3100 13th Ave S Fargo, ND 58103 *(lender member)*	February 26, 2004 (Reappointed Vice Chairman December 28, 2010)	July 1, 2013

1014.1.19.11B

North Dakota Housing Finance Agency
Total Assets as of June 30 each year



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	81,737.00 2009	226,737.00 2010
94 & 09 General	539,222	633,123	702,651	787,737	686,533	689,243	654,166	676,271	824,914	893,931	1,035,021	965,149	1,191,886
Agency Total	770,155	818,541	866,692	936,751	810,892	771,847	693,280	729,695	869,128	922,579	1,071,476	1,002,851	1,219,858

North Dakota Housing Finance Agency
Fund Balance as of June 30 each year

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
94 & 09 General	4,456	7,682	12,470	17,017	20,170	37,393	45,010	49,730	56,636	76,037	82,081	89,748	99,937
Agency Total	27,074	31,928	39,628	47,777	54,445	60,478	65,136	70,355	81,135	88,789	97,769	105,398	115,131

Capital Analysis

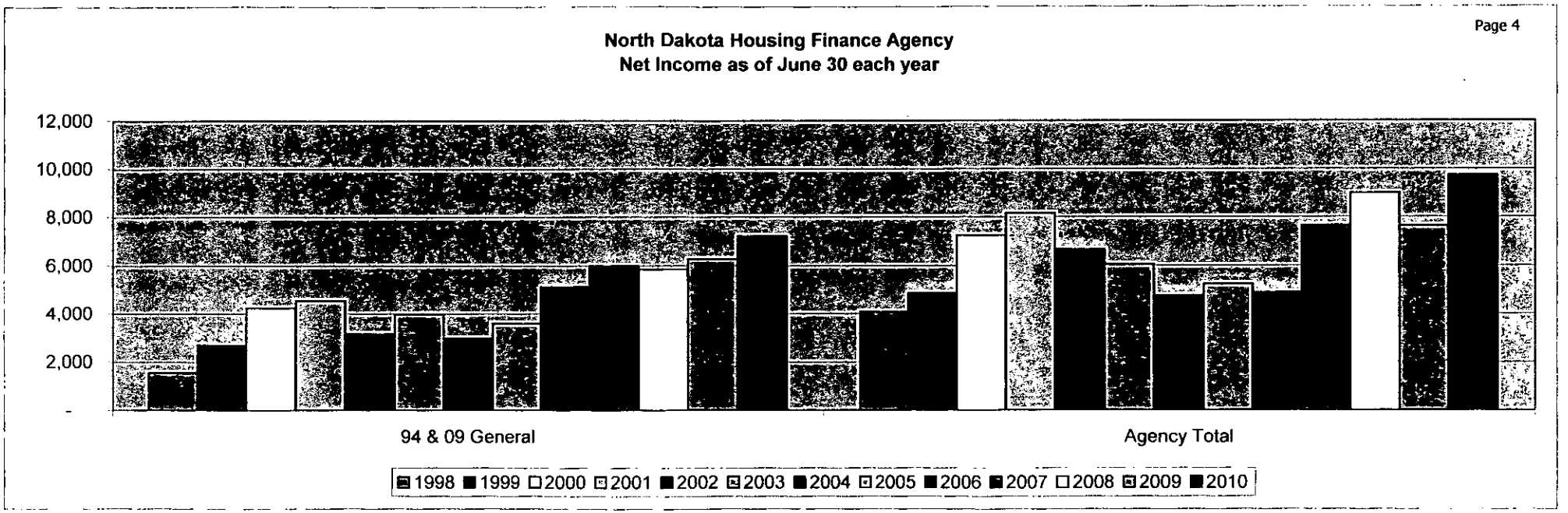
Assets	1994 General Resolution	2009 General Resolution
Cash & Investments	133,393,984.86	129,504,101.51
Mortgages Receivable	772,337,285.51	133,159,442.02
Interest Receivable	3,421,790.28	434,582.74
Accounts Receivable	61,367.77	0.00
Due From Other Funds	989,448.27	43,753.13
Total Assets	**910,203,876.69**	**263,141,879.40**
Liabilities		
Bonds Payable	809,408,981.58	257,100,000.00
Interest Payable	16,665,664.46	1,808,327.79
Accounts Payable	3,607,492.01	70,436.08
Due To Other Funds	531,381.72	
Rebate Due To Federal Govt	1,522,642.31	
Loan Loss	***13,581,916.00***	***3,459,574.00***
Total Liabilities	**845,318,078.08**	**262,438,337.87**
Moody's Rating	**Aa1**	**Aa3**
Parity	**107.68%**	**100.27%**
Fund Balance	**89,747,628.48**	-
Minimum Adjusted Parity Plus Loan Loss	104.00%	100.00%
Moody's Loan Loss Exposure Ration	2.72%	2.72%
Minimum Parity for Rating	**106.72%**	**102.72%**

Additional Collateral may has been required upon further review of cash flows.

	Agency
Undesignated Fund Balance	15,650,561.64
Servicing Release Premium	(3,826,162.34)
Admin Fee Due from Indenture	(3,634,009.25)
Required Additional Pledge to 94 General	(3,500,000.00)
Adjusted Fund Balance	**4,690,390.05**

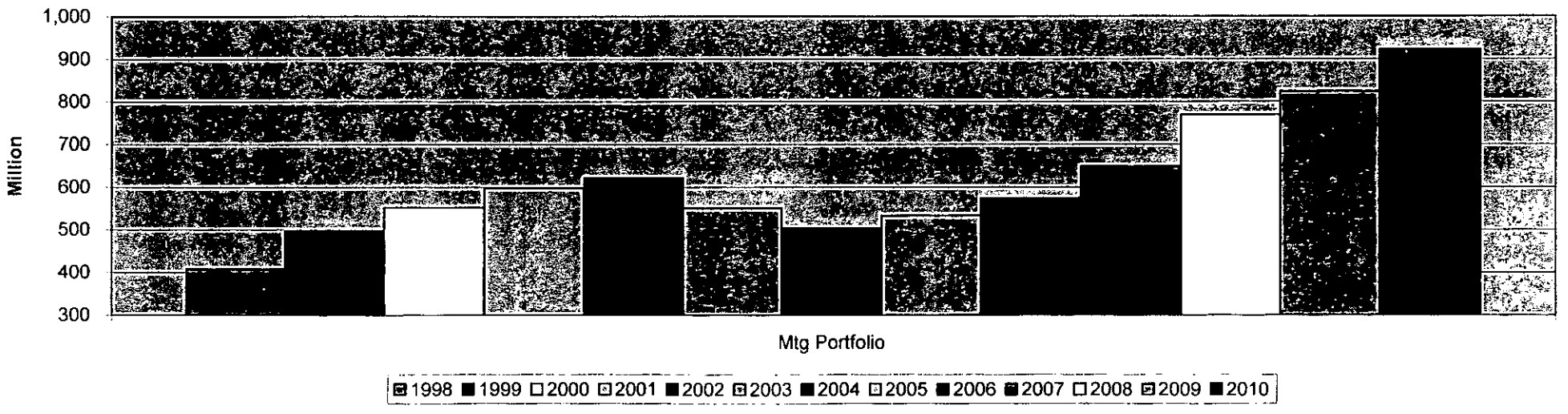
Mortgage Loans Receivable	7,176,784.30
Required Additional Pledge to 94 General	(3,500,000.00)
Balance of Unpledged Mortgage Loans	**3,676,784.30**

North Dakota Housing Finance Agency
Net Income as of June 30 each year



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
94 & 09 General	1,556	2,690	4,235	4,547	3,153	3,983	2,976	3,592	5,111	5,985	5,836	6,278	7,221
Agency Total	4,069	4,855	7,237	8,151	6,668	6,040	4,749	5,219	4,870	7,655	8,980	7,630	9,732

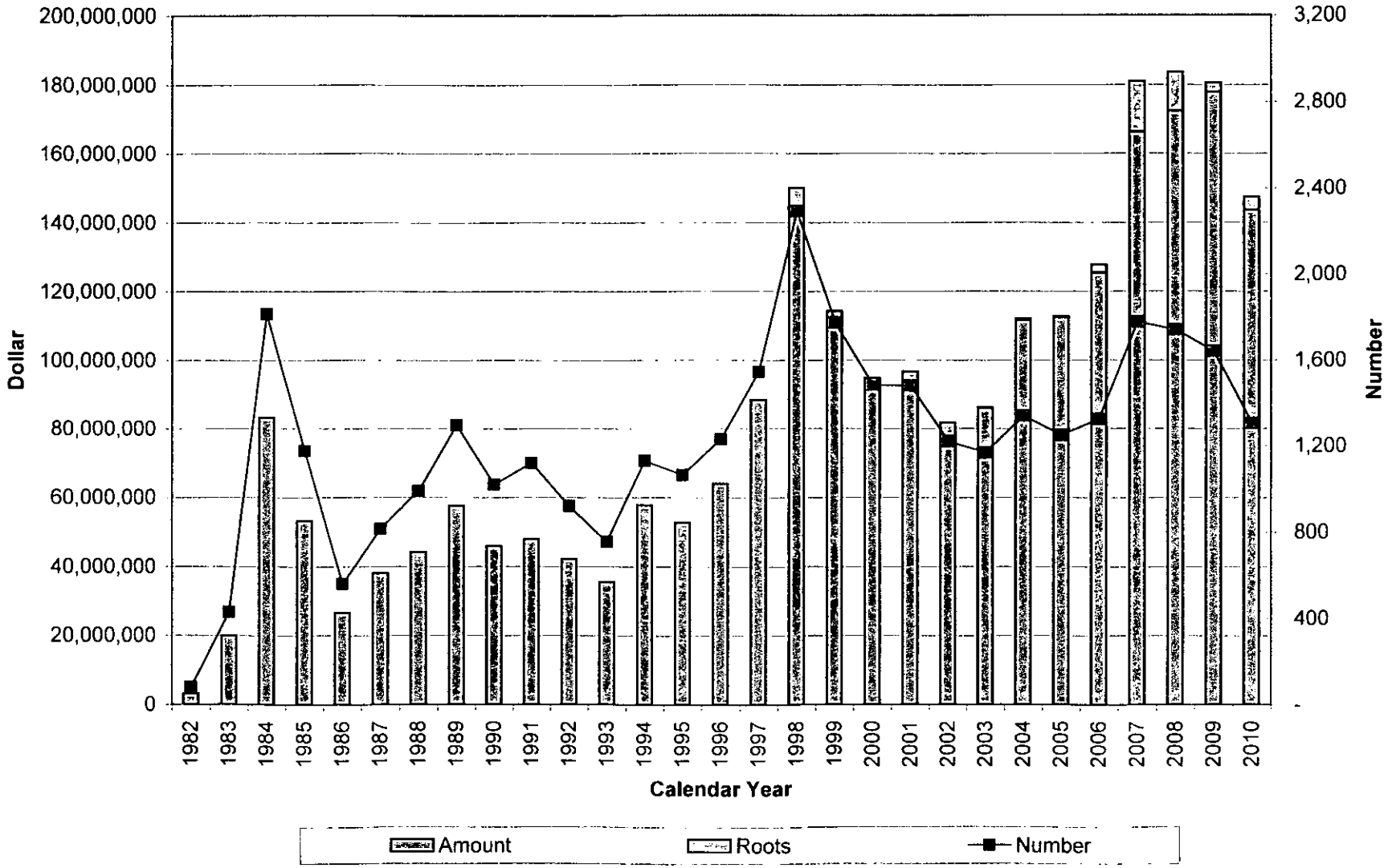
North Dakota Housing Finance Agency
Mortgage Portfolio as of June 30 each year



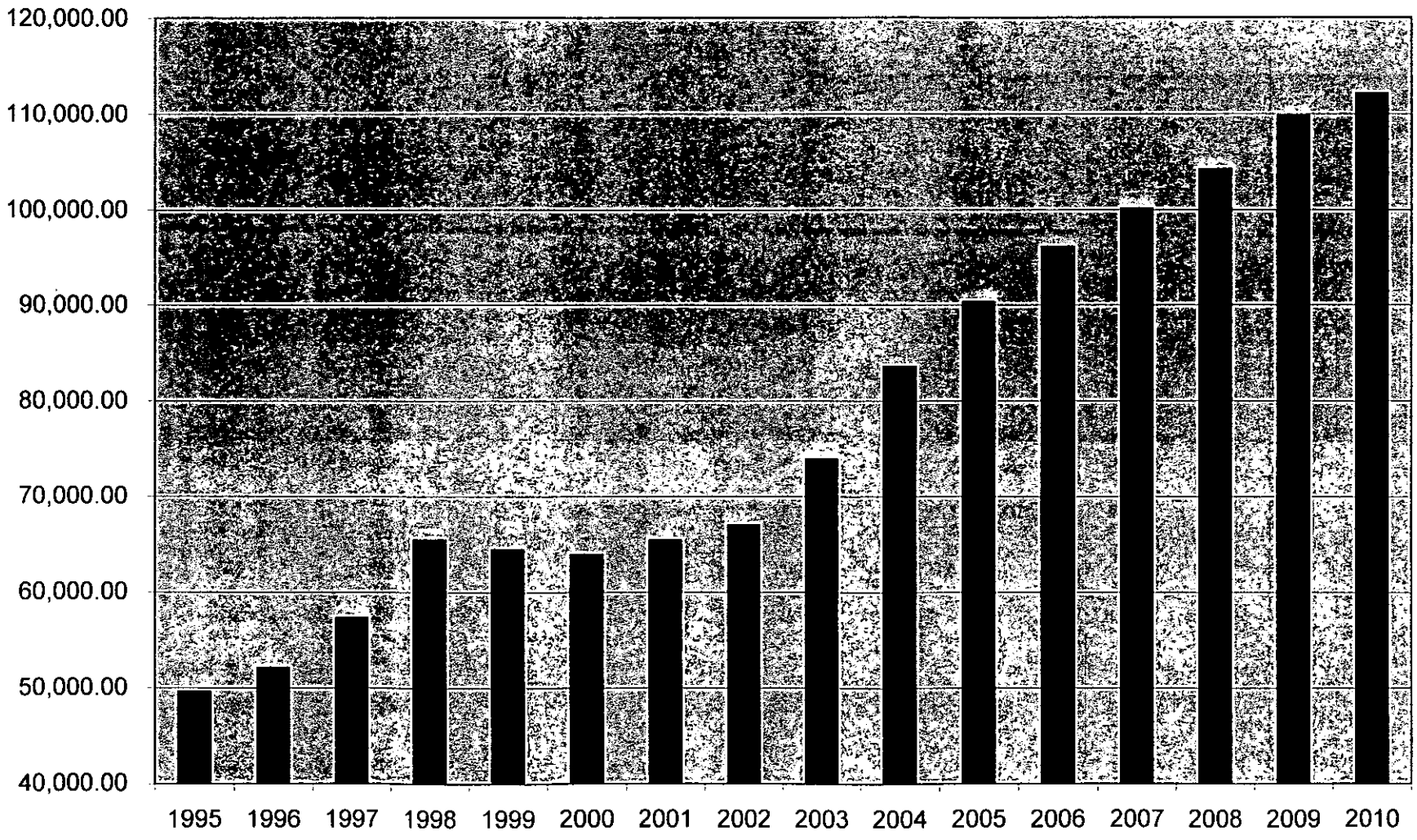
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Mtg Portfolio	408	497	552	598	622	550	503	533	574	648	769	824	922

North Dakota Housing Finance Agency

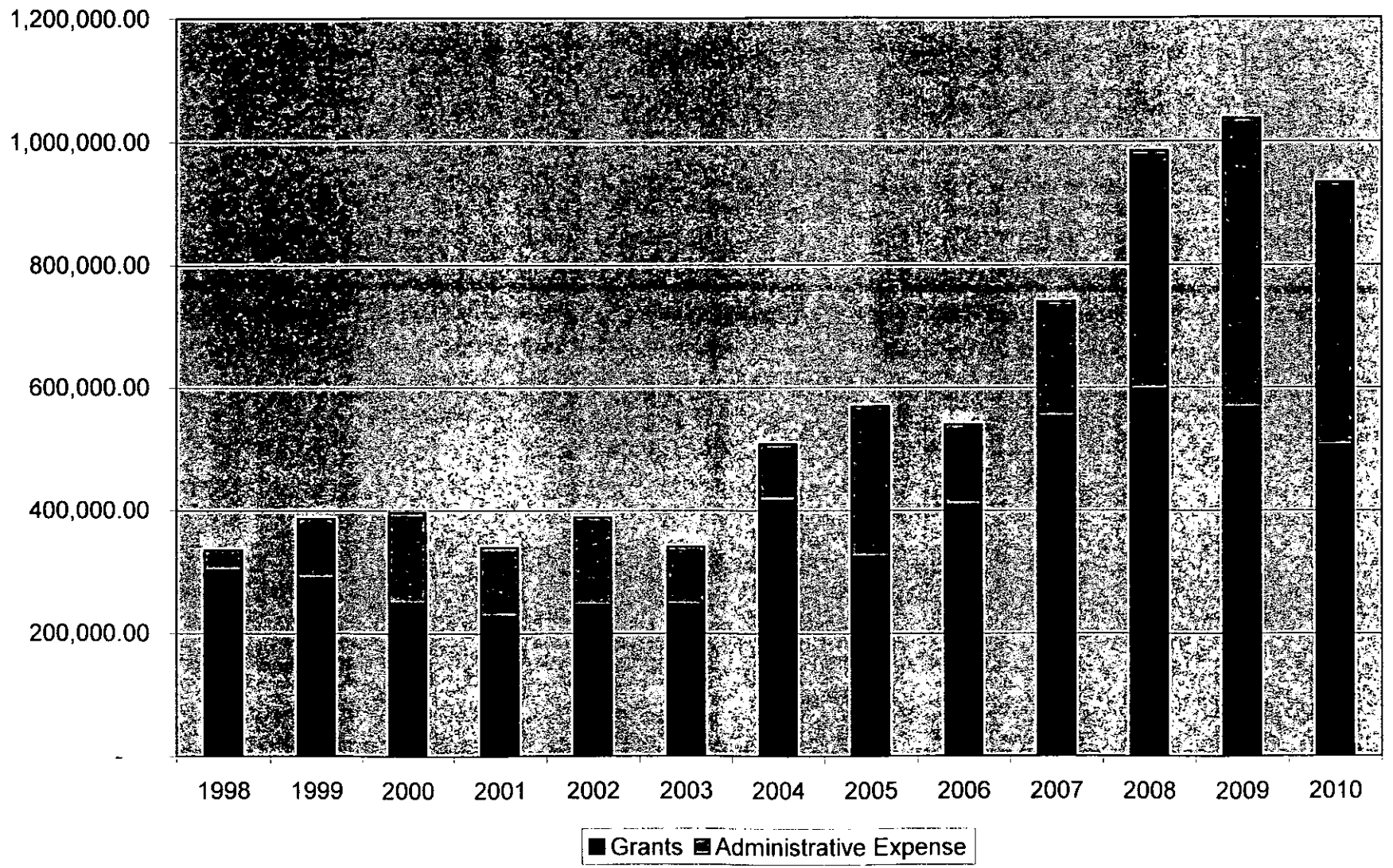
Annual Loan Purchases



North Dakota Housing Finance Agency
Average Loan Amount



Program Development Expenditures



LIHTC Authority and Resulting Projects

Year	Annual Authority	Returned	Carried over	Total Avaiable	# Projects	# East	# West	# of Units	# Rehab	# New	# of Applicants	# of Units Requested	Amt Allowed	% of Available	Project cost per unit NEW	Project cost per unit REHAB
2001	$2,000,000	$398,575	$0	$2,398,575	9	6	3	298	54	244					$ 77,443	$ 53,332
2002	$2,000,000	$0	$4,800	$2,004,800	8	2	6	236	20	216					$ 91,092	$ 80,184
2003	$2,000,000	$67,000	$182,500	$2,229,500	7	6	1	194	100	94					$ 94,455	$ 64,884
2004	$2,075,000	$0	$426,420	$2,501,420	9	5	4	254	71	183					$ 92,309	$ 81,294
2005	$2,125,000	$409,000	$670,826	$3,204,826	15	12	3	418	252	166					$ 87,220	$ 64,380
2006	$2,190,000	$179,000	$443	$2,369,443	7	5	2	271	117	154					$105,741	$ 98,220
2007	$2,275,000	$236,000	$84	$2,511,084	6	3	3	256	112	144	9	340	$2,482,816	99%	$126,861	$ 69,123
2008	$2,325,000	$228,000	$2,800	$2,555,800	5	3	2	152	0	152	7	216	$2,904,279	114%	$119,702	$ -
2009	$2,665,000	$578,000	$15,000	$3,258,000	7	4	3	312	154	158	14	575	$5,839,540	179%	$152,036	$ 67,946
*2010	$2,430,000	$699,000	$37,000	$3,166,000	5	3	2	169	0	169	14	525	$7,757,284	245%	$141,448	$ -
								2,560	880 34%	1,680 66%						

1. $374,600 credits are unallocated for 2010 due to a late return

2. Annual Average Projects Funded: 2001 - 2005 = 9.6; 2006 - 2010 = 6.

3. Annual Average # of Units Funded: 2001 - 2005 = 280; 2006 - 2010 = 232.

4. Annual Average Credits Per New Unit: 2001 - 2050 = $88,504; 2006 - 2010 =$129,158.

5. Annual Average Credits Per Rehab Unit: 2001 - 2050 = $88,815; 2006 - 2010 =$47,058.

6. Average Credits Per New Unit for 2006 - 2010 = 145% of the 2001 - 2005 Average.

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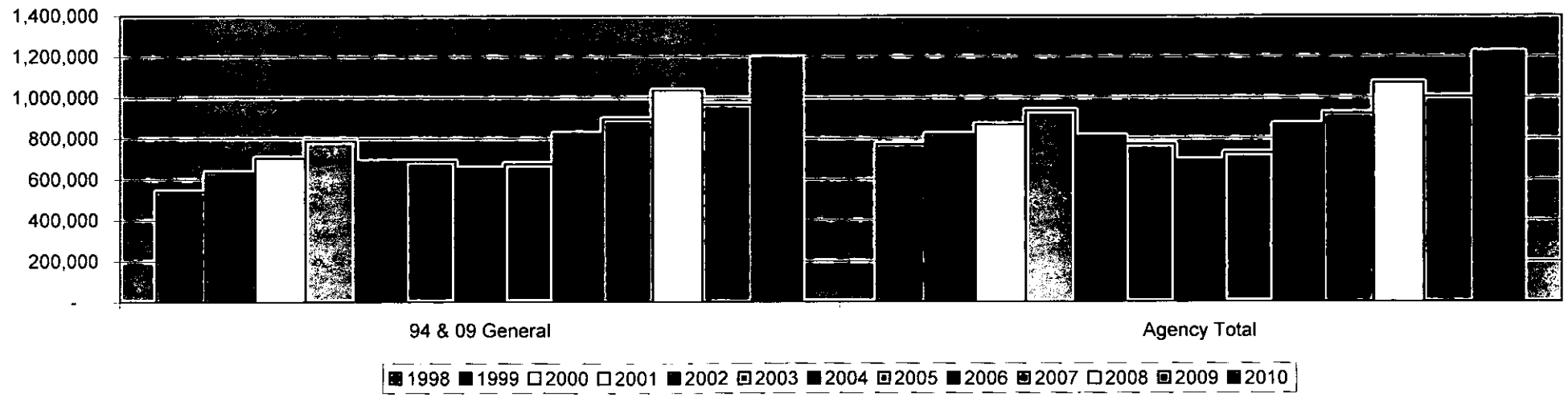
1014.1.19.11B

North Dakota Housing Finance Agency
Total Assets as of June 30 each year



81,737.00 226,737.00

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North Dakota Housing Finance Agency
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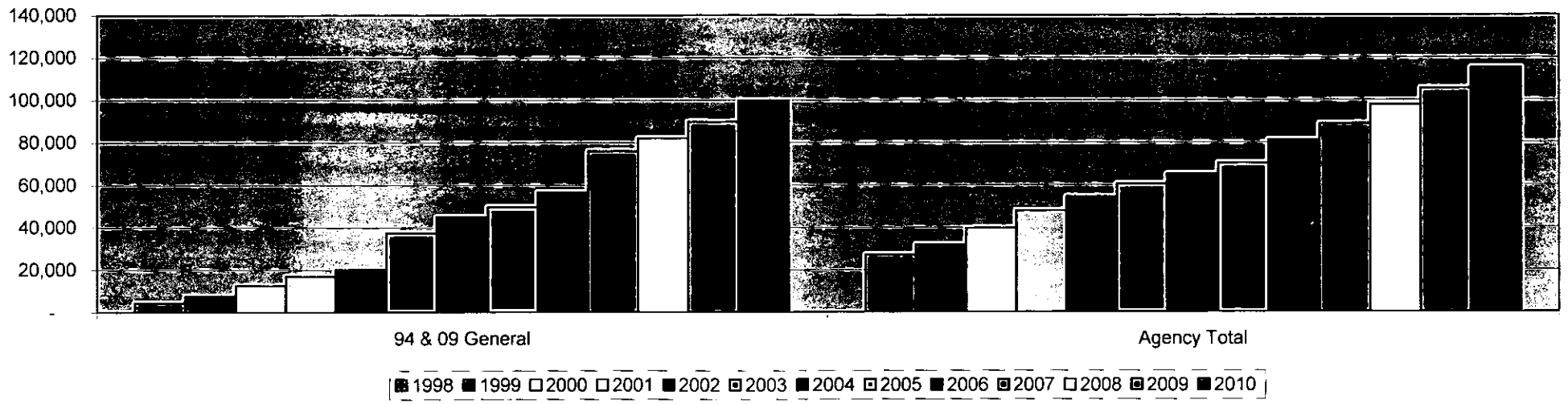

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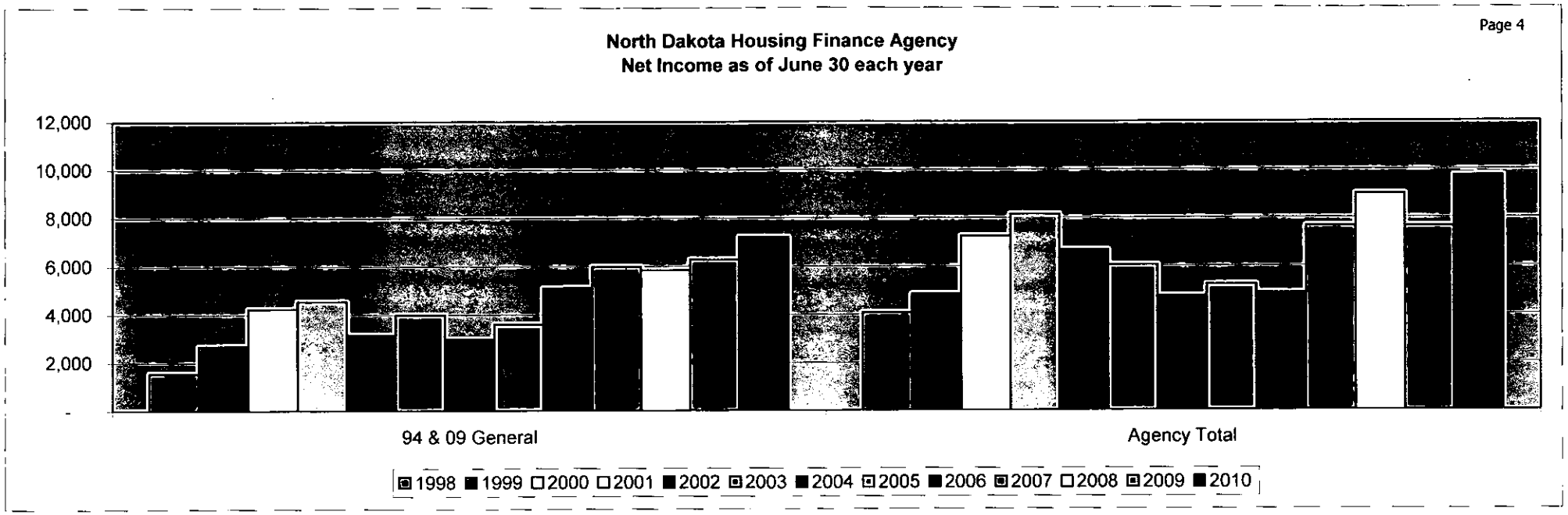
North Dakota Housing Finance Agency
Net Income as of June 30 each year



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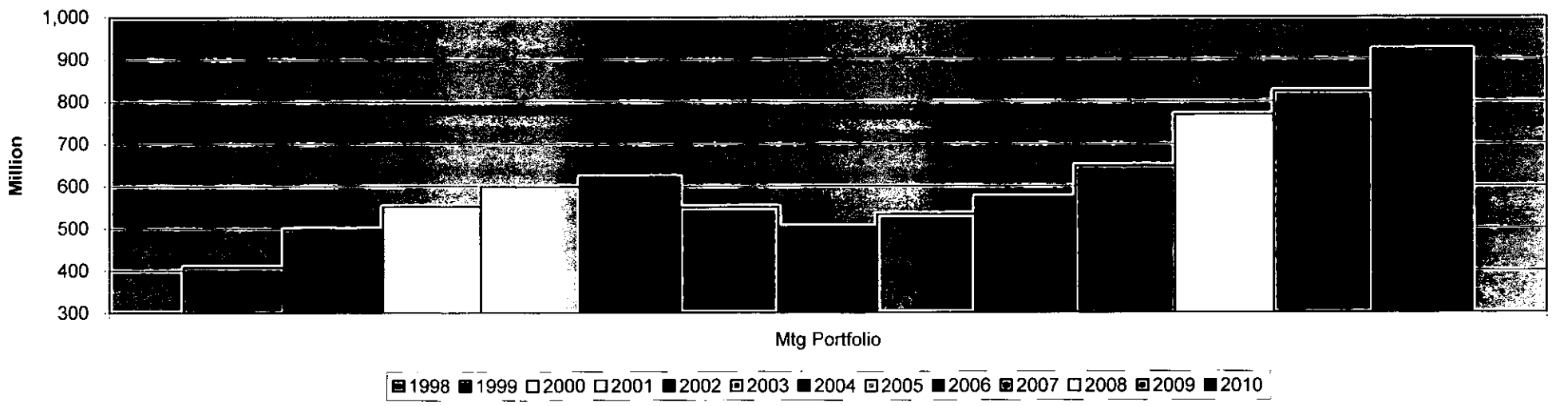
North Dakota Housing Finance Agency
Mortgage Portfolio as of June 30 each year



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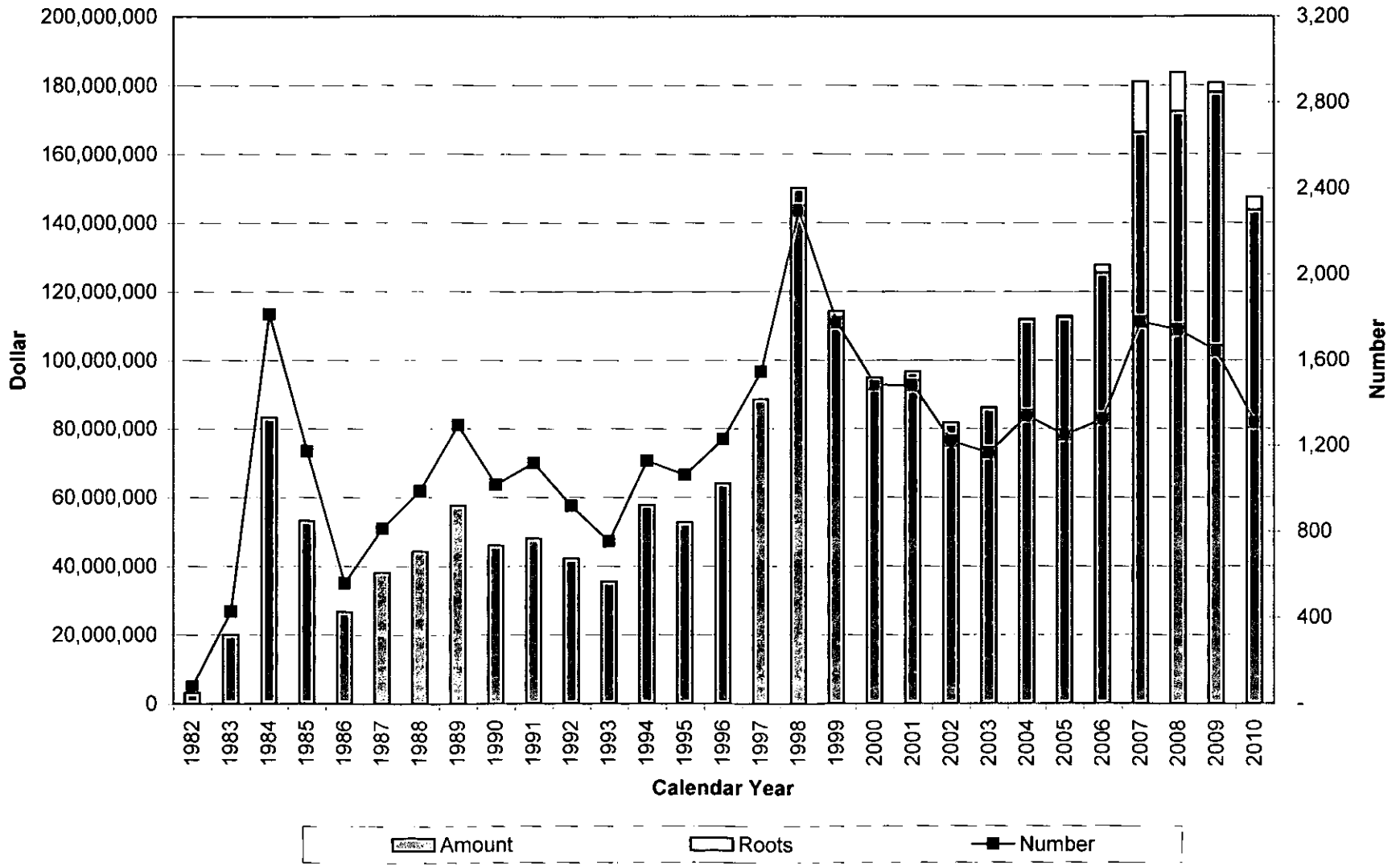
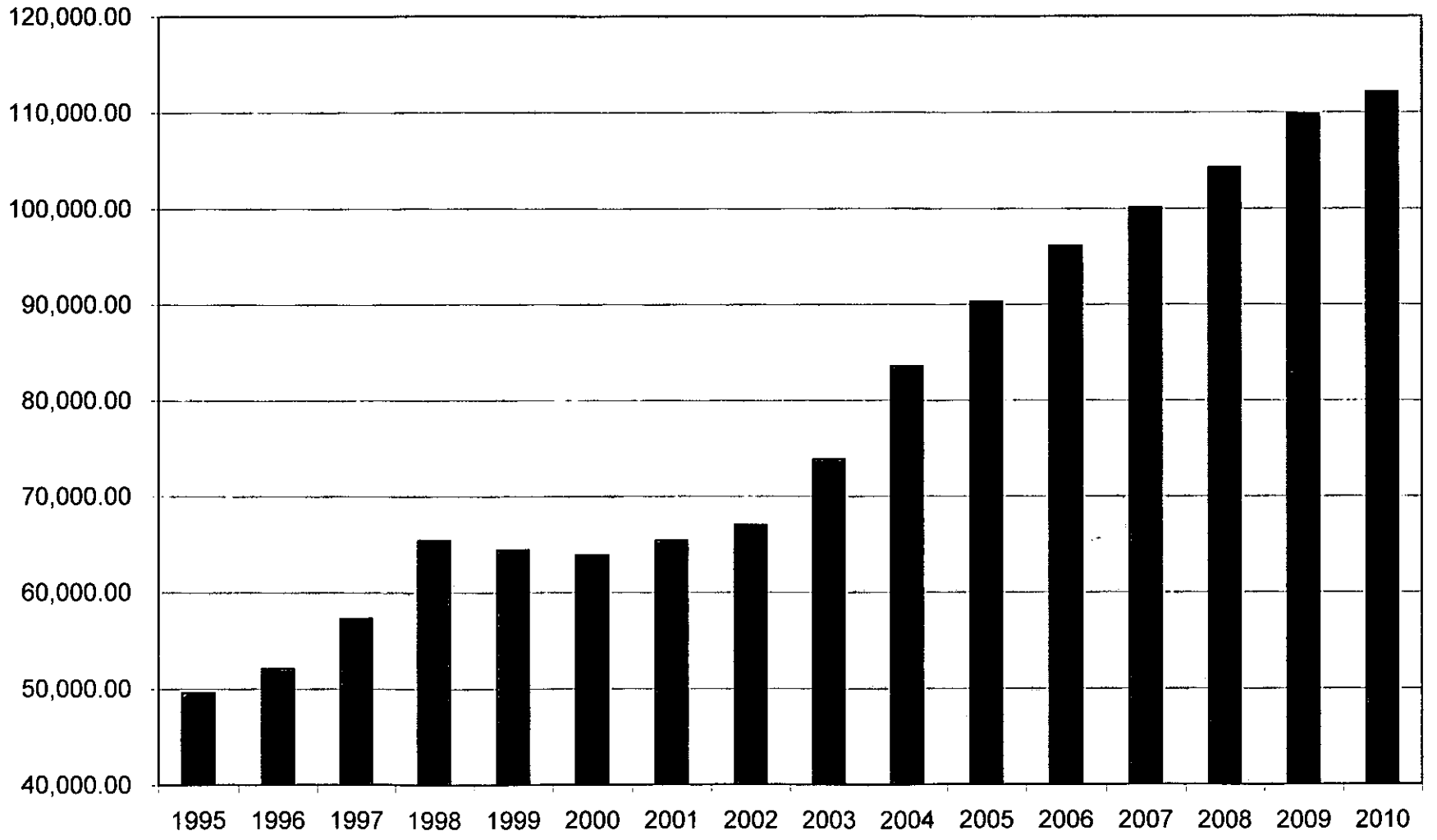
North Dakota Housing Finance Agency

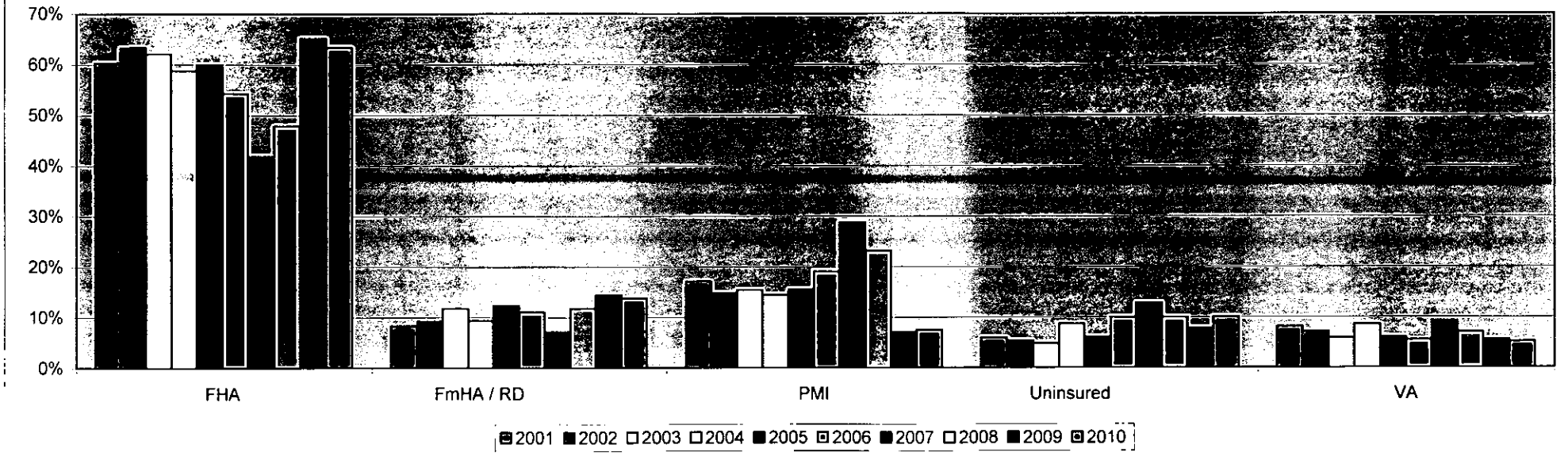
Annual Loan Purchases



North Dakota Housing Finance Agency
Average Loan Amount

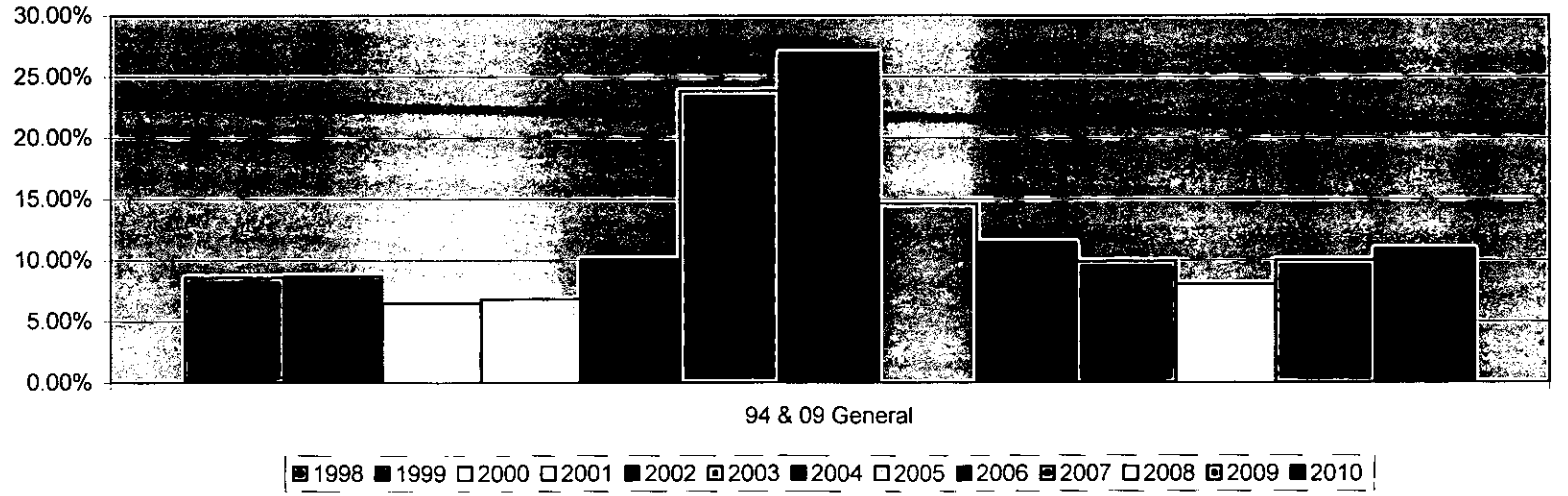


North Dakota Housing Finance Agency
New Loans by Loan Type



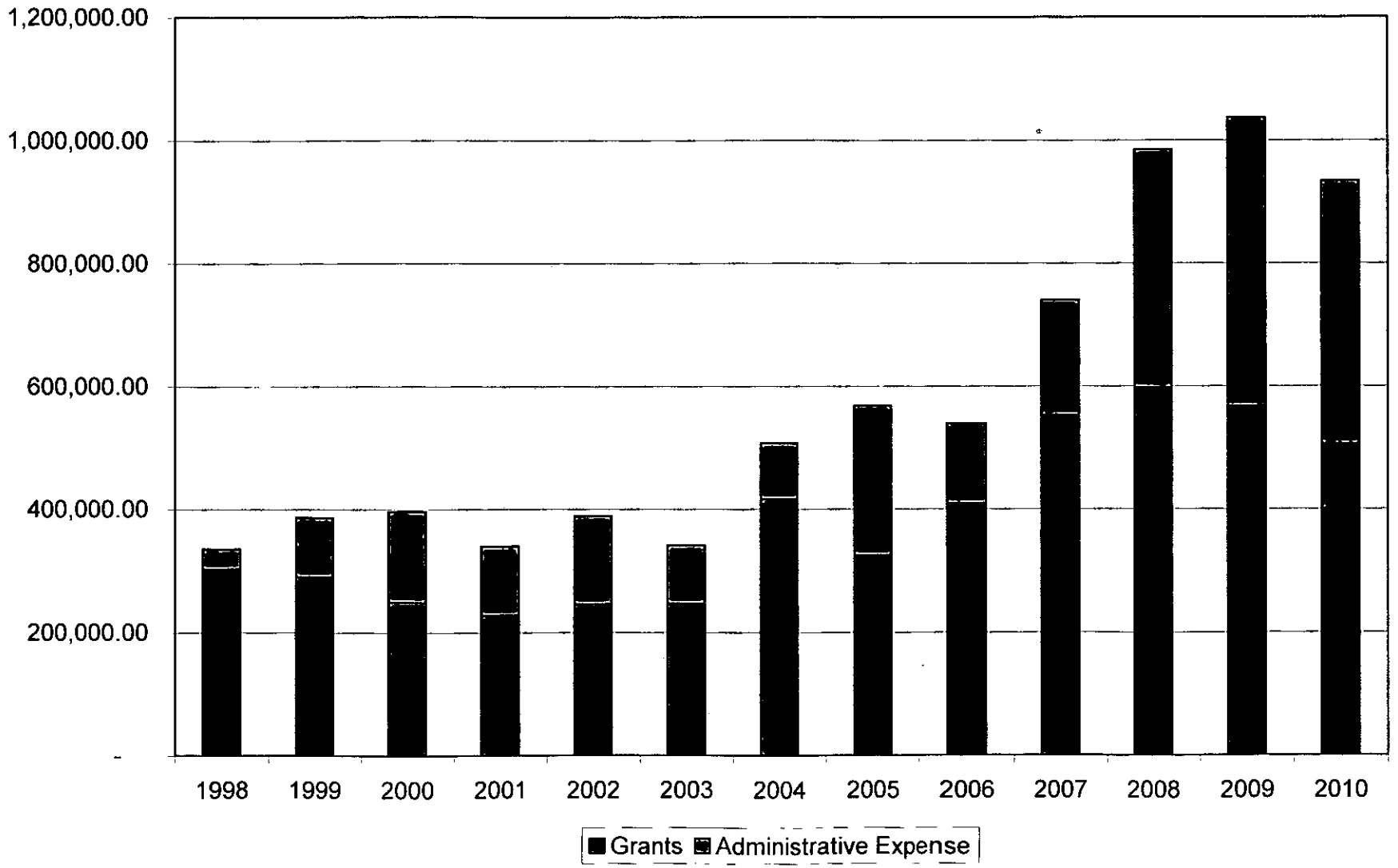
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
FHA	60%	63%	62%	59%	60%	54%	42%	48%	65%	63%
FmHA / RD	8%	9%	12%	9%	12%	11%	7%	12%	14%	14%
PMI	17%	15%	15%	14%	16%	19%	29%	23%	7%	8%
Uninsured	6%	5%	5%	9%	6%	10%	13%	10%	8%	10%
VA	8%	7%	6%	9%	6%	6%	9%	7%	6%	5%
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

North Dakota Housing Finance Agency
Prepayments as % of Mortgage Portfolio



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
94 & 09 General	8.61%	8.70%	6.51%	6.84%	10.09%	23.87%	26.96%	14.65%	11.47%	9.92%	8.07%	10.00%	10.93%

Program Development Expenditures



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INDUSTRIAL COMMISSION OF NORTH DAKOTA

Administration-Karlene Fine
State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-328-3722 Fax: 701-328-2820 www.nd.gov/ndic/

Bank of North Dakota – Eric Hardmeyer
Inside Mailing Address: State Capitol, 600 E Boulevard Avenue, Bismarck, ND 58505
Physical Address: 1200 Memorial Highway, Bismarck, ND 58506
Phone: 701-328-5700 Fax: 701-328-5632 www.banknd.nd.gov/bndhome.jsp

Department of Mineral Resources – Lynn Helms
Inside Mailing Address: State Capitol, 600 E Boulevard Avenue, Bismarck, ND 58505
Physical Address: 1016 E Calgary, Bismarck, ND 58501

Geological Survey
Phone: 701-328-8000 Fax: 701-328-8010 www.dmr.nd.gov/ndgs/

Oil and Gas Division
Phone: 701-328-8020 Fax: 701-328-8022 www.dmr.nd.gov/oilgas/

Housing Finance Agency – Mike Anderson
Inside Mailing Address: State Capitol, 600 E Boulevard Avenue Bismarck, ND 58505
Physical Address: 2624 Vermont Ave, Bismarck, ND 58504 – PO Box 1535, 58502
Phone: 701-328-8080 Fax: 701-328-8090 www.ndhfa.state.nd.us/

Lignite Research, Development & Marketing Program – John Dwyer
State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-258-7117 Fax: 701-328-2080 www.nd.gov/ndic/lrc-infopage.htm

Mill – Vance Taylor
PO Box 13078, Grand Forks ND 58208-3078
Phone: 701-795-7000 Fax: 701-795-7272 www.ndmill.com/

Oil and Gas Research Program – Brent Brannan
State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-425-1237 Fax: 701-328-2820 www.dmr.nd.gov/ogr/

Pipeline Authority – Justin Kringstad
State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-220-6227 Fax: 701-328-2820 www.dmr.nd.gov/pipeline/

Public Finance Authority – DeAnn Ament
Inside Mailing Address: State Capitol, 600 E Boulevard Avenue, Bismarck, ND 58505
Physical Address: 1200 Memorial Highway, Bismarck, ND 58506
Phone: 701-426-5723 Fax: 701-328-7130 www.nd.gov/pfa/

Renewable Energy Program – Karlene Fine and Andrea Holl-Pfennig, Dept. of Commerce
State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-328-3722 Fax: 701-328-2820 www.nd.gov/ndic/renew-infopage.htm

Transmission Authority – Sandi Tabor
State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-258-7117 Fax: 701-328-2820

INDUSTRIAL COMMISSION OF NORTH DAKOTA

Jack Dalrymple
Governor

Wayne Stenehjem
Attorney General

Doug Goehring
Agriculture Commissioner

Schedule
House Bill 1014
House Appropriations Committee
Government Operations Division
Medora Room
Monday, January 10, 2011

9:00 a.m. - Administrative Office – Karlene Fine, Executive Director and Secretary
Includes Renewable Energy Research Program, Oil and Gas Research Program, Pipeline Authority and Transmission Authority

9:10 a.m. - Lignite Research, Development and Marketing Program - John Dwyer, Chairman, Lignite Research Council

9:25 a.m. - Housing Finance Agency – Mike Anderson, Executive Director

9:45 a.m. - Department of Mineral Resources - Lynn Helms, Director

10:05 a.m. - Public Finance Authority – DeAnn Ament, Executive Director

10:15 a.m. - Bank of North Dakota – Eric Hardmeyer, President

10: 45a.m. - Mill and Elevator – Vance Taylor, President and General Manager

11:00 a.m. - Wrap-up, if needed – Karlene Fine

Karlene K. Fine, Executive Director and Secretary
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INDUSTRIAL COMMISSION OF NORTH DAKOTA

Jack Dalrymple
Governor

Wayne Stenehjem
Attorney General

Doug Goehring
Agriculture Commissioner

Testimony for House Bill No. 1014
House Appropriations Committee, Government Operations Division
Karlene Fine, Executive Director and Secretary
of the Industrial Commission
January 10, 2011

Mr. Chairman and members of the House Appropriations Committee, my name is Karlene Fine and I am Executive Director and Secretary for the Industrial Commission of North Dakota. House Bill 1014 includes the appropriations for the Industrial Commission administrative office and those agencies and programs that report to the Industrial Commission.

The Industrial Commission is made up of the Governor, as Chairman, the Attorney General and the Agriculture Commissioner. The Industrial Commission is responsible for overseeing the State's industries—the Bank of North Dakota and State Mill. In the area of finance the Commission also oversees the Public Finance Authority, the Student Loan Trust, the North Dakota Building Authority and the Housing Finance Agency. In the area of natural resources and regulation the Commission oversees the Department of Mineral Resources which includes the oil and gas, geophysical exploration and subsurface mineral regulation in addition to other programs through its Oil and Gas Division and the Geological Survey. The Commission is also involved in research through the Lignite Research, Development and Marketing Program, the Oil and Gas Research Program and the Renewable Energy Program. In addition the Industrial Commission is the North Dakota Transmission Authority and the North Dakota Pipeline Authority.

This morning I will primarily be focusing on Subdivision 1 of Section 1, and Sections 2, 3, 5, and 6 of House Bill 1014 or Budget No. 405. Subdivision 1 includes the appropriations for the administrative office of the Industrial Commission as well as the Department of Mineral Resources (Oil and Gas Division and Geological Survey), Public Finance Authority, Lignite Research, Development and Marketing Program, the lease (bond) payments for projects financed by the Building Authority and the Renewable Energy Program.

The administrative office for the Industrial Commission consists of two and .31 full-time employees. The .31 position is currently vacant. The administrative budget also includes the funding for the state's participation in the Interstate Oil and Gas Compact Commission. This Commission is a multi-state organization which speaks on behalf of the oil and gas producing states before Congress and other national groups regarding legislation and regulation of the oil and gas industry. North Dakota will be hosting the summer meeting of this organization in June.

The administrative office budget request is $488,211 for the office and then a total of $48,798,637 when you include the Lignite Research Program, lease (bond) payments and Renewable Energy

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Program. The administrative office request reflects an increase of $22,878 from the prior biennium. The administrative budget is funded by the agencies that report to the Industrial Commission. You will see this funding source noted in Section 6 where authority is being requested for these agencies to transfer funds to the Industrial Commission.

Section 5 includes language that would allow the Industrial Commission to utilize funds that may become available from bonds issued by the Commission upon the approval of the Emergency Commission. This authority would allow reimbursement from the bond issues for extra costs incurred in preparation of the financing.

Subdivision 1 of Section 1 includes the lease payments (bond payments) for the North Dakota Building Authority in the amount of $25,339,126 – see line 20 on page 1. This is a decrease from the prior biennium of $2,102,739. Since 1985, the Industrial Commission has issued several series of bonds as directed by the Legislature. Projects financed have been located at the State Penitentiary, Developmental Center located in Grafton, State Hospital, Youth Correctional Center, International Peace Garden, various buildings on the University System campuses, Southeast Human Services Center in Fargo, Health Department, James River Correctional Center in Jamestown, Historical Society projects, Crime Lab, Parks and Recreation, Extension Service, Job Service in Bismarck and Grand Forks and the Veterans Home. During the past month we completed the financing for the Veterans Home project and refunded the Series 2002A bonds.

Attached for your information is the Debt Service Schedules (Exhibit A) for all the outstanding bond issues except the bonds for ConnectND. (The recent refunding and Veterans Home financing are not yet included on this exhibit.) The proposed Executive Budget does not include any bonding by the North Dakota Building Authority. If there was bonding proposed Exhibit A shows that there is available debt service under the 10% of 1¢ statutory limitation in the amount of $17.7 million. Also attached is Exhibit B which shows the debt service schedule for those bond issues that are not under the statutory limitation—energy conservation projects and ConnectND.

Section 3 provides the breakdown on the source of funding for the $25+ million of lease (bond) payments for the upcoming biennium. The following non-General Fund sources or energy conservation savings* will be utilized to pay a portion of these payments:

*University System – UND (02A)	$ 356,123
*University System – NDSU (02A)	$ 82,364
*University System – UND (05A)	$ 491,303
*Missouri River Correctional Center (03B)	$ 18,604
University System other funds	$ 417,250
Job Service North Dakota (02A)	$ 462,331
Job Service North Dakota (93B/02C)	$ 280,187
Historical Society (05A)	$ 33,333
Veterans Home (10A/B)	$ 404,000
Dept. of Health (02A) (federal funds)	$ 349,763
	$2,895,258

In addition the ConnectND bond costs for the 2011-2013 biennium total $5,406,666. Seventy-one percent of these costs are paid by the University System.

In Sections 1 and 2 there are references to the Renewable Energy Program. In the two previous biennia the Legislature has appropriated $3,000,000 in each biennium from the General Fund for this Program. In 2009 the Legislature authorized the transfer of funds from the Biomass Incentive Research Fund to the Renewable Energy Fund. (The funding source for the Biomass Fund was two special funds at the Bank of North Dakota.) The proposed budget provides $3,000,000 from the General Fund. Additional information about the Renewable Energy Program is behind the tab titled Renewable.

Within this bill there is no appropriation for the Oil and Gas Research Program. This Program is funded from oil and gas gross production and oil extraction tax revenues currently up to the $4 million level. Additional information about the Oil and Gas Research Fund/Program is behind the tab titled Oil and Gas.

A portion of the Oil and Gas Research Fund is utilized to fund the North Dakota Pipeline Authority. Justin Kringstad, a consultant, is the Director of the Pipeline Authority. The Commission transferred $300,000 from the Oil and Gas Research Fund for the Authority during the 2009-2011 biennium. These funds are utilized to compensate the Director of the Authority and for studies conducted by the Authority. More information about the Pipeline Authority is available under the tab titled Pipeline.

In 2005 the Legislature established the North Dakota Transmission Authority. Sandi Tabor serves as the Director of the Transmission Authority. The funding for the Transmission Authority comes from the Lignite Research Fund. This funding is part of the Lignite Vision 21 Program which you will hear more about from John Dwyer, Chairman of the Lignite Research Council. More information about the Transmission Authority is available under the tab titled Transmission.

In 2009 the Legislature appropriated one-time funding of $400,000 for a State Facility Lignite Feasibility Demonstration Project. That project is close to finishing their work. A draft summary report is included in the back copy of the binder. The draft report includes information about what would be needed for this project to proceed into the next phase.

Thank you for the opportunity to present testimony on the Industrial Commission budget and to briefly comment on a number of the programs that the Industrial Commission oversees.

NORTH DAKOTA BUILDING AUTHORITY DEBT SERVICE

11.23.10													
							2006A						
	2002C	2002D	2006B				1998A		Other	Energy	Total	10% of $.01	Available
Biennium	1993B	1995A	2001A	2002A	2003B	2005A	2000A	Totals	Source	Conser.	Gen. Fund	Sales Tax*	Debt Ser
2011-13	2,380,520	2,996,490	2,073,025	1,438,916	2,067,145	6,572,563	1,999,800	19,528,459	1,542,866	948,394	17,037,199	32,750,660	15,713,461
2013-15	1,077,650	2,993,925	2,085,494	1,007,941	2,062,918	6,573,831	2,002,200	17,803,959	970,980	518,946	16,314,033	34,060,686	17,746,653
2015-17	0	1,473,923	2,110,338	994,148	2,066,525	6,570,669	2,004,000	15,219,603	841,032	509,760	13,868,811	35,423,114	21,554,303
2017-19	0	0	2,126,363	1,000,049	2,065,750	6,575,206	1,377,800	13,145,168	846,786	510,092	11,788,290	36,840,038	25,051,748
2019-21	0	0	1,865,172	1,005,320	2,063,925	6,574,469	0	11,508,886	850,386	510,020	10,148,480	38,313,640	28,165,160
2021-23	0	0	812,924	457,109	1,034,300	6,573,256	0	8,877,589	404,487	500,664	7,972,438	39,846,186	31,873,748
2023-25	0	0	0	0	0	3,285,650	0	3,285,650	33,336	245,604	3,006,710	41,440,033	38,433,323
Totals	3,458,170	7,464,338	11,073,316	5,903,483	11,360,563	42,725,644	7,383,800	89,369,314	5,489,873	3,743,480	80,135,961		
	4.01%	4.17%	4.15%	5.02%	4.11%	4.23%	4.13%						

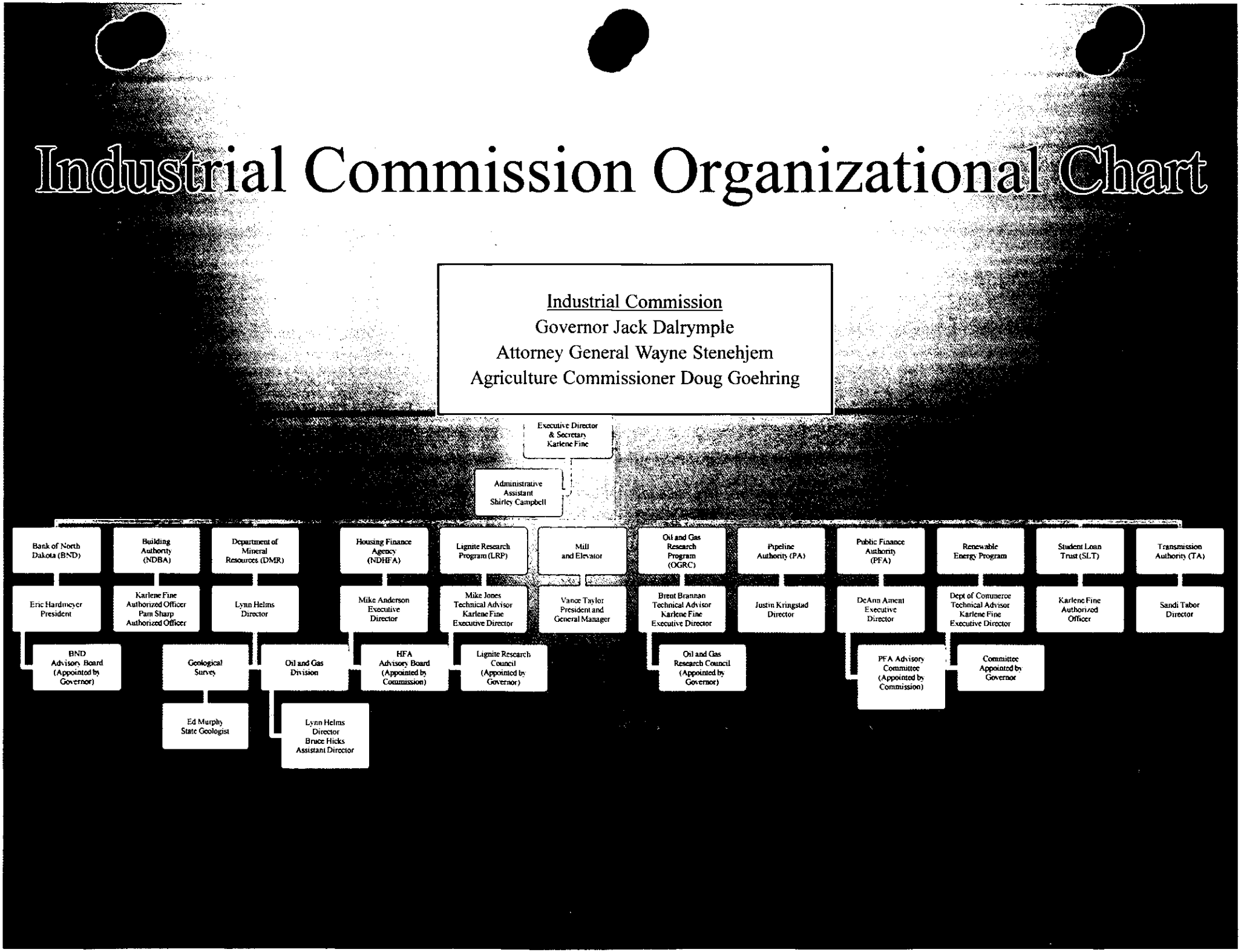
*The Summer 2010 forecast is used with a 4% increase each subsequent biennium.

Exhibit A

NORTH DAKOTA BUILDING AUTHORITY DEBT SERVICE						
			ConnectND	ConnectND	State Portion	State Portion
	Energy		71%	29%	66%	34%
Biennium	Conservation	ConnectND	NDUS	State	Other Funds	General Fund
2011-13	948,394	5,406,666	3,838,733	1,567,933	1,034,836	533,097
2013-15	518,946	2,686,144	1,907,162	778,982	514,128	264,854
2015-17	509,760	0				
2017-19	510,092	0				
2019-21	510,020	0				
2021-23	500,664	0				
2023-25	245,604	0				
Totals	$3,743,480	$8,092,810	$5,745,895	$2,346,915	$4,652,548	$2,396,767
Revised 01/09/11						

Exhibit B

Industrial Commission Organizational Chart



Governor
Jack Dalrymple
Attorney General
Wayne Stenehjem
Agriculture Commissioner
Doug Goehring

Renewable Energy Program

North Dakota Century Code 54-63

History of the Renewable Energy Program

North Dakota's Renewable Energy Program was established by the Legislature in 2007 under the control of the North Dakota Industrial Commission. The law provides that the Industrial Commission shall consult with the Renewable Energy Council. The Program's responsibilities include providing financial assistance as appropriate to foster the development of renewable energy and related industrial use technologies including, but not limited to, wind, biofuels, advanced biofuels, biomass, biomaterials, solar, hydroelectric, geothermal and renewable hydrogen through research, development, demonstration and commercialization. In addition the Program shall promote research and utilization of renewable energy co-product utilization for livestock feed, human food products and industrial use technologies. The Commission has adopted policies to implement this Program.

In 2009 the Legislature made a continuing appropriation of $3,000,000 from the General Fund. The 2011-2013 Executive Budget includes a $3,000,000 appropriation from the General Fund. The Legislature further provided that the Commission shall contract with the Department of Commerce to provide technical assistance to the Renewable Energy Council and the Industrial Commission to carry out the law, including pursuit of aid, grants or contributions of money and other things of value from any source for any purpose consistent with the law.

Mission Statement

The Mission of the Renewable Energy Program is to promote the growth of North Dakota's renewable energy industries through research, development, marketing and education.

Grant Round Timelines

By policy grant round application deadline dates were established to be January 1, May 1 and September 1 of each year. Additional grant round deadline dates may be established by the Industrial Commission of North Dakota.

Grant Round Process & Procedures

A group of Technical Reviewers are identified by the Department of Commerce staff to analyze and critique the applications. Based on the analysis of the Technical Reviewers the Dept. of Commerce staff (Andrea Holl Pfennig) makes a recommendation to the Renewable Energy Council. The Council then makes a recommendation to the Industrial Commission. If the Commission approves funding the Industrial Commission Executive Director negotiates a contract and payments are made based upon work completed.

Grants may not exceed the legislative appropriation. By policy all projects must generate matching funds from industry or other sources (e.g., various federal government agencies, non-profit organizations) of cash or in-kind services (contributed equipment, materials or services). In-kind services may not exceed fifty percent of the total Commission funding amount. A grant may not

exceed fifty percent of the total project cost. A higher priority will be given to those applications having private industry investment. The Commission has established that the maximum amount of any one grant is $500,000.

Funded Projects

The Commission has approved the funding of 23 projects including 2 projects that were funded from the Biomass Incentive Research Fund. Currently there are 5 applications for Grant Round 11 that are in the review process. The total amount of Renewable Energy Program funding committed to the 23 approved projects as of December 31, 2010 is $6,104,929. Each of these projects has match funding which means that the Renewable Energy Program funding has been leveraged to result in projects totaling over $22.5 million. Some of the ongoing projects are:

- Renewable Oil Refinery Development for Commercialization/Construction
- Promoting Ethanol Fuels in ND
- Dakota Turbine
- Energy Beet Research
- Dakota Spirit AgEnergy Cellulosic Biorefinery

In the pocket of the binder you will find a brochure listing most of the projects that have received funding.

Renewable Energy Council

The Renewable Energy Council is appointed by the Governor. Current members are as follows:

Paul Govig, Commerce Commissioner - by law the Commissioner serves as Chairman
Al Christianson, Great River Energy – represents Biomass Industry
Terry Goerger – represents the agriculture industry
Rod Holth – represents advanced biofuels and sugar-based biofuel
Eric Mack, ADM – represents biodiesel industry
Mark Nisbet, Excel Energy – represents wind industry
Randy Schneider – represents ethanol industry

ANALYSIS OF THE RENEWABLE ENERGY DEVELOPMENT FUND
N.D.C.C. 54-63-04
Continuing Appropriation

	2009-2011 Biennium		2011-2013 Biennium	
Beginning Balance		$1,634,881[1]		$ 34,355
Add estimated revenues[2]				
General Fund Appropriation	$3,000,000		$3,000,000[4]	
Transfer from the Biomass Incentive Fund	$1,080,378			
Interest Income	$ 67,000		$ 27,000	
Applicant contribution	$ 3,000		$ 3,000	
Total Available		$5,785,259		$3,064,355
Less estimated project expenditures and commitments				
Project Expenditures & Commitments[3]	$5,635,904		$2,939,355	
Administrative Costs	$ 115,000		$ 125,000	
Total estimated expenditures		$5,750,904		$3,064,355
Estimated ending balance		$ 34,355		$ 0

[1] This balance reflects the remaining balance of General Fund dollars and interest earnings ($3,000,000 was appropriated) from the 2007-2009 biennium. The 2007 Legislature appropriated federal funding of up to $17,000,000. The Commission was unable to access any federal dollars.
[2] Revenues include a transfer from the Biomass Incentive Research Fund. The 2009 Legislature authorized the transfer of remaining funds in the Biomass Incentive Research Fund. (A total of $2,000,000 had been appropriated from special funds for the Biomass Incentive Research Fund. The amount transferred was for two Biomass Projects that were approved during the 2007-2009 biennium in the amount of $1,080,000. The Commission did not draw down $890,000 of the $2,000,000 authorization from special funds. This reflects actual interest income of $19,006 and application contribution income of $2,000 through November, 2010 and estimated revenues for the remainder of the biennium.
[3] Actual project expenditures through November 30, 2010 totaled $1,580,776 and as of January 1, 2011 the Commission has outstanding commitments of $3,055,670 for 15 projects with 5 project applications in the review process that total $1,522,000 and one additional grant round scheduled for May 1, 2011.
[4] House Bill 1014 (2011 Session) includes funding from the General Fund totaling $3,000,000.

INDUSTRIAL COMMISSION OF NORTH DAKOTA

OIL AND GAS RESEARCH COUNCIL

Brent Brannan, Director
E-Mail: brentbrannan@gmail.com

Governor
Jack Dalrymple
Attorney General
Wayne Stenehjem
Agriculture Commissioner
Doug Goehring

Oil and Gas Research Program
North Dakota Century Code 54-17.6

History of the Oil and Gas Research Program

North Dakota's Oil and Gas Research Program (OGRP), established by the Legislature in 2003, is a state/industry program designed to demonstrate to the general public the importance of the State oil and gas exploration and production industry, to promote efficient, economic and environmentally sound exploration and production methods and technologies, to preserve and create jobs involved in the exploration, production and utilization of North Dakota's oil and gas resources, to develop the State's oil and gas resources, and to support research and educational activities concerning the oil and natural gas exploration and production industry. The Program is funded from two percent of the State's share of the oil and gas gross production tax and oil extraction tax revenues, **up to $4 million**, each biennium.

Mission Statement

The Mission of the Oil and Gas Research Council is to promote the growth of the oil and gas industry through research and education.

General Criteria

Priority areas of the Program that promote the growth of the oil and gas industry through research and education in no particular order include, but are not limited to, the following:

- Generate information and knowledge that will have the highest probability of bringing new oil and gas companies and industry investment to North Dakota.
- Have the highest potential for preserving and creating oil and gas jobs, wealth, and tax revenues for North Dakota.
- Most effectively educate the general public about the benefits and opportunities provided by the North Dakota oil and gas industry.
- Positively affect ultimate recovery from North Dakota's existing oil and gas pools.
- Preserve existing production levels.
- Identify oil and gas exploration and production technologies presently not used in North Dakota.
- Identify oil and gas potential in non-producing counties.
- Maximize the market potential for oil, natural gas, and the associated byproducts.
- Improve the overall suitability of the oil and gas energy industry in North Dakota through the development of new environmental practices that will help to reduce the footprint of oil and gas activities
- Develop baseline information that will lead to other projects, processes, ideas, and activities.

Grant Round Timelines

Grant round deadline dates are June 1 and November 1 of each year. Additional grant round deadline dates may be established by the Industrial Commission.

Ron Anderson Chairman, Ryan Kopseng, Vice Chairman, John Berger, Wayne Biberdorf, Anthony Duletski
Robert Harms, Lynn Helms, Bob Mau, Ed Murphy, Ron Ness

Grant Round Process & Procedures

Since the Program was implemented the Commission has approved funding of 51 projects totaling $6,414,035. Grants may not exceed the legislative appropriation. The dollars invested by the State in these projects is also matched so that every dollar provided by the Program is leveraged. A grant may not exceed fifty percent of the total project cost. A higher priority will be given to those applications having private industry investment. As with the other Industrial Commission administered research programs the Commission believes having a partner in the project leads to projects being conducted that have a value to the industry and State and is not just research for research sake. The Oil and Gas Research Program during the current biennium has been set up to direct 80.75% of its funds for research and 7.5% for education with the remaining funds used for the Pipeline Authority (7.5%) and for administration (4.25%).

Current Projects of Interest

Bakken Water Opportunities Assessment
Submitted by Energy & Environmental Research Center (EERC)

Wellhead Gas Capture via CNG Technologies
Submitted by Bakken Express

Simul-frac Two Bakken Wells Spaced 1320' Apart to Maximize OOIP Recoveries
Submitted by Enerplus (acquired from Peak North Dakota LLC)

Information on all the projects funded by the Program is available on the Industrial Commission website.

Oil and Gas Research Council Members

The Oil and Gas Research Council is a volunteer, citizen, industry, and government group which provides advice to the Industrial Commission on policies and recommends research for funding under the program. The Governor appoints the members of the Oil and Gas Research Council.

Ron Anderson (county commissioner from an oil-producing county)
Anthony Duletski (representing oil and gas producing counties)
John Berger (North Dakota Petroleum Council)
Ryan Kopseng (North Dakota Petroleum Council)
Wayne Biberdorf (North Dakota Petroleum Council)
Bob Mau (North Dakota Petroleum Council)
Ron Ness (President, North Dakota Petroleum Council)
Robert Harms (President, Northern Alliance of Independent Producers)
Lynn Helms (ND Oil and Gas Division Director - non-voting member)
Ed Murphy (State Geologist - non-voting member)

Technical Advisors

Jim Cron (Engineering/Oil Field Operations expertise)
Monte Besler (Petroleum Engineering expertise)
Kent Ellis (Education expertise)
Robert Johnson (Geologic expertise)

The Industrial Commission Administrative Office provides the administrative support for the Council and maintains the financial records of the Program. Brent Brannan has been retained on a part-time basis to serve as the Oil and Gas Research Program Director.

ANALYSIS OF THE OIL AND GAS RESEARCH FUND

N.D.C.C. 57-51.1

Continuing Appropriation

	2009-2011 Biennium		2011-2013 Biennium	
Beginning Balance		$1,278,907[1]		$1,799,461
Add transfers and estimated revenues[2]				
Transfer from State Treasurer from oil and gas taxes	$4,000,000		$4,000,000[5]	
Estimated applicant contributions	$ 1,300		$ 2,000	
Estimated Interest Income	$ 19,254		$ 18,000	
Total Available		$5,299,461		$5,819,461
Less estimated expenditures and commitments[3]				
Estimated Project Expenditures & Commitments	$3,030,000		$5,105,000	
Administrative and Technical Services Costs	$ 170,000		$ 170,000	
Transfer to the North Dakota Pipeline Authority	$ 300,000		$ 225,000[6]	
Total estimated expenditures		$3,500,000		$5,500,000
Estimated ending balance		$1,799,461[4]		$ 319,461

(1) The Oil and Gas Research Program/Fund was authorized by the 2003 Legislature. During the 2003-2005 biennium $50,000 was made available for the Program. That amount was increased in the 2005 Legislature to $1,300,000 and then it was again increased in 2007 to $3,000,000 and in 2009 it was increased to $4,000,000. The source of funding for the Oil and Gas Research Fund is two percent of the state's share of the oil and gas gross production tax and oil extraction tax revenues. During the 2003-2009 biennia expenditures totaled $3,129,673.

(2) Revenues under the 2009-2011 biennium reflect the transfer of $4,000,000 from the State Treasurer. Estimated interest income includes actual interest income of $12,900 through November, 2010 and an estimate of the interest income through June 30, 2011. Estimated applicant contributions reflect actual applicant contributions of $1,100 through November, 2010 with an estimate for the remainder of the biennium.

(3) Since 2003 through 2010 the Commission has committed funding for 51 projects totaling $6,414,035 of OGRP funding. Total project costs are $209,723,771. This includes twelve projects approved during the 2009-2011 biennium with funding to be provided during the 2009-2011 and subsequent biennia. Actual project payment through December, 2010 total $1,210,045 with an estimate for the remainder of the biennium Actual administrative and technical services costs through December, 2010 total $131.939 (excluding the Pipeline Authority) with an estimate for the remainder of the biennium.

(4) This funding is needed for payments of approved projects that will be completed in subsequent biennia.

(5) This amount is in the law.

(6) This amount is determined by the Industrial Commission based on a recommendation from the Oil and Gas Research Council. It is estimated that approximately $225,000 will be needed during the next biennium for the Pipeline Authority.

INDUSTRIAL COMMISSION OF NORTH DAKOTA
NORTH DAKOTA PIPELINE AUTHORITY

Governor
Jack Dalrymple
Attorney General
Wayne Stenehjem
Agriculture Commissioner
Doug Goehring

North Dakota Pipeline Authority
North Dakota Century Code 54-17.7

The North Dakota Pipeline Authority was created by the North Dakota Legislative Assembly in 2007. The statutory mission of the Pipeline Authority is "to diversify and expand the North Dakota economy by facilitating development of pipeline facilities to support the production, transportation, and utilization of North Dakota energy-related commodities, thereby increasing employment, stimulating economic activity, augmenting sources of tax revenue, fostering economic stability and improving the State's economy." As established by the Legislature the Pipeline Authority is a builder of last resort, meaning private business would have the first opportunity invest in and/or build additional needed pipeline infrastructure.

By law the Pipeline Authority membership is comprised of the members of the North Dakota Industrial Commission. The Industrial Commission has authorized the expenditure of up to $300,000 during the 2009-2011 biennium for the Pipeline Authority with funding being made available from the Oil and Gas Research Fund. The Industrial Commission has named Justin Kringstad, a consultant, as Director of the Authority. He works closely with Lynn Helms, Director of the Department of Mineral Resources, Ron Ness, President of the North Dakota Petroleum Council and Karlene Fine, Executive Director of the Industrial Commission. The Pipeline Authority has no other staff and receives no direct General Fund appropriation. The Director of the Pipeline Authority reports to the Industrial Commission and the Oil and Gas Research Council on a regular basis.

The Pipeline Authority issues a quarterly newsletter in addition to making numerous presentations. In May, 2010 Mr. Kringstad presented a report titled *"An Update on North Dakota's Natural Gas Infrastructure."* A further update to the May publication was presented in August to an interim legislative committee. Attached is Mr. Kringstad's most recent report titled *"North Dakota's Oil Transportation Infrastructure."* Copies of these reports, the Pipeline Authority Annual Reports, quarterly newsletters and Mr. Kringstad's presentations are available on the Authority website at: https://www.dmr.nd.gov/pipeline/

In September, 2010 the Authority began presenting a monthly webinar on topics of interest to producers, developers as well as the general public. Recordings of the webinars are available on the Pipeline Authority website.

The website is updated on a regular basis so you should add this website to your "favorites". We are hopeful that this website will be a good tool for keeping policy makers, citizens and industry informed of what is happening with the development of pipelines in North Dakota.

Pipeline Authority
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E-Mail: Justin Kringstad PHONE: 701-220-6227 FAX: 701-328-2820
"Your Gateway to North Dakota": www.nd.gov

ANALYSIS OF THE PIPELINE AUTHORITY FUND

N.D.C.C. 54-17.7-11

Continuing Appropriation

	2009-2011 Biennium		2011-2013 Biennium	
Beginning Balance		$32,089[1]		$ 95,089
Add transfers and estimated revenues[2]				
Transfer from Oil and Gas Research Fund	$ 300,000		$ 225,000[4]	
Estimated Interest Income	$ 5,000		$ 5,000	
Total Available		$337,089		$325,089
Less estimated expenditures and commitments[3]				
Study Commitments	$ 40,000		$ 55,000	
Administrative Costs	$ 37,000		$ 45,015	
Consultant Costs	$ 165,000		$ 186,000	
Total estimated expenditures		$242,000		$286,015
Estimated ending balance		$ 95,089		$ 39,074

(1) The Pipeline Authority and the Pipeline Authority Fund were authorized by the 2007 Legislature and became effective in April, 2007. From the inception of the program through June 30, 2009 $300,000 plus $5,684 in interest earned had been transferred to the fund and expenditures totaled $273,595.

(2) Revenues reflect a transfer of $300,000 from the Oil and Gas Research Fund for the 2009-11 biennium. Estimated interest income includes actual interest income of $637 through November, 2010 and an estimate of the interest income through June 30, 2011.

(3) Actual administrative costs through November, 2010 total $19,217 with an estimate for the remainder of the biennium. Actual consultant costs through November, 2010 total $97,890 with an estimate for the remainder of the biennium.

(4) The amount to be transferred from the Oil and Gas Research Fund for the Pipeline Authority is at the discretion of the Industrial Commission based on funding available In the Oil and Gas Research Fund. For the 2009-2011 biennium the transfer to the Pipeline Authority was 7.5% of the funds in the Oil and Gas Research Fund or $300,000. It is currently estimated that $225,000 will be transferred during the 2011-2013 biennium based on the estimated amount of dollars that will be carried over from the 2009-2011 biennium and the current needs of the Authority. There is no statutory requirement regarding the funding to be made available to the Pipeline Authority.

North Dakota's Oil Transportation Infrastructure

North Dakota Pipeline Authority

Industrial Commission of North Dakota
Governor Jack Dalrymple
Attorney General Wayne Stenehjem
Agriculture Commissioner Doug Goehring

Prepared By:
Justin J. Kringstad

December 2010

NORTH DAKOTA OIL PRODUCTION

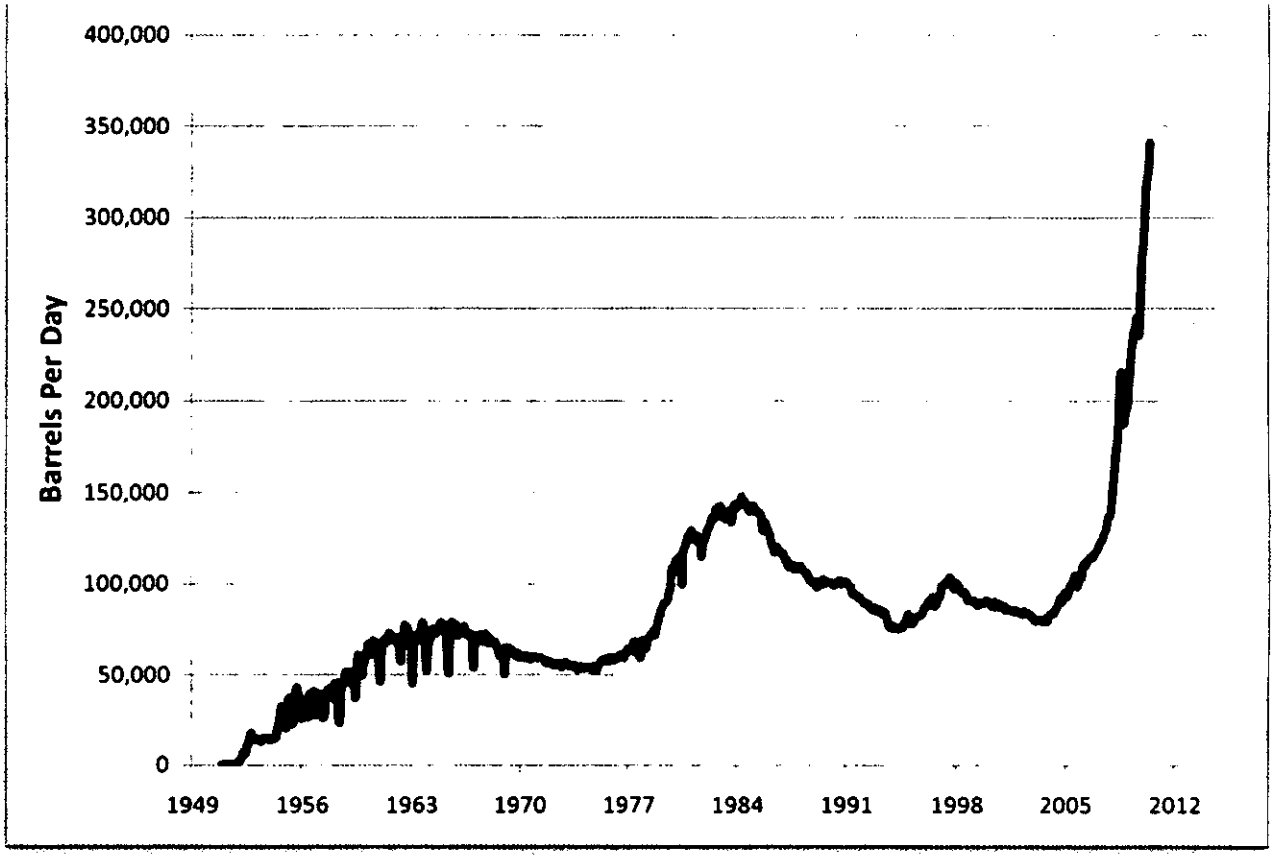

Figure 1. Historic oil production for North Dakota in barrels of oil per day.

For the last four years, the state's petroleum industry has been on a fast paced journey to unlock the vast resources held deep inside the Bakken and Three Forks formations. Thanks to the Bakken and Three Forks formations, the state of North Dakota is currently the fourth largest producer of oil in the United States. North Dakota has been setting new production records almost every month, with current oil production just over 342,000 barrels of oil per day (BOPD) (Figure 1). Additional oil plays within North Dakota, including the Lodgepole, Tyler, and Spearfish, are also generating a great deal of industry interest, as it is believed that new drilling and completions technology may be very successful in these intervals as well. Studies conducted by the North Dakota Department of Mineral Resources in 2008 and 2010 indicate 4.0-6.3 billion barrels of recoverable reserves in North Dakota's Bakken and Three Forks formations alone. With a resource base as large as that found in Western North Dakota, experts predict at least an additional ten to twenty years of intense drilling and development, followed by several more decades of continued petroleum production.

FUTURE OIL PRODUCTION

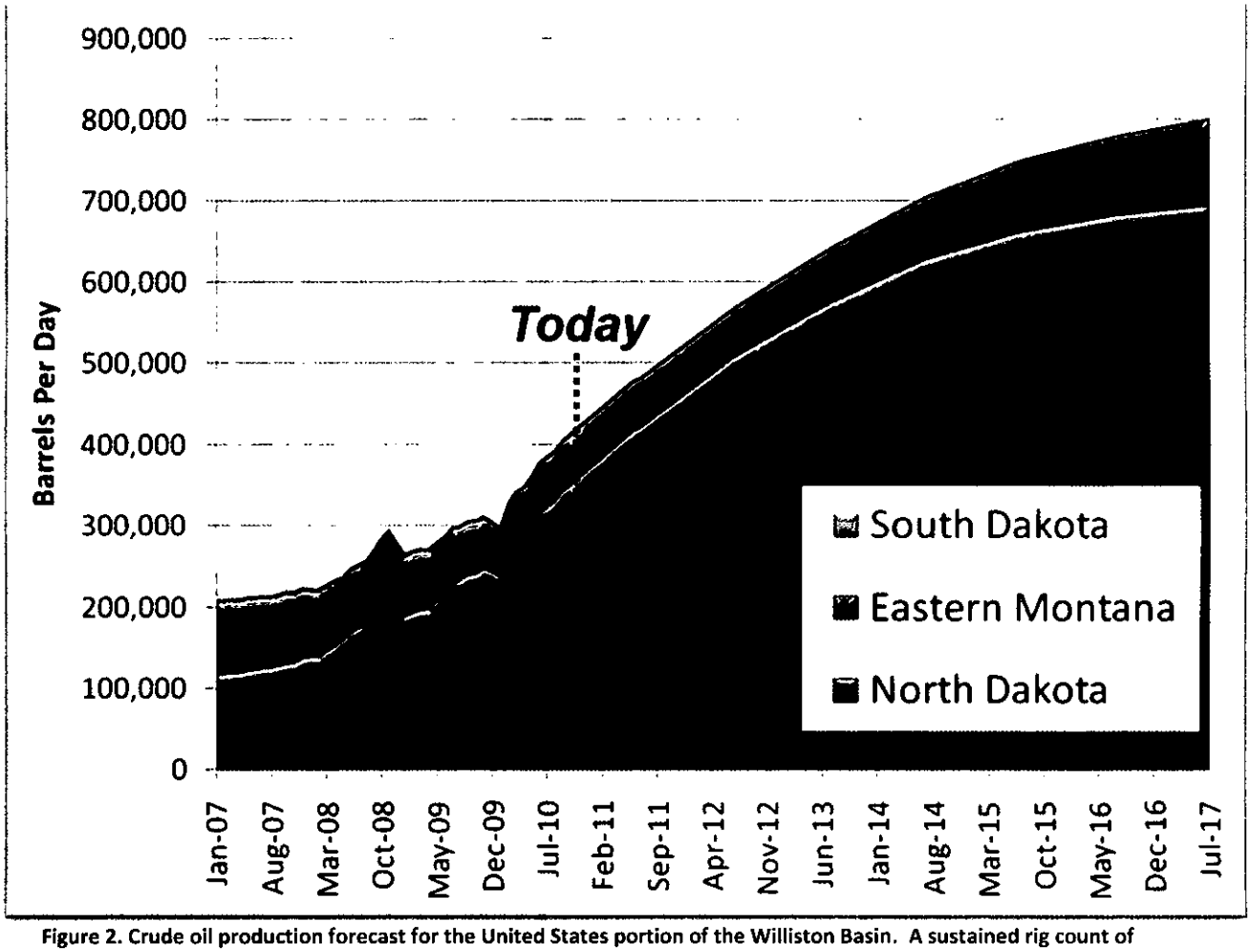

Figure 2. Crude oil production forecast for the United States portion of the Williston Basin. A sustained rig count of 150 was used for the North Dakota portion.

A properly sized and economic transportation system is essential to ensure continued expansion and development in the Williston Basin. In order to develop a long term vision for oil transportation in the Williston Basin, a comprehensive oil production forecast must be in place.

The North Dakota Department of Mineral Resources periodicly updates a comprehesive state oil production forecast that includes all producing formations, including the Bakken and Three Forks. The most recent forecast indicates that oil production may reach 450,000 to 700,000 BOPD within the next 3-7 years. Coupled with increasing interest in the Bakken and Three Forks formations in Eastern Montana, the United States portion of the Williston Basin could potentially be producing 550,000-800,000 BOPD between 2015-2020 (Figure 2). This anticpated growth has kept industry busy working to come up with solutions to move these never before seen volumes of oil.

CURRENT CRUDE OIL INFRASTRUCTURE

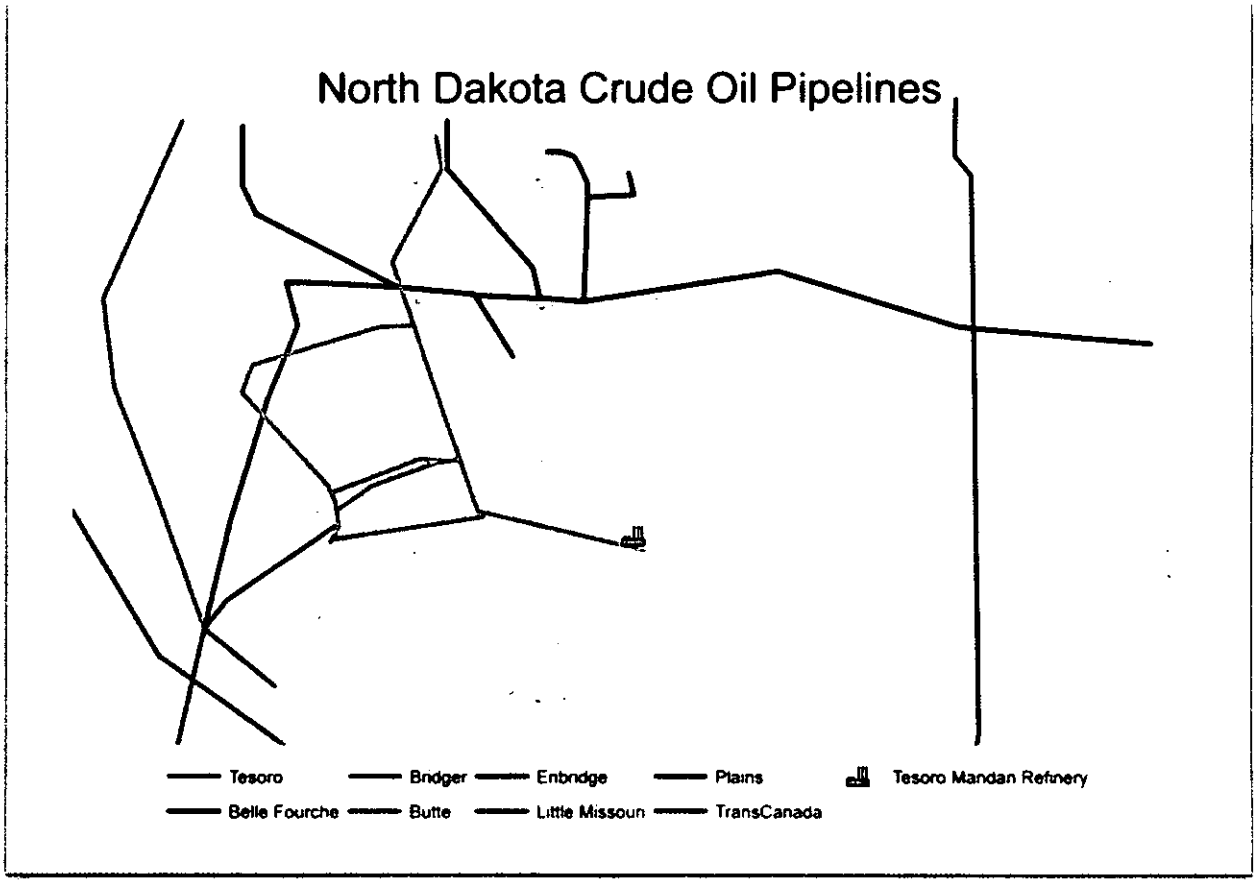

Figure 3. Map of the major crude oil transmission pipelines in the Williston Basin. Small scale gathering pipelines are not included.

Transportation System Capacity, Barrels Per Day	2007	2008	2009	2010
Pipeline Transportation				
Butte Pipeline	92,000	104,000	118,000	118,000
Enbridge North Dakota	80,000	110,000	110,000	161,500
Tesoro Mandan Refinery	58,000	58,000	58,000	58,000
Pipeline Only Total	**230,000**	**272,000**	**286,000**	**337,500**
Rail Transportation				
Various Sites including: Minot, Dore, Donnybrook, Stampede	-	30,000	30,000	30,000
EOG Rail, Stanley, ND (Up to 90,000 BOPD)	-	-	65,000	65,000
Dakota Transport Solutions, New Town, ND	-	-	-	20,000
Rail Only Total	**-**	**30,000**	**95,000**	**115,000**
Pipeline and Rail Combined Total	**230,000**	**302,000**	**381,000**	**452,500**

MOVING TOMMORROW'S PRODUCTION

Several major projects have been planned to address the growing volumes of crude oil post 2010. Figure 4 and the table below outline the scale and timing of upcoming pipeline expansions in the Williston Basin. It can be noted that pipeline capacity is not expected to keep pace with production until early 2013, leaving incremental volumes to find alternative transportation methods, primarily rail.

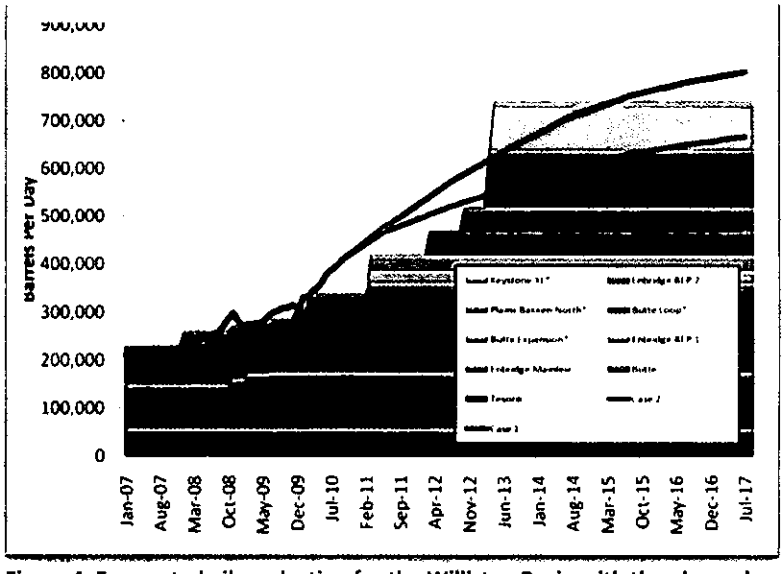

Figure 4. Forecasted oil production for the Williston Basin with the planned and proposed pipeline projects. Oil production Cases 1 and 2 assumed 150 and 120 drilling rigs, respectively.

Transportation System Capacity, Barrels Per Day	2007	2008	2009	2010	2011	2012	2013
Pipeline Transportation							
Butte Pipeline	92,000	104,000	118,000	118,000	118,000	118,000	118,000
Enbridge North Dakota	80,000	110,000	110,000	161,500	161,500	161,500	161,500
Tesoro Mandan Refinery	58,000	58,000	58,000	58,000	58,000	58,000	58,000
Enbridge Sweet Only	-	-	-	-	23,500	23,500	23,500
Enbridge Bakken Expansion	-	-	-	-	25,000	25,000	145,000
Butte Pipeline Expansion*	-	-	-	-	32,000	32,000	32,000
Butte Loop*	-	-	-	-	-	50,000	50,000
Plains Bakken North*	-	-	-	-	-	50,000	50,000
Keystone XL Interconnect*	-	-	-	-	-	-	100,000
Pipeline Only Total	**230,000**	**272,000**	**286,000**	**337,500**	**418,000**	**518,000**	**738,000**

*Project still in the proposed or internal review phase

RAIL TRANSPORTATION'S VITAL ROLE

It is clear from Figure 5 and the table below that rail transportation has kept, and will continue to keep, Williston Basin oil moving to market during the tremendous growth period anticipated to continue for the next several years. Although some speculate for its continued use in reaching niche markets, it is relatively unclear at this time if, or how, rail transportation will be used after the early 2013 pipeline expansions.

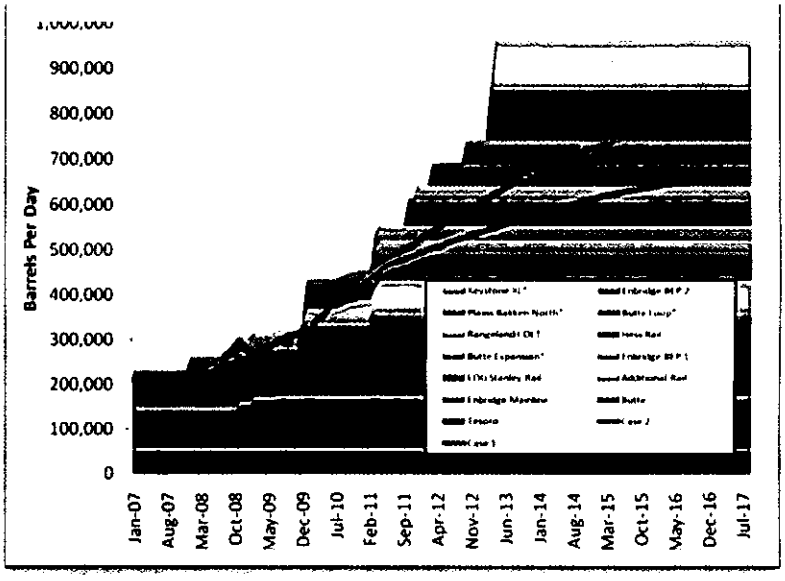

Figure 5. Forecasted oil production for the Williston Basin with all planned and proposed transportation projects. Oil production Cases 1 and 2 assumed 150 and 120 drilling rigs, respectively.

Transportation System Capacity, Barrels Per Day	2007	2008	2009	2010	2011	2012	2013
Pipeline Transportation							
Butte Pipeline	92,000	104,000	118,000	118,000	118,000	118,000	118,000
Enbridge North Dakota	80,000	110,000	110,000	161,500	161,500	161,500	161,500
Tesoro Mandan Refinery	58,000	58,000	58,000	58,000	58,000	58,000	58,000
Enbridge Sweet Only	-	-	-	-	23,500	23,500	23,500
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Plains Bakken North*	-	-	-	-	-	50,000	50,000
Keystone XL Interconnect*	-	-	-	-	-	-	100,000
Pipeline Only Total	**230,000**	**272,000**	**286,000**	**337,500**	**418,000**	**518,000**	**738,000**
Rail Transportation							
Various Sites including	-	30,000	30,000	30,000	30,000	30,000	30,000
EOG Rail	-	-	65,000	65,000	65,000	65,000	65,000
Dakota Transport Solutions	-	-	-	20,000	40,000	40,000	40,000
Hess Rail	-	-	-	-	-	60,000	60,000
Rangeland COLT Hub	-	-	-	-	-	27,000	27,000
Rail Only Total	**-**	**30,000**	**95,000**	**115,000**	**135,000**	**222,000**	**222,000**
Total Pipeline and Rail	**230,000**	**302,000**	**381,000**	**452,500**	**553,000**	**740,000**	**960,000**

*Project still in the proposed or internal review phase

THE ROAD AHEAD

With over a billion dollars of completed or planned oil transportation expansions, North Dakota is positioned for many more years of successful oil and natural gas development. The combination of pipeline and rail transportation that has evolved in North Dakota over the past two years has shown a great deal of creativity and ingenuity on the part of industry. At least in the near term, the challenges of moving crude oil out of the Williston Basin that have plagued the region over the past several years have been alleviated. With increasing efficiencies in drilling and completion, the current debate is how high oil production in the Williston Basin will be in the coming years. A close eye is being kept on new production advances and what transportation options may need to be in place post 2013.

Along with the large export projects discussed in this report, industry is also investing a great deal of time and money to solve a second challenge of efficiently and safely moving crude oil within the state. Crude oil gathering pipelines are being constructed around the Williston Basin to help lower the overall transportation costs and reduce some of the trucking issues associated with heavy road traffic and North Dakota's harsh winters.

NORTH DAKOTA TRANSMISSION AUTHORITY
Chapter 17-05 North Dakota Century Code

The North Dakota Transmission Authority was created by the North Dakota Legislative Assembly in 2005. Since its inception the Authority's mission has been to facilitate the development of transmission infrastructure in North Dakota. The Authority was established to serve as a catalyst for new investment in transmission by facilitating, financing, developing and/or acquiring transmission to accommodate new lignite and wind energy development. The Authority is a builder of last resort, meaning private business would have the first opportunity to invest in and/or build additional needed transmission.

By statute the Authority membership is comprised of the members of the Industrial Commission. Sandi Tabor has served as Director of the Authority since 2006. Ms. Tabor works closely with the Executive Director of the NDIC, Ms. Karlene Fine. The Authority has no other staff and receives no direct General Fund appropriation. Funding for the Authority comes from the Lignite Research, Development and Marketing Program.

The powers of the Authority include: 1) make grants or loans or borrow money; 2) to issue up to $800 million in revenue bonds; 3) enter into lease-sale contracts; 4) own, lease, rent and dispose of transmission facilities; 5) enter into contracts to construct, maintain and operate transmission facilities; 6) investigate, plan prioritize and propose transmission corridors; and 7) participate in regional transmission organizations. In 2009 the Legislature provided the Authority with the power to attach the moral obligation of the State on up to 30% of any revenue bonds sold in conjunction with the financing of a transmission line project. During the interim the Authority assembled a team of experts to develop due diligence guidelines for use in assessing whether a transmission project would qualify for bonds with the moral obligation.

The Authority's work has also focused on interaction with members of Midwest Independent System Operator (MISO), the Organization of MISO (OMS) and other regional and state planning and permitting authorities to ensure transmission policies developed will be favorable to any new ND projects (coal or wind) that may come before these groups. Most recently Ms. Tabor was involved in the MISO Regional Generational Outlet Study. The focus of this study was to identify the impact of state specific renewable portfolio standards on the MISO operation and to identify options for future transmission line build-out. The group issued a final report in October that identified three build-out options to address the infrastructure needs for moving power across the MISO footprint and for exporting power beyond the MISO footprint.

Ms. Tabor also represented the Governor's Office in a five-state study (ND, SD, MN, IA, and WI) regarding how to upgrade and/or construct new transmission in the five-state region. This group included representatives from the Governors and the utility regulating commissions from each state. In its final report the group identified potential transmission build-out options within

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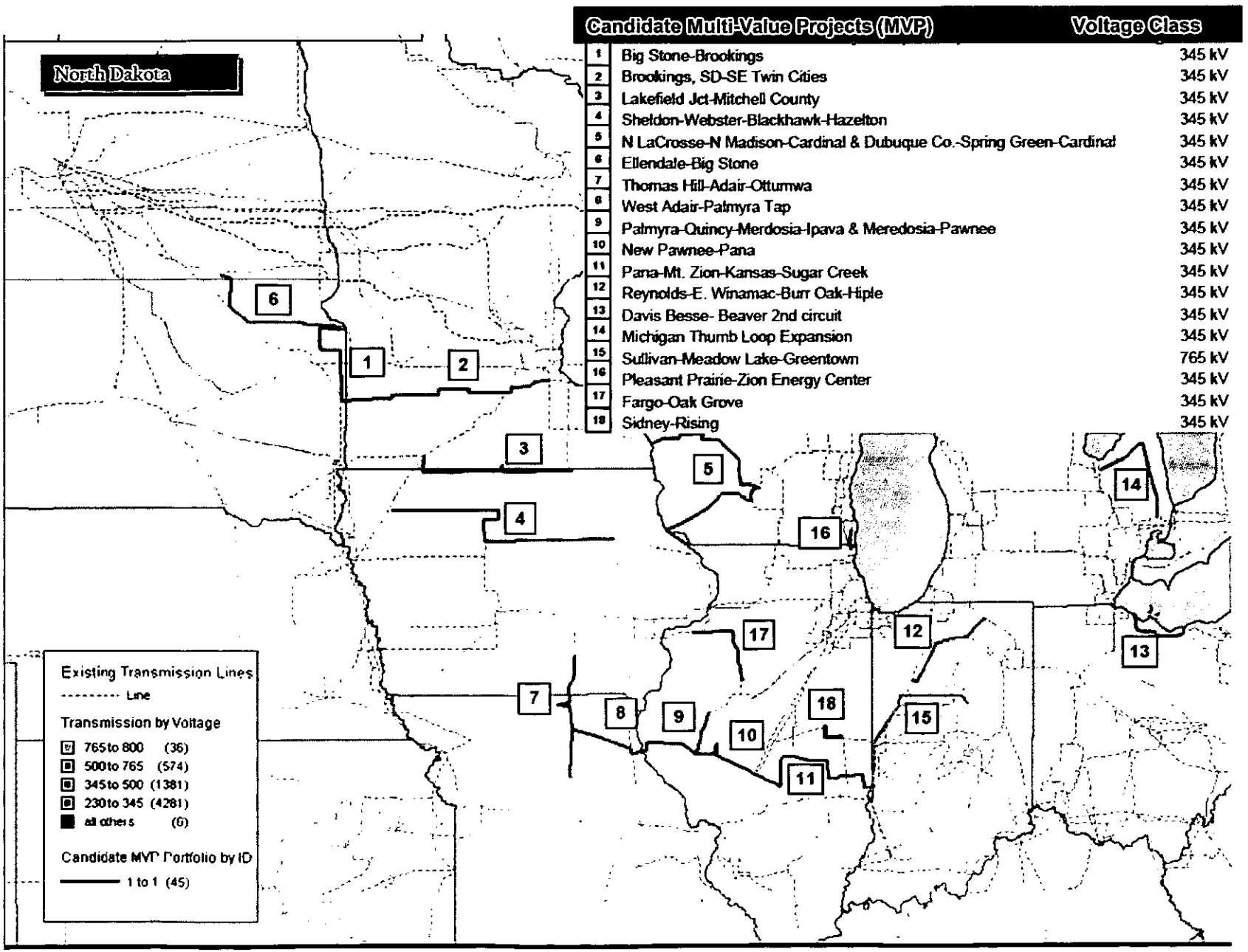
the five-state area and identified several "first-build" lines, including a 345kV line from Big Stone to Ellendale. These first-build lines represent lines which will be needed to move power throughout the MISO footprint regardless of which overall build-out option MISO pursues.

The Authority is presently engaged in the next phase of MISO transmission line development work ... a task force called the Multi-Value Project Task Force. This group is evaluating the "first-build" recommendations from the study mentioned in the preceding paragraph along with ten other potential lines located in other parts of the MISO footprint. The evaluation will determine which lines will qualify for special cost allocation treatment under a new tariff approved by the Federal Energy Regulatory Commission. Under the new tariff the construction cost of lines identified as MVP lines will be spread across the MISO footprint. The Multi-Value Project Task Force will complete the first phase of its work by July 2011.

Ms. Tabor is also involved in a planning process including the 39 states located within the Eastern Interconnection. This planning process is focused on identifying the infrastructure needs to move power from western rural areas of the country (like North Dakota, South Dakota and Kansas) to the urban areas of the eastern United States. The study is financed through a grant from the Department of Energy and will run through 2012.

Another significant element of the Authority's mission is to solicit ideas from interested parties regarding solutions to transmission constraint issues in North Dakota. The Authority's discussions have included outreach to independent transmission companies that build transmission infrastructure, to companies interested in developing lignite projects under the Lignite Vision 21 program and to wind developers. The Transmission Authority also coordinates its activities with the Public Service Commission and the Department of Commerce and regularly reports to the Industrial Commission.

A copy of the Transmission Authority's annual report is available on the Industrial Commission website at http://www.nd.gov/ndic/ under publications.



Candidate Multi-Value Projects (MVP)		Voltage Class
1	Big Stone-Brookings	345 kV
2	Brookings, SD-SE Twin Cities	345 kV
3	Lakefield Jct-Mitchell County	345 kV
4	Sheldon-Webster-Blackhawk-Hazelton	345 kV
5	N LaCrosse-N Madison-Cardinal & Dubuque Co.-Spring Green-Cardinal	345 kV
6	Ellendale-Big Stone	345 kV
7	Thomas Hill-Adair-Ottumwa	345 kV
8	West Adair-Palmyra Tap	345 kV
9	Palmyra-Quincy-Merdosia-Ipava & Meredosia-Pawnee	345 kV
10	New Pawnee-Pana	345 kV
11	Pana-Mt. Zion-Kansas-Sugar Creek	345 kV
12	Reynolds-E. Winamac-Burr Oak-Hiple	345 kV
13	Davis Besse- Beaver 2nd circuit	345 kV
14	Michigan Thumb Loop Expansion	345 kV
15	Sullivan-Meadow Lake-Greentown	765 kV
16	Pleasant Prairie-Zion Energy Center	345 kV
17	Fargo-Oak Grove	345 kV
18	Sidney-Rising	345 kV

NORTH DAKOTA housing FINANCE AGENCY

Michael A. Anderson Executive Director

INDUSTRIAL COMMISSION
Jack Dalrymple Governor
Wayne Stenehjem Attorney General
Doug Goehring Agriculture Commissioner

HB 1014
North Dakota Housing Finance Agency
Division of the State Industrial Commission
Budget No. 473.0
Testimony of Michael Anderson, Executive Director
House Appropriations Committee

January 10, 2011

Budget 473.0 of HB 1014 Section 1, Subdivision 5 covers the revenues associated with the various housing programs administered by the North Dakota Housing Finance Agency solely through Special Funds. The Agency has not utilized General Funds since it was created by Initiated Measure in 1980. The $38,590,046 Executive Recommendation for the 2011-13 biennium after taking out the one-time funded items from the previous biennium budget represents a 19% reduction from the 2009-2011 biennium budget.

The significant variances resulting in this reduced budget are: 1) a $2,734,925 reduction in Operating Fees and Services consisting of a lower loan loss reserve requirement (reduced by $2.4 million) and a low projected Servicing Release Premium expense (reduced by $300,000) from fewer loans being purchased: 2) Interest expense reduced by $600,000 due to less line-of-credit borrowing expected; and 3) reduced travel and professional development expense by $81,531.

This budget is requesting no additional FTE authority which is currently 46.

The Agency's programs are briefly described in the attached program summary. Nearly all of the programs involve partnerships with other entities in their delivery to program beneficiaries. These partnerships include lenders, real estate agents, homebuilders, property developers, community action agencies, regional councils, apartment owners, non-profit organizations, and other state and federal agencies.

Funding of North Dakota Housing's programs is derived primarily from revenue bonds, federal funds, or agency and bond indenture assets. Total bonds issued to date are $3,006,832,909. Indenture provisions provide for the associated administrative costs, or administrative fees are assessed to participants as appropriate. The assets, liabilities and revenues resulting from bond issues of the Agency are not appropriated as they are not public funds. They are held in trust by our bond trustees. As of October 31, 2010, assets of these various bond funds were approximately $1.186 billion and liabilities totaled $1.068 billion. The Agency's costs of administering these bond financed programs are accrued on a monthly basis and drawn from the trust indentures.

The Agency's FirstHome loan program, which is funded though the sale of tax-exempt mortgage revenue bonds, has now funded 35,074 loans totaling $2,379,424,438 since its inception. The average annual product the last five years has been 1,540 loans totaling

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$161,462,000 of principal purchased. Fifty-five percent of these loans were also provided down payment assistance also funded with the Agency's bond proceeds. Under the ND Roots program we have also purchased 260 loans totaling $34,056,969 to date. There are 11,695 loans outstanding with a principal balance of $920,969,771. The Agency services in house 83% of these loans and is projecting net revenues from servicing of $562,775.

The Agency has administered the federal Low Income Housing Tax Credit program since it was created in 1986. These tax credits create an incentive for the development of rental housing for low-income tenants by generating equity for the project developer. This is currently the only program available to the Agency for encouraging the creation of affordable rental housing in North Dakota. Through a competitive application process, the Agency allocates the annual credit authority to project applicants and staff performs the monitoring for the required compliance period which can extend to 30 years. This monitoring is currently taking place on 148 properties containing 4,344 units across the state. To date, these tax credits have provided equity for the new construction or rehabilitation of 189 projects containing 5,602 units. Total tax credit equity generated to date is more than $219 million against total project costs of $432 million. The 2011 cap authority for the program is $2,465,000 of tax credits.

The Agency's largest appropriated funds activity involves the administration of federally funded U.S. Department of Housing & Urban Development (HUD) rental housing programs. Total grants disbursement to rental assistance is projected at $24,748,920, assisting 3,554 units in 147 projects. An additional $1,110,000 is being proposed for other Agency sponsored grant programs targeted to housing rehabilitation, capacity building, and other rural community technical assistance and grants. We are again proposing another $1,000,000 for other discretionary grants for unanticipated one-time needs that may arise during the biennium.

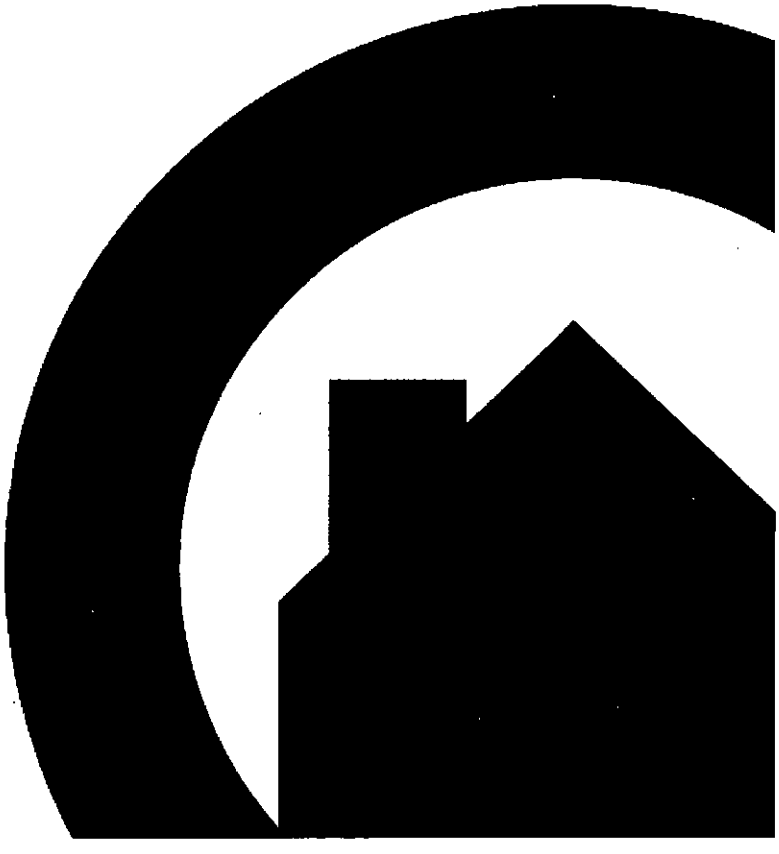
The 2011-2013 biennium budget, as with past budgets, includes a provision which appropriates any additional or unanticipated funds that may become available to the Agency during the biennium (see Section 4 of HB 1014). Previously, we have relied on this provision to apply for federal funds for new programs that became available following the Legislative Session. Continuing this provision during the upcoming biennium will provide the Agency with the flexibility to react to new housing challenges and the resources necessary to meet those challenges as both arise.

Again, North Dakota Housing has not received any General Funds nor is this budget requesting an appropriation. Its programs and operations are administered under close scrutiny of a six-member Advisory Board, comprised of housing industry representatives appointed by the Industrial Commission and that meets monthly and makes program recommendations to the Industrial Commission. To date, we operate solely on the revenues generated from the administration of our various programs in a manner similar to a for-profit business in order to produce net revenues and to fund the credit collateral requirements of our financing programs.

North Dakota Housing's financial reserves have always been utilized to provide these credit enhancements for our bond issuance activities. As has been the Agency's practice since my appointment five years ago, we intend to put our financial assets to work in developing and expanding housing programs to meet North Dakota's housing challenges through direct funding and leveraging. However, this will be accomplished in a prudent manner that will insure preservation of our current bond indenture and issuer ratings from Moody's.

Program Summary

North Dakota Housing Finance Agency



The North Dakota Housing Finance Agency (NDHFA) is a public financial institution dedicated to making housing affordable for all North Dakotans. The Agency facilitates affordable mortgage financing, assures the continued availability of low-income rental housing, and seeks to provide for the state's changing housing needs.

The Industrial Commission of North Dakota, consisting of the Governor, Attorney General and Agriculture Commissioner, oversees the Agency with advice from a six-member citizen advisory board.

HOMEOWNERSHIP DIVISION PROGRAMS

CommunityPartners

CommunityPartners provides a financing incentive to first-time homebuyers purchasing homes through community or non-profit sponsored housing developments.

Downpayment and Closing Cost Assistance (DCA)

The zero-interest, deferred payment loans available through the Downpayment and Closing Cost Assistance program help lower income first-time homebuyers meet out-of-pocket cash requirements.

FirstHome™

Through NDHFA's standard mortgage program, known as FirstHome, North Dakota's low- to moderate-income first-time buyers receive a reduced-interest rate mortgage loan.

Habitat for Humanity Loan Purchase

NDHFA purchases and services loans made by local Habitat for Humanity affiliates, in turn supporting the organization's mission to eliminate poverty housing and homelessness.

HomeAccess

With the HomeAccess program, permanently disabled, elderly and single-parent households and honorably discharged veterans that are not first-time buyers may qualify for NDHFA's mortgage loans.

HomeKey

With HomeKey, lower income first-time buyers are able to enhance their purchasing power by receiving a break on NDHFA's already reduced-interest rate mortgage loans.

Homeownership Acquisition and Rehabilitation Program (HARP)

The Homeownership Acquisition and Rehabilitation Program is a cooperative effort of the NDHFA and local Community Action Agencies that increases homeownership opportunities for low-income families and improves neighborhoods by rehabilitating distressed properties.

HomeSmart

HomeSmart is a grant program administered by the Agency that encourages first-time buyers to attend classes that prepare them for successful homeownership.

HOMEOWNERSHIP DIVISION PROGRAMS (continued)

North Dakota Roots

The North Dakota Roots homeownership incentive program provides new and returning state residents with either a below-market interest rate loan or a market-rate loan that includes downpayment and closing cost assistance.

Rural Real Estate Mortgage (RREM)

Under the Rural Real Estate Mortgage program, NDHFA offers rural lenders access to a secondary mortgage market thus increasing homeownership opportunities for non first-time buyers in North Dakota's smaller communities.

Start

The Start program offers low- to moderate-income first-time buyers both an affordable first mortgage and assistance with out-of-pocket cash requirements.

PLANNING AND HOUSING DEVELOPMENT DIVISION PROGRAMS

Construction Loan Guarantee

The Construction Loan Guarantee program provides loan guarantees to lenders on construction loans for affordable single-family housing in rural communities.

Helping Housing Across North Dakota (Helping HAND)

Helping HAND grant dollars support the housing needs of North Dakota's lower-income families by offering a funding source to targeted single and multifamily housing rehabilitation programs statewide.

Housing Market Survey Grants

The Housing Market Survey Grant program offers a cost-sharing incentive to rural communities to develop a local housing strategy by helping to pay for an analysis of their current and future housing needs.

Low Income Housing Tax Credits (Housing Credits)

The Low Income Housing Tax Credit program provides incentives for the production and rehabilitation of affordable rental housing by compensating the property owner for charging rents that are generally lower than would be feasible without the credits.

Neighborhood Stabilization Program

The Neighborhood Stabilization Program (NSP) will provide funds to purchase foreclosed or abandoned homes and to rehabilitate, resell, or redevelop these homes in order to stabilize neighborhoods and stem the decline of house values.

Rehab Accessibility Program (RAP)

Rehab Accessibility Program grant dollars address accessibility issues in single or multifamily properties occupied by low-income individuals with physical disabilities.

PLANNING AND HOUSING DEVELOPMENT DIVISION PROGRAMS (continued)

Rural Community Housing Development

Through the Rural Community Housing Development program, low-cost financing is available for predevelopment soft costs like land acquisition and site development.

Rural Housing Investment Incentive

The Rural Housing Investment Incentive pilot program supports the development of single- or multi-family housing, or the substantial rehab of existing structures in difficult to develop areas by offering a dollar for dollar match for private sector investment.

Rural Housing Rehabilitation Loan

The Rural Housing Rehabilitation Loan program provides a low-cost, revolving fund for the rehabilitation of existing housing stock located in areas with less than 20,000 population.

PROPERTY MANAGEMENT DIVISION PROGRAMS

Affordable Housing Disposition Program (AHDP)

The Resolution Trust Corporation properties sold under the Affordable Housing Disposition Program in North Dakota are monitored by NDHFA.

Contract Administration

NDHFA administers contracts for HUD project-based Section 8 housing developments located throughout North Dakota.

Low Income Housing Tax Credit

The Agency's Property Management Division, acting as a compliance specialist, administers IRS regulations and requirements for local tax credit properties.

Moderate Rehabilitation

NDHFA determines applicant eligibility for the HUD Section 8 Moderate Rehabilitation properties, provides regulatory oversight of the properties and distributes HUD rental assistance funds.

NORTH DAKOTA housing
FINANCE AGENCY

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HB 1014
Lignite R&D Program Funding
Testimony of John Dwyer
Before the
House Appropriations Committee
Government Operations Division

I. Lignite Industry Update

A. Current Lignite Industry in North Dakota

- 30 million tons of lignite coal
  - Serves 2 million people with electricity
  - Serves 225,000 homes with SNG (Synthetic Natural Gas)
  - Produces 1,000 tons per day of agricultural fertilizer
- 4,000 people employed / each direct job means 6 indirect jobs/more than 27,000 total direct/indirect/one out of every 12 jobs in the state is tied to the lignite industry

B. Annual Economic Contribution to North Dakota

- $984 million in direct expenditures / each dollar spent multiplies into three dollars for our economy for a total of nearly $3 billion
- $885 million in personal income
- $93.3 million in state tax revenues

II. What is the future for North Dakota's lignite industry? Depends on...

A. Having competitive product (coal-based electricity)

- Lignite needs to be competitive because power is exchanged on a cost-saving basis; Power is sold on ½ mill KWH margin (45 cents per ton for lignite)
- Lowest cost energy has greatest demand / Potential for growth

B. Future Environmental issues impacting our competitiveness / growth potential

- EPA Regulatory Challenges
  - EPA carbon regulations
  - Controls to capture Hg
  - Controls for capture of NOx
  - Ozone (smog) rule
  - Coal combustion byproducts potential for hazardous designation
  - Dust control (PM 2.5)

- Implementation of Regional Haze Rules will continue to require improved NOx/SO_2 control technology on existing facilities

- Carbon management policies – developing CO_2 capture and sequestration technologies is critical

C. Other regional factors impacting our competitiveness / growth potential

- Transmission constraints

- Emission fees / Externalities / Mandated Renewables
  - Neighboring states (Legislative & Regulatory Policies)
  - MN – Prohibition on importation of new coal-based electricity / New contracts

D. The Bottom Line

- The future of North Dakota's lignite industry depends on our ability to use lignite....
  - More cleanly, more efficiently and economically

- ***Means that we need to continue to invest in our research, development and marketing program to ensure the most economic, efficient & environmentally friendly coal***

III. What is the legislative policy guiding our Research, Development and Marketing Program?

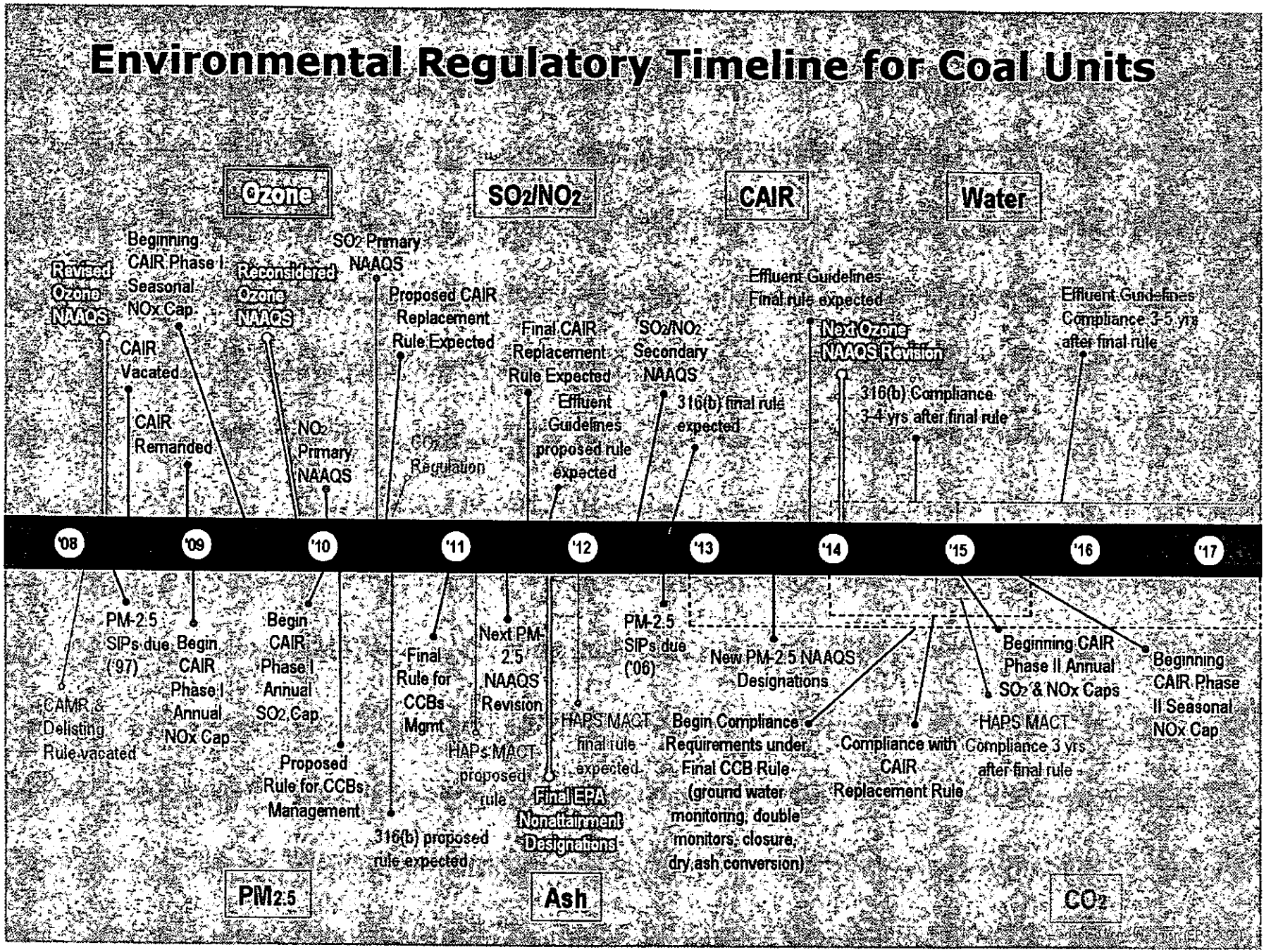
Three principles:

- Help solve problems for our ***existing*** facilities so we can maintain jobs, economic activity and tax revenue (Research, Development and Demonstration Projects)

- Assist with developing ***new*** lignite-fired facilities that will create additional jobs, tax revenue and business volume (Lignite Vision 21 Program and Demonstration Projects)

- Help provide favorable ***marketing*** strategies for increased use of coal-based electricity as well as niche opportunities for ND lignite (Marketing Program)

Environmental Regulatory Timeline for Coal Units



IV. So what is money used for in primary areas of Research, Development, and Marketing?

A. Marketing Activities – What are the benefits?

- Marketing program includes advertising flights (concentrated in targeted market areas in ND & MN)
  - Research shows advertising on broadcast television has improved overall favorability of coal-based electricity in Minnesota and North Dakota
    - Over 75% in ND favor coal-based electricity

- Development and implementation of successful marketing plan helps preserve and enhance lignite markets
  - Messages include affordability, reliability, increasingly cleaner and energy security

B. Research Projects for existing facilities (See pages 12 to 15) – What are the benefits?

- Combustion, gasification & environmental research projects help provide technologies that increase efficiencies, reduce emissions, and increase use of combustion byproducts (EERC)

  - Examples are:
    - $80,000 in state money has resulted in sales of nearly 100 percent of fly ash generated at Coal Creek Station – resulting in annual sales revenue of $2.5 million versus landfill costs of $2 million

    - $400,000 in state money has resulted in $13.5 million DOE investment for coal dryer development at Coal Creek Station Unit II and subsequent investment of over $600 million to integrate coal drying at Coal Creek Station. This project in turn has led to the construction of a $375 million power plant at Spiritwood near Jamestown. The plant will be fueled with beneficiated lignite

    - $3 million in state money was leveraged for total of $30 million used for research and demonstration projects to develop cost-effective mercury control technologies for lignite-based plants

    - $3.1 million in state money has been leveraged for a total of $158 million used to demonstrate the technical and economic feasibility of ***storing*** CO_2 in terrestrial and geological formations (EERC PCOR)

    - $490,000 in state money has been leveraged for a total of $8,716,523 used for research on Oxy-firing to demonstrate one possible lower cost option for capturing CO_2 by burning coal in oxygen instead of air to produce a flue gas rich in CO_2.

C. Demonstration Projects - Lignite Vision 21 Program (LV21) – Primary purpose is to assist with developing new projects with cost-effective clean coal technologies to meet additional energy demands.

- **What is in it for State? Why is LV21 important?**
  - ALE Coal-to-liquid fuels (CTL) Plant (30,000 bpd gasoline) would mean (estimated):
    - 700 direct jobs
    - 9 million more tons of coal
    - $4 billion capital cost
  - GNPD Coal-to-hydrogen-electricity plant (175 MW) would mean (estimated):
    - 350 direct jobs
    - $8.17 million more in annual tax revenue
    - 2.8 million more tons of coal
    - $3 billion capital cost
  - GRE Spiritwood 99-megawatt power plant will mean when it is operative next year (estimated):
    - 43 operating jobs (24 direct power plant and 19 for transportation of beneficiated coal)
    - $380 million/year economic impact
    - 700,000 more tons of coal
    - $375 million capital cost
  - One new green-field 500-megawatt power plant would mean (estimated):
    - 200 direct jobs
    - $140 million more business volume
    - $6 million more annual tax revenue
    - 3 million more tons of coal
    - $1.5 billion capital cost
- **What is North Dakota's commitment to LV21?**
  - Unqualified support from Legislature and Industrial Commission (Governor, Attorney General & Ag Commissioner)
    - Agency support shortens lead times / reduces risk
  - $10 million in ***matching*** funds for development phase for each project upon Industrial Commission approval

D. What is status of Lignite Vision 21 Program?

- Three LV21P participants under contract with NDIC
  - **GRE Spiritwood 99-MW power plant**
    - Construction groundbreaking Nov. 2007
    - Construction complete 11/10
    - More than 300 construction workers/43 permanent jobs
    - Recession reduced power demand in MN; Scheduled for commercial operation in January 2012
    - Schedule impacted by coal moratorium in MN
  - **Great Northern Project Development (GNPD) – Stark County – coal-to-hydrogen-electricity plant**
    - Submitted small mine permit applications to PSC and NDDH
    - Submitted large mine permit applications in 2rd Qtr. '10 / Proceeding towards "completeness"
    - Lignite upgrading/briquetting demonstration facility operational on site
    - Commercial operation ~ 2017
  - **ALE (NACCO/GRE/Headwaters/Falkirk) Coal-to-Liquid Fuels**
    - "Go/No Go" decision to proceed with 3-year front-end engineering and design study by December 31, 2011
    - Construction and commissioning ~ 3 years
    - Commercial operation ~ 2017

E. Lignite Study Initiatives (2009-2011)

- **Beneficiated Lignite Marketing Study**
  - Completed 6/10
  - Identified markets where beneficiated ND lignite has market opportunity
- **Lignite-based Advanced Generation Technology Systems**
  - Evaluated "Best" options for new 500 MW lignite-based power plant
  - Completed 5/10
- **CO2 Capture Technologies and costs associated with lignite based power plants**
  - Completed 6/10
  - Developed cost and performance for CO_2 capture options for existing lignite power plants

F. Lignite Study Initiatives Proposed (2011-2013), subject to review and approval

- Determine best options for new base low lignite based plant in size range from 175-200 MW
- Enhance options for beneficial use of CO_2 from lignite-based power plants
- Determine life cycle CO_2 footprint for natural gas based electricity

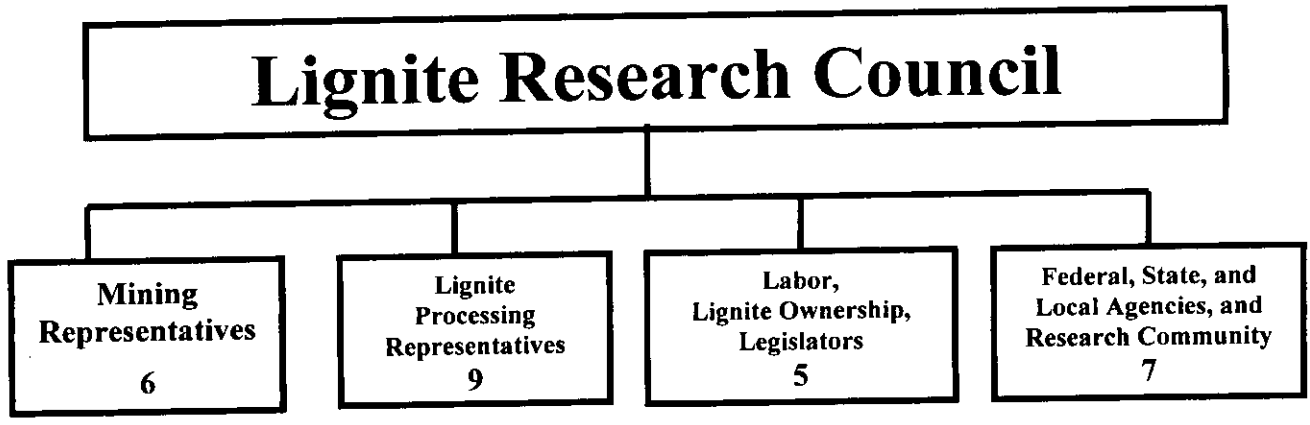
V. How is North Dakota's R&D Program administered?

A. Partnership between the private and public sectors

B. Roles of Industrial Commission & Lignite Research Council

- Industrial Commission
  - Administers research, development, and marketing program
  - Approves or disapproves research and development projects and activities
  - Accepts and distributes funds and enters into contracts

- Lignite Research Council is an advisory group to the Industrial Commission
  - Provides advice on policy and guidelines
  - Provides recommendations on project funding
  - Members are representatives from both the private and public sectors



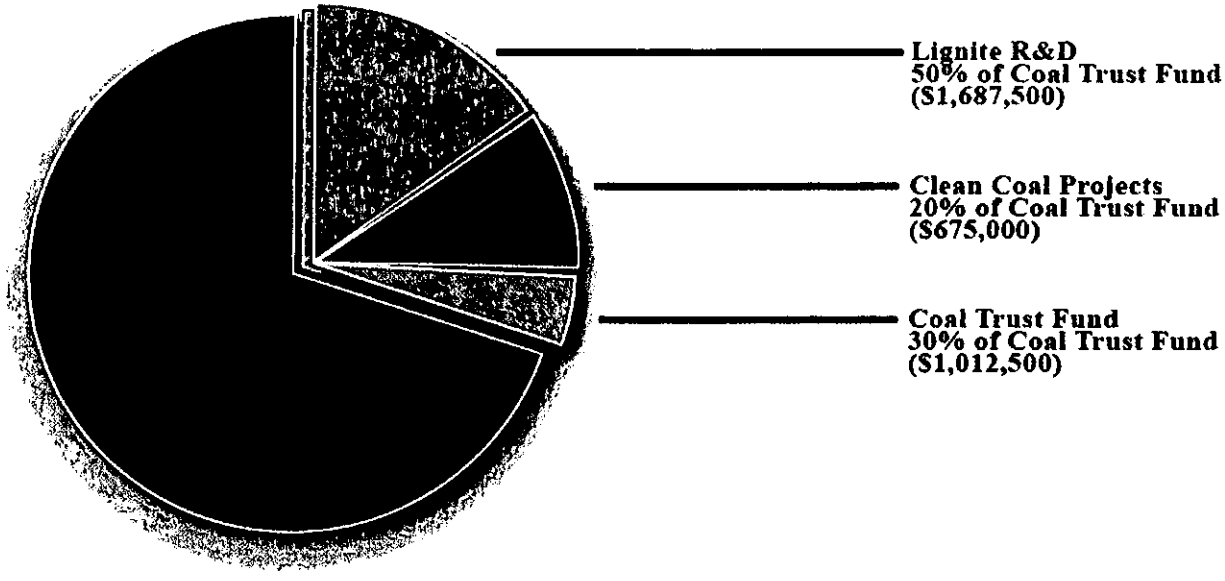
Mining Representatives	Lignite Processing Representatives	Labor, Lignite Ownership, Legislators	Federal, State, and Local Agencies, and Research Community
Lignite Energy Council	Great River Energy	IBEW	UND/EERC
Westmoreland Coal Co.	Dakota Gasification Company	North Dakota Farm Bureau	DOE/National Energy Technology Center
The Coteau Properties Co.	Minnkota Power Cooperative	Legislators Sen. Freborg Sen. Christmann	Coal Conversion Counties Association
The Falkirk Mining Co.	Otter Tail Power Co.		ND Dept. of Commerce
BNI Coal, Ltd.	Minnesota Power	Great Northern Properties	ND Dept. of Health
Prairie Mines & Royalty, Ltd.	SaskPower		ND Public Service Commission
	Montana-Dakota Utilities Co.		ND Geological Survey
	Basin Electric Power Cooperative		
	Xcel Energy		

VI. What are Funding Sources of R&D Program?

Summary of Lignite R&D Funding

ND Coal Severance Tax Annual Revenue and Distribution
(Assumes 30 million tons of annual production)
Severance Tax of 37.5 cents*

Coal Trust Fund
30% ($3,375,000)



Coal Counties
70% ($7,875,000)

Summary of Annual Revenue	
Lignite R&D (50% of Coal Trust Fund)	$1,687,500
Clean Coal Projects (20% of Coal Trust Fund)	675,000
2 Cents per ton R&D tax	600,000
Coal Conversion tax	1,250,000
Total Annual R&D Revenue	$4,212,500
	x2
Total Estimated Biennium Revenue	$8,425,000

Note: In addition to the funding from the Coal Trust Fund, the Lignite R&D Program receives revenue from a two-cents-per-ton R&D tax.

VII. How was $19.97 million R&D appropriation allocated in present biennium (*2009 to 2011*)?

		Amount ($)
Appropriated		$19,970,600
Expended (Estimated)		
Research Activities	($2,300,000)	
Demonstration	($9,440,674)	
Marketing	($1,076,000)	
Litigation	($416,621)	
Administration	($750,000)	
Subtotal		($13,983,295)
Balance (Appropriated less expended funds)		$5,987,305

VIII. Future commitments for Lignite Vision 21 Program (Demonstration Projects)

A. The NDIC has made formal commitments to three projects under the Lignite Vision 21 Program. Outstanding commitments for these three projects for subsequent biennia are dependent on start-up for the Spiritwood facility, and construction for ALE CTL and GNPD Coal-to-synthetic natural gas projects.

Outstanding NDIC commitments for these LV21 projects are:	NDIC Commitments
• ALE Coal-to-Liquid Fuels Project	$ 8,650,000
• GRE Spiritwood Project (Beneficiated coal/lignite-based electricity/renewable energy)	$ 75,000
• Great Northern Project Development/South Heart	$ 4,251,717
Expected NDIC Commitments ('11 to '13 Biennium)	$12,976,717

IX. What is proposed for *2011 - 2013* Biennium for lignite R&D program?

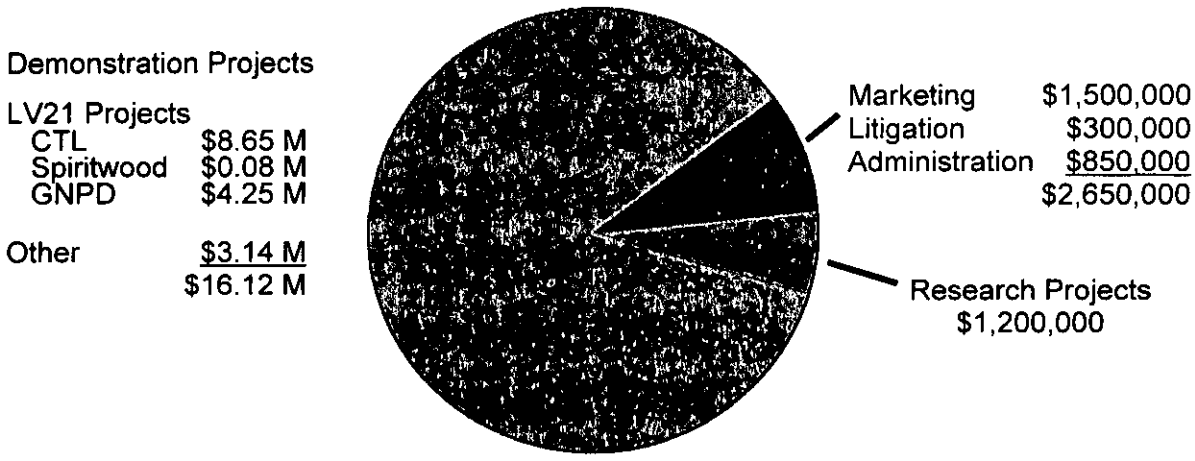
A. Governor's Industrial Commission budget of $19.97 million consists of:

Research Activities	$ 1,200,000
Demonstration Projects	$16,121,300
Marketing	$ 1,500,000
Litigation	$ 300,000
Administration	$ 850,000
	$19,971,300

X. What is proposed for 2011 - 2013 Biennium for lignite R&D program? (Cont.)

A. How will $19,971,300 be allocated in 2011 to 2013 biennium?

2011 – 2013 Lignite R&D
Proposed Appropriation



Total Amount = $19.97M

XI. Summary of Research, Development & Marketing Components

- **Research** – Each dollar in state funds has generated another six dollars in total research funds to solve critical challenges facing the industry, which enhances the environmental performance and efficiency in lignite power plants, results in cost-effective reclamation and leads to development of new products and markets;

- **Marketing** – Developed regional lignite marketing plan, presently being implemented; Assistance to Lignite Vision 21 Program participants; Identified new markets for beneficiated lignite;

- **Development (Demonstration)** – Feasibility and permitting of clean coal demonstration projects which will provide new markets for lignite-based electrical generation and renewable energy, upgraded or beneficiated lignite, liquid fuels such as gasoline, diesel and jet fuels, and by-products such as activated char for enhanced mercury control; Implemented ***Lignite Vision 21 Program*** to develop new clean coal energy conversion projects; and

- **Bottom Line** – State's Lignite R&D Program has resulted in an ***effective partnership*** to ***preserve*** and ***enhance*** jobs, economic growth, and tax revenue for the benefit of industry, and our state.

Additional information is also available on the R&D Program Web site:
http://www.state.nd.us/ndic/lrc-infoP.htm

Summary of 2009 - 2011 Small Research Projects

FY06-LV-143: "Plains CO2 Reduction Partnership - Phase II": Program Funding: $360,000; Total Project Costs: $21,487,892. Objective: Initiate Phase II activities by performing field sequestration validation tests leading to eventual commercial applications that include geologic storage and coal seams (producing coal bed methane) in addition to land management practices and wetlands.

FY08-LXII-159: "Demonstration of Coal Combustion Products for Green Roadbuilding in Medora, North Dakota": Program Funding: $125,000; Total Project Costs: $377,725. Objective: Demonstrate environmentally sustainable (green) roadbuilding using multiple coal combustion product (CCP) utilization application and, in the process, educate North Dakota industry, state agencies, and the public about environmentally sustainable construction.

FY08-LXII-160: "Center for Air Toxic Metals Program Affiliates Membership for the North Dakota Industrial Commission (NDIC)": Program Funding: $45,000; Total Project Costs: $270,000. Objective: Develop information on the behavior of air toxic substances that allows for the prediction of the fate of air toxic metals, the enhancement of existing control technologies, the identification of new control technologies, the optimization of utilization and disposal of residuals, and pollution prevention.

FY08-LXIV-163: "Coal Ash Behavior in Reducing Environments (CABRE III)": Program Funding: $150,000; Total Project Costs: $2,401,174. Objective: Conduct research and demonstrate fuel ash-related problems that affect gasification performance and provide more reliable evaluation tools for gasifier design engineers and operators to assess coal requirements and optimize operating conditions.

FY08-LXIV-164: "Partnership for CO2 Capture": Program Funding: $300,000; Total Project Costs: $3,410,000. Objective: Conduct pilot-scale demonstration testing of selected CO2 separation and capture technologies for fossil fuel-and biomass-fired systems. The technologies may include solvent scrubbing, oxygen-fired combustion, and gas separation membranes.

FY10-LXVII-168: "Lignite Education Program": Program Funding: $156,000; Total Project Costs: $312,000. Objective: to educate teachers from North Dakota and neighboring states about the economic benefits, career opportunities and operations of the lignite industry, enabling them to educate their students about the industry.

Summary of 2009 – 2011 Demonstration Projects (Matching Funds)

FY06-LVII-148: "Lignite Vision 21 Project Coal-to-Liquids Plant McLean County, North Dakota": Program Funding: $10,000,000; Total Project Costs: $50,000,000. Objective: Complete the Front-End Engineering and Design (FEED) for a 10,000 barrels per day (bpd) coal to liquids (CTL) plant to be located in McLean County, North Dakota. The 10,000 bpd CTL will use indirect liquefaction and Fischer Tropsch to produce diesel, jet fuel, and naphtha. Also, the plant as proposed would yield other products and electricity. Limited activity is noted on this project. This contract is being amended.

FY07-LVIII-149: "Spiritwood Energy Power Plant": Program Funding: $2,000,000; Total Project Costs: $375,000,000. Objective: Construct and operate a beneficiated lignite-fired combined heat and power plant near Spiritwood that would provide steam for an expanded malting facility and yet to be determined steam client. The size of the boiler for the combined steam and electrical load is equivalent to a 99 MW power system.

FY07-LXI-154: "Development of Biomimetic Membranes for Near-Zero PC Power Plant Emissions": Program Funding: $260,000; Total Project Costs: $5,832,241. Objective: Evaluate and demonstrate the ability of a contained liquid membrane permeator to capture CO2 from flue gas produced during the combustion of lignite.

FY07-LXI-157: "North Dakota Partnership in the Canadian Clean Power Coalition Phase III": Program Funding: $130,000; Total Project Costs: $260,000. Objective: To support the development of advanced coal utilization technologies including gasification, oxy-fuel combustion, and various carbon removal technologies that can be applied to conventional coal power plants.

FY07-LXI-158: "Demonstration of WRI's Pre-Combustion Mercury Removal Process for Lignite-Fired Power Plants": Program Funding: $188,000; Total Project Costs: $595,000. Objective: To develop and demonstrate pre-combustion mercury removal of raw coal by thermal treatment.

FY08-LXII-161: "Lignite Vision 21 Feasibility Project Phase IV – Engineering, Business Development and Design": Program Funding: $7,328,807; Total Project Costs: $28,300,000. Objective: Conduct Pre-FEED (front-end engineering and design) and FEED studies showing the feasibility of constructing a coal gasification project making pipeline quality synthetic natural gas from lignite.

FY08-LXIII-162: "Plains CO2 Reduction Partnership - Phase III": Program Funding: $2,400,000; Total Project Costs: $136,231,052. Objective: Demonstrate technical and economic technologies to store CO2 in geologic formations in the region. One demonstration project will be conducted in western North Dakota and the other demonstration project will be conducted in British Columbia.

FY09-LXV-165: "CO_2 Capture Demonstration Project": Program Funding: $2,700,000; Total Project Costs: $5,400,000. Objective: Conduct a Front End Engineering and Design study involving the application of Powerspan's technology to remove 90% of the carbon dioxide from a 120 MW flue gas slipstream of Unit 1 of the Antelope Valley Station.

FY09-LXV-166: "Long-term Assessment of Selective Catalytic Reduction Reactor Slip Stream Performance of Utilities Burning Lignite Coal": Program Funding: $200,000; Total Project Costs: $1,050,000. Objective: Conduct testing of selective catalytic reduction technology to remove nitrogen oxides from the flue gas of SaskPower's Poplar River Station Unit 1, which burns Fort Union Lignite.

FY10-LXVI-167: "Application of Waste Heat Recovery Generation at Great River Energy's Coal Creek Station": Program Funding: $55,000; Total Project Costs $110,000. Objective: Calnetix will evaluate waste heat sources at lignite based power plants to determine if additional waste heat recovery can be applied economically to these facilities.

FY10-LXVIII-169: "Alstom Oxy-fired Demonstration Project": Program Funding: $490,000; Total Project Costs: $8,716,523. Objective: Alstom will use their 5MW pilot facility to examine the impact of oxy-firing on boiler performance with a range of US coals. Funding from the LRC will be used to partially fund testing a ND lignite coal supplied by GRE that has been upgraded using their Dry-fining process.

FY10-LXIX-171: "Partnership for CO2 Capture – Phase II": Program Funding: $150,000; Total Project Costs: $1,860,000. Objective: To identify and help commercialize a range of CO2 capture technologies that can be used by the electric utility industry to meet potential regulations to capture and sequester CO2 from lignite-fired power plants.

FY10-LXIX-172: "WRITECoal Gasification Process for Low Rank Coals for Improved Integrated Gasification Combined Cycle with Carbon Capture: Phase II – Pilot-scale Demonstration": Program Funding: $549,500; Total Project Costs: $1,970,022. To demonstrate the Western Research Institute's WRITECoal™ gasification process for IGCC with CO2 capture, fuel cell applications, and chemicals production.

Summary of 2009 – 2011 R&D Projects (Non-Matching Funds)

LMFS-07-39: "Lignite Vision 21 Program - Phase V Environmental Permitting and Transmission Plan Development of Lignite 21 Projects": Program Funding: $851,000; Objective: 1) coordinate and assist the Lignite Vision 21 Program (LV21P) participants; 2) develop and implement legal, marketing, generation, environmental, and transmission strategies; 3) manage the LV21P projects in order to eliminate any potential duplication; and 4) maximize value for the State of North Dakota.

LMFS-07-39A: "A Study of Lignite-Based Advanced Generation Technology Systems": Program funding $150,000; Objective: To evaluate the potential technology options for a new 500 MWe lignite-based base load power plant to be built in North Dakota. Options to be considered include PC-fired boiler, circulating fluidized bed boiler and an integrated gasification combined cycle system.

LMFS-07-39B: "Beneficiated Lignite Market Study": Program funding from LV21P is $150,000, total project funding $243,000. Objective: To evaluate the technical options for beneficiating ND lignite. In addition, the market potential based on the properties of the beneficiated lignite will be determined.

LMFS-07-39C: "A Study of Carbon Dioxide Capture Technologies and Costs Associated with Lignite-Based Electrical Generating Systems": Program funding from LV21P $464,000. Objective: To evaluate the options available in the next 5 years for CO2 capture at the existing fleet of boilers firing ND lignite. Cost and performance impacts will be determined.

LMFS-07-39D: "Lignite Gasification Technologies Summary Report": Program Funding: $50,000 from LV21P; Total project funding $100,000. Phase V Project; Objective: Compile various lignite gasification research, development and demonstration project information into a summary report. The unique properties of lignite from the US will be discussed and the impact of those properties on gasification system performance discussed.

LMFS-40: "Lignite Marketing Program - Phase VI": Program Funding: $1,312,500; Objective: to improve the public image and promote the use of lignite-based electricity, to build a public support base, to ensure growth and stability of the regional lignite industry and to assist in the development of energy and environmental policies.

Summary of 2009 – 2011 Marketing Projects (Matching Funds)

FY06-LVI-147: "Implementation of Lignite Regional Energy Marketing Plan": Program Funding: $2,400,000; Total Project Costs: $4,800,000. Objective: Improve and maintain overall public regional image of coal and promote the use of coal as a low-cost, efficient and environmentally compatible energy source to ensure the continued utilization and growth of coal-based electrical energy.

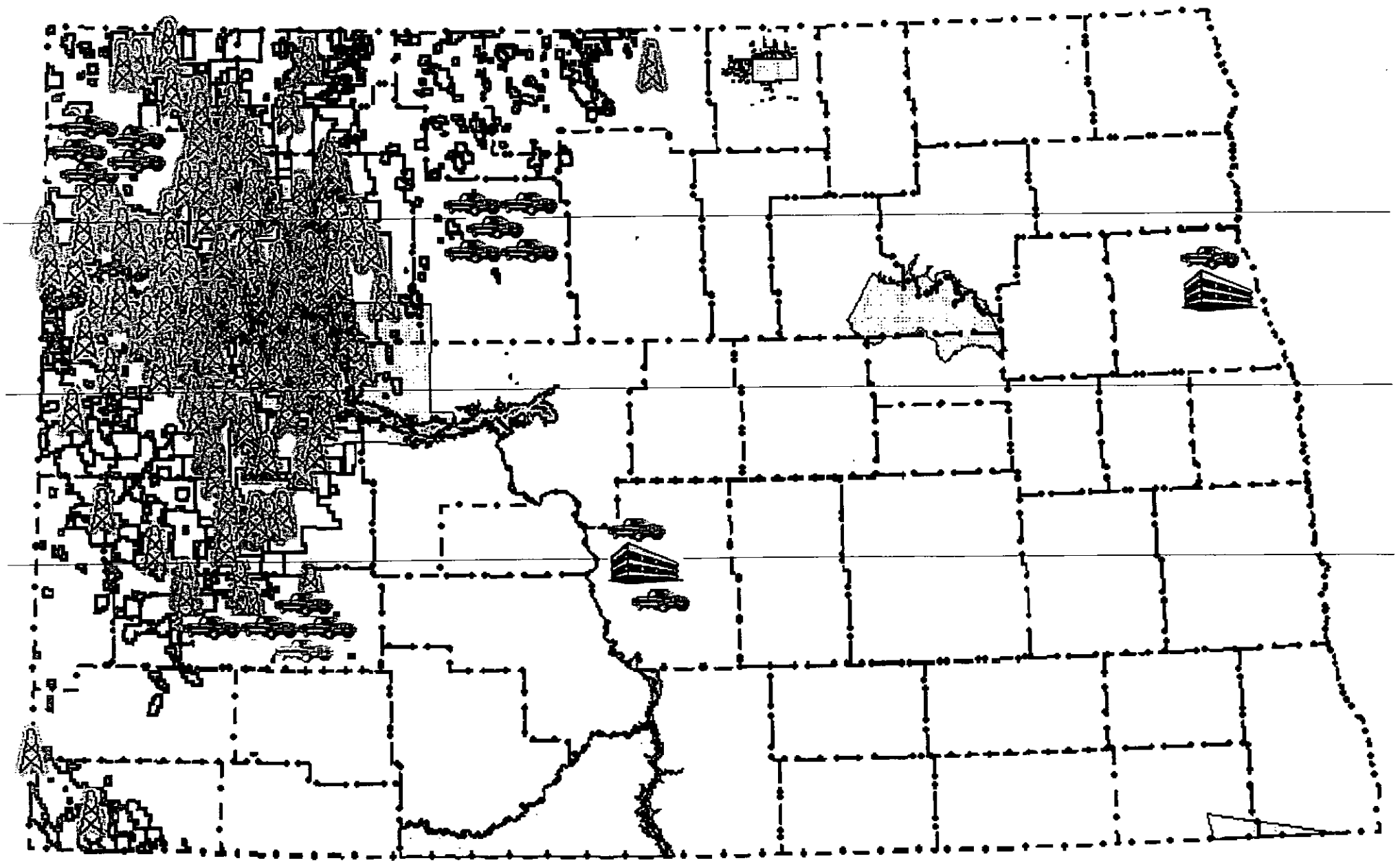
FY10-LXVII-170: "Implementation of North Dakota Lignite Energy Marketing Plan (dated October 2009)": Program Funding: $819,000. Total Project Costs $1,638,000. Objective: Improve and maintain overall public regional image of coal and promote the use of coal as a low-cost, efficient and environmentally compatible energy source to ensure the continued utilization and growth of coal-based electrical energy.

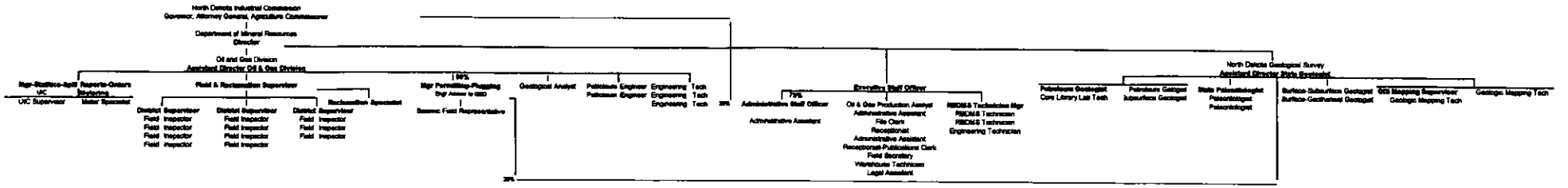
House Appropriations Committee

Government Operations Sub-Committee

January 10, 2011

Lynn D. Helms, Director
Department of Mineral Resources
North Dakota Industrial Commission





Programs

Activity versus 2 years ago

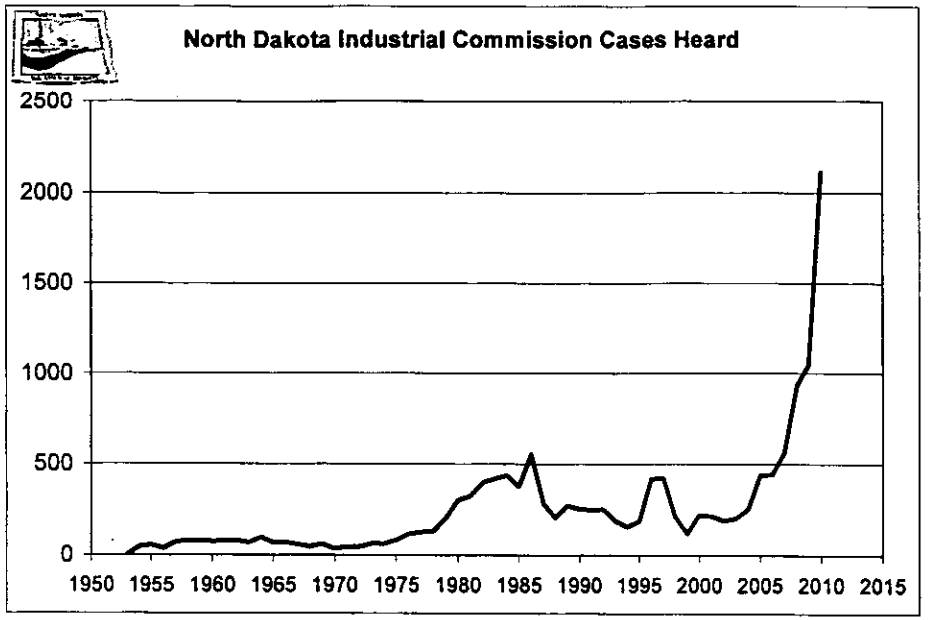
Bonding	120%
Core Library	200%
Field Inspection	rigs 190% & wells 120%
Geology – inquiries, downloads, and publications	135%
Hearings, dockets, and Industrial Commission orders	220%
Paleontology	115%
Permitting – oil and gas, coal exploration, subsurface minerals, geothermal	215%
Production accounting	120%
Reclamation	110%
Underground injection	110%

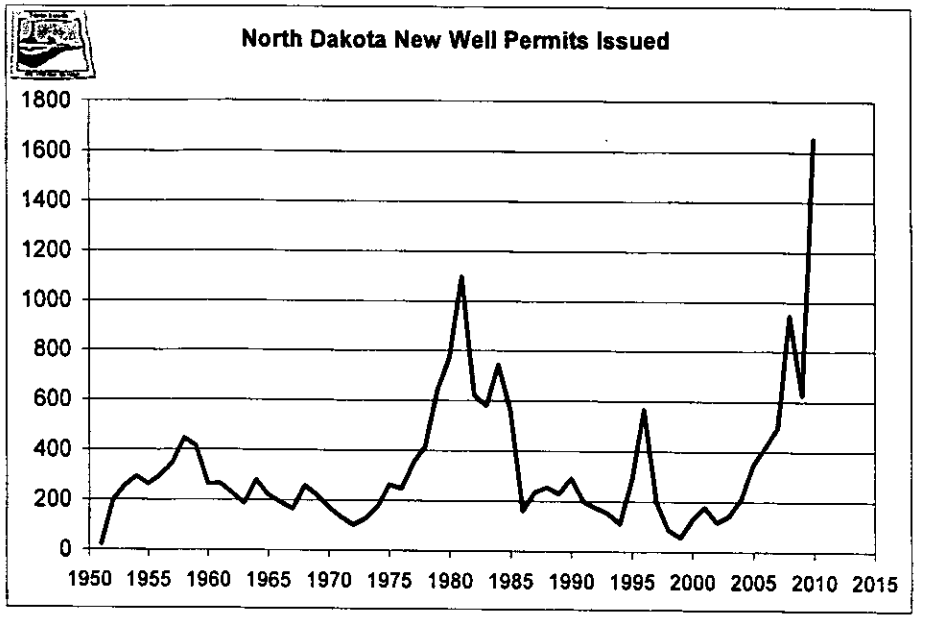
All programs are at or above sustainable maximum capacity with current FTE count.

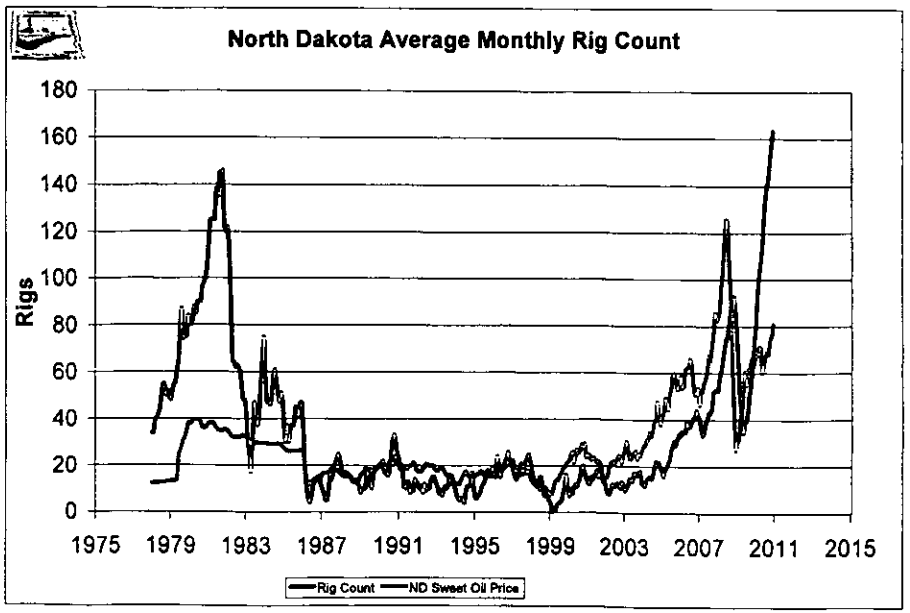
Oil and Gas Exploration and Production.
It is hereby declared to be in the public interest to foster, to encourage, and to promote the development, production, and utilization of natural resources of oil and gas in the state in such a manner as will prevent waste; to authorize and to provide for the operation and development of oil and gas properties in such a manner that a greater ultimate recovery of oil and gas be had and that the correlative rights of all owners be fully protected; and to encourage and to authorize cycling, recycling, pressure maintenance, and secondary recovery operations in order that the greatest possible economic recovery of oil and gas be obtained within the state to the end that the landowners, the royalty owners, the producers, and the general public realize and enjoy the greatest possible good from these vital natural resources.

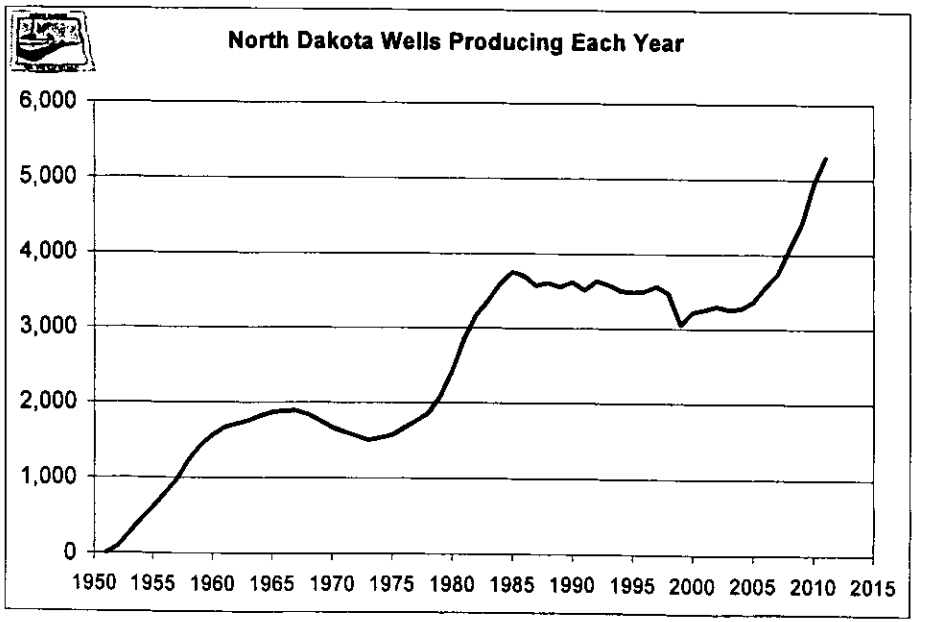
Geophysical Exploration.
Notwithstanding any other provision of this chapter, the commission is the primary enforcement agency governing geophysical exploration in this state. Any person in this state engaged in geophysical exploration or engaged as a subcontractor of a person engaged in geophysical exploration shall comply with this chapter; provided, however, that compliance with this chapter by a crew or its employer constitutes compliance herewith by that person who has engaged the service of the crew, or its employer, as an independent contractor.

Carbon Dioxide Geological Storage
It is in the public interest to promote the geologic storage of carbon dioxide. Doing so will benefit the state and the global environment by reducing greenhouse gas emissions. Doing so will help ensure the viability of the state's coal and power industries, to the economic benefit of North Dakota and its citizens. Further, geologic storage of carbon dioxide, a potentially valuable commodity, may allow for its ready availability if needed for commercial, industrial, or other uses, including enhanced recovery of oil, gas, and other minerals. Geologic storage, however, to be practical and effective requires cooperative use of surface and subsurface property interests and the collaboration of property owners. Obtaining consent from all owners may not be feasible, requiring procedures that promote, in a manner fair to all interests, cooperative management, thereby ensuring the maximum use of natural resources.


North Dakota Industrial Commission Cases Heard
2500
2000
1500
1000
500
0
1950 1955 1960 1965 1970 1975 1980 1985 1990 1995 2000 2005 2010 2015


North Dakota New Well Permits Issued
1800
1600
1400
1200
1000
800
600
400
200
0
1950 1955 1960 1965 1970 1975 1980 1985 1990 1995 2000 2005 2010 2015

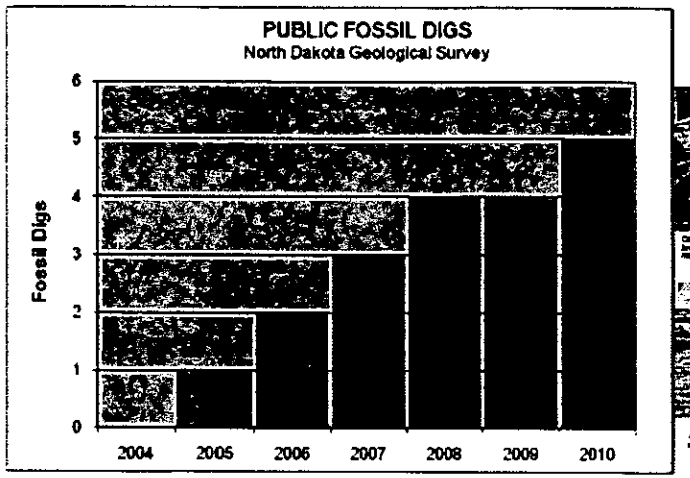

North Dakota Average Monthly Rig Count
Rigs
180
160
140
120
100
80
60
40
20
0
1975 1979 1983 1987 1991 1995 1999 2003 2007 2011 2015
Rig Count
ND Sweet Oil Price


North Dakota Wells Producing Each Year
6,000
5,000
4,000
3,000
2,000
1,000
0
1950 1955 1960 1965 1970 1975 1980 1985 1990 1995 2000 2005 2010 2015

The North Dakota Geological Survey was created by an act of the North Dakota Legislature in 1895. After more than 115 years, the Survey still serves as the primary source of geological information in the state. Its mission over the years has grown and is now three-fold: to investigate the geology of North Dakota; to administer regulatory programs and act in an advisory capacity to other state agencies; and to provide public service to the people of North Dakota.

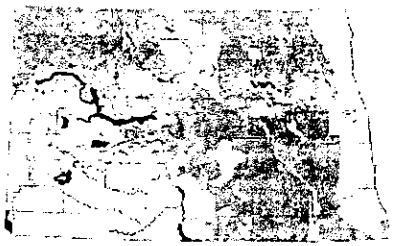
The Geological Survey publishes maps and reports on the mineralogical, paleontological, and geochemical resources of North Dakota, including oil and gas, coal, uranium, clay, sand and gravel, volcanic ash, potash and other salts, etc. In addition to the mapping of subsurface resources, the Survey is actively mapping the surface geology throughout the state with an emphasis on urban areas and the identification of geohazards such as landslides. Survey publications support the regulatory programs of the Industrial Commission, as well as other state and federal agencies, and assist mineral companies, geotechnical consulting firms, city and county governments, landowners, and citizens of the state. The North Dakota Geological Survey regulates coal exploration, subsurface mineral exploration and development (this includes all elements, minerals, and compounds other than oil and gas, sand and gravel, and coal), geothermal facilities (both commercial and residential), the Class III Underground Injection Control Program, and paleontological resources on state-owned lands.

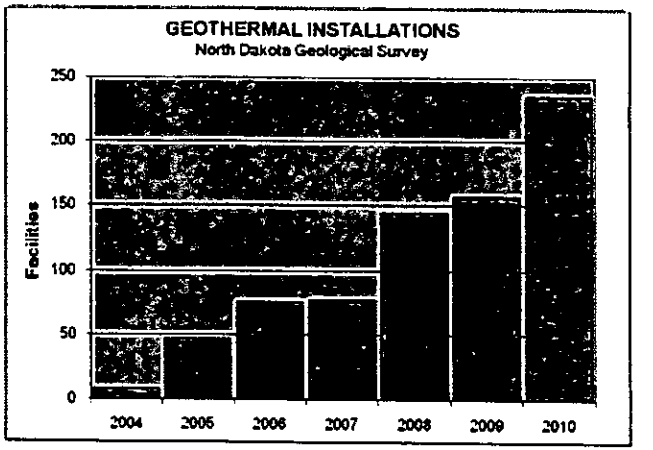
The Geological Survey and the Oil and Gas Division are in the Department of Mineral Resources and under the North Dakota Industrial Commission. The main office of the Department of Mineral Resources is located at 1016 East Calgary Avenue in Bismarck. The paleontology program of the Geological Survey is housed in the Clarence Johnsrud Paleontology Laboratory in the North Dakota Heritage Center (state museum) on the State Capitol grounds in Bismarck. The North Dakota State Fossil Collection, as well as the State Rock and Mineral Collection, are also housed in the Heritage Center. The North Dakota Geological Survey's Wilson M. Laird Core and Sample Library is located on the University of North Dakota campus in Grand Forks. The facility currently houses 380,000 feet of core and 35,000 boxes of drill cuttings obtained from oil and gas wells.

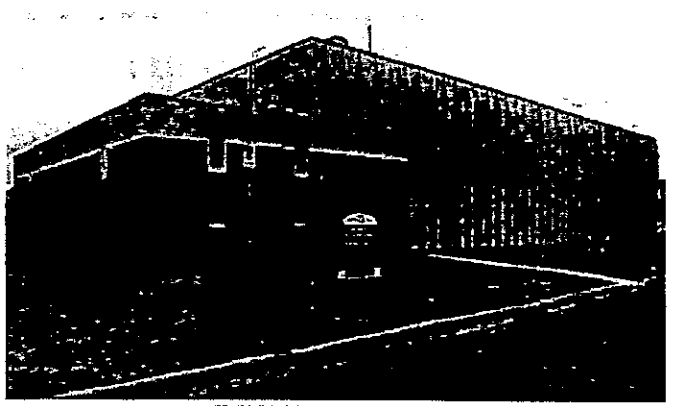


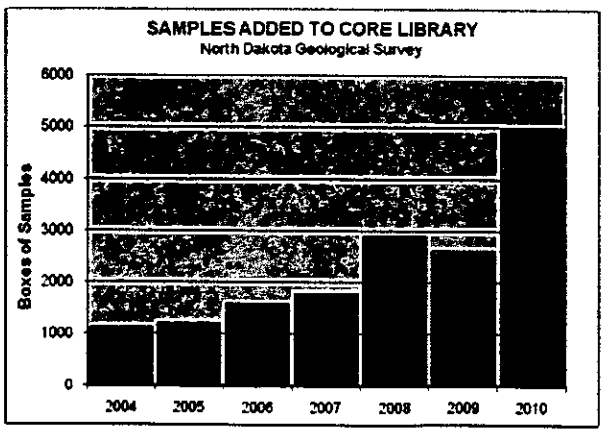
FRAC PROPPANT EVALUATION PROJECT

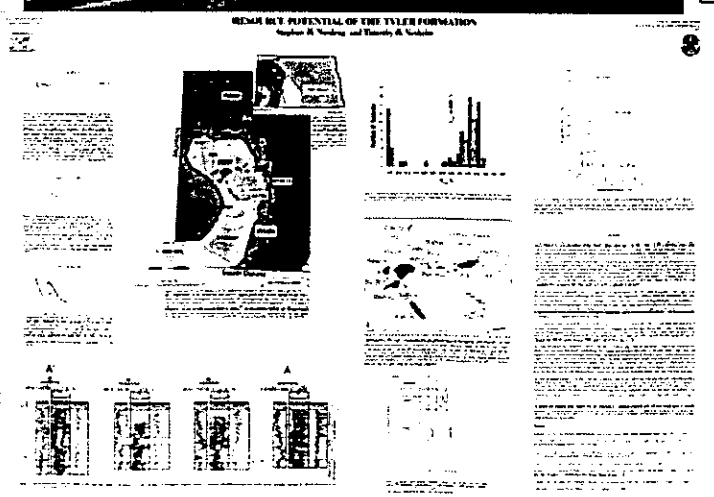
A typical horizontal Bakken or Three Forks oil well requires 1,000 tons of proppant when the well is undergoing fracture stimulation. Typically, the proppant is rounded grains of quartz sand or a spherical ceramic. Annually about 5 million tons of sand and ceramic proppant are imported into North Dakota.





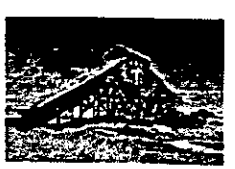




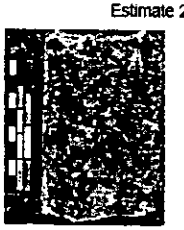


1.3 Trillion Tons of Coal in North Dakota

25 Billion Tons of Mineable Lignite

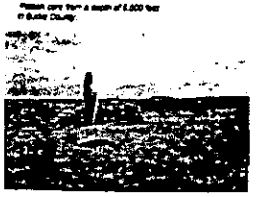


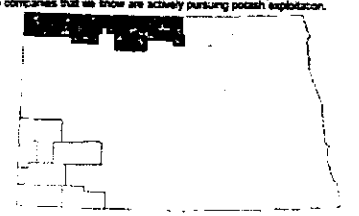
Estimate 20-50 billion tons of ND Mineable Reserves



We have received a number of enquiries from the minerals industry in the past 18 months as the price increased for a variety of elements and minerals. Chief among these enquiries has been uranium and potash. Uranium was mined in North Dakota in the 1960s, it was heavily explored for in the 1970s, but has been of little interest for the last 30 years until the price for uranium once reached an all time high in June of 2007. Companies have also expressed interest in associated elements molybdenum and germanium. If a company submits a permit to do in situ leach uranium mining, we will need a geologist dedicated full-time to that project. We are aware of three companies that are contemplating mining uranium in southwestern North Dakota.

Potash or potassium salts are primarily used in the production of fertilizer. Potash exploration took place in northwest North Dakota in the 1970s. Since the beginning of 2007, the price of potash has risen from $100 to $1,200 per ton based on a low supply and increasing demand. Due to the increased workload, we will need a geologist to oversee potash exploration and production if we receive a permit from either of the two companies that we know are actively pursuing potash exploration.





EXPLANATION OF PROGRAM COSTS

The DMR budget is 98% general funds and 2% federal funds. Budget costs are primarily salary and benefits (81-83%). The federal funds are expected to increased slightly over the current biennium.

The operating budget consists primarily of Lease/Rent (22-38%) for the Bismarck office, warehouse, and three field offices. Other items of significant costs include travel (17-50%), primarily for fieldwork, and IT costs (11-22%) including Data Processing, Telephone, and Contractual Services.

SALARIES AND BENEFITS

The decrease for the hold even budget is to offset inflationary increases in operating expenses and temporary salaries for help needed to complete core library re-boxing, permitting, and supervision of abandoned well plugging, and reclamation.

1) RIF an engineering tech

The impact of this change would be reduced productivity in issuing drilling permits. Permit processing would be limited to about 5/day thus limiting the drilling rig count to approximately 100.

The executive budget recommendation restores this position, and provides approximately 79% of the temporary salary request.

OPERATING

TRAVEL

DOT expects motor pool rates to increase 14%. To absorb this increase field inspections would have to be reduced possibly resulting in inadequate protection of potable waters and correlative rights.

LEASE/RENT BLDG/LAND

Rent is increasing in our Bismarck, Dickinson, Minot, and Williston office buildings. Closing offices is not in the best interests of the agency or citizens as it would result in the inefficient use of employee time, difficulty maintaining our Risked Based Data Management System (RBDMS), and cause a disconnect with local land owners and royalty owners.

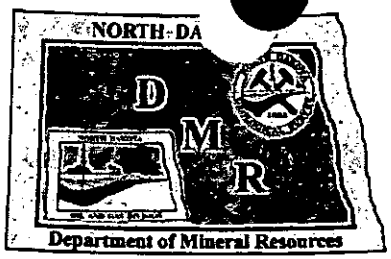
IT-DATA PROCESSING and COMMUNICATIONS

Increase is to upgrade communication links with field offices needed to handle the additional oil and gas activity and to maintain 3 year replacement schedule of personal computers.

ADVERTISING SERVICES

Applications received for hearings have risen dramatically. Holding funding for legal advertisements constant to meet budget guidelines would require limiting the number of applications heard by the Commission causing untimely delays in permitting and drilling wells and resulting in the loss of revenue to the state and royalty owners.

The exec budget recommendation funds approximately 79 the requested increase



OPTIONAL REQUESTS

Optional Requests included in the executive budget recommendation are prioritized as follows:

Restore FTE and funding cuts
Change the funding source for 2-FTE (contingency Field Inspector and Legal Assistant) from Special to General Fund
Market salary funds (24% of request)
New 1-FTE (Petroleum Engineer) for OGD
New 6-FTE (Field Inspection Engineering Technicians) for OGD
New 1-FTE (Measurement Specialist Engineering Technician) for OGD
New 1-FTE (Production Analyst) for OGD
New 1-FTE (Subsurface Mineral Supervisor Geologist-Petroleum Engineer) for GSD
Fracturing proppant investigation
Shallow gas investigation
Analysis of oil bearing rocks
Paleontology move preparation work
Change the funding source for $9,000 in GSD from Federal Funds to General Fund

Current Permanent Staff Ideal

13 PE - FI
45 hours per week
4 hours office time
8 hours Spills, Pluggings, other Engineering
5200 producing wells 6 visits per year
876 injection wells 12 visits per year
14 hours for well inspections
20 hours for rig inspection

256 hours per week for rig inspection
3 hours per week per rig average (1 visit/week vert and 2 visits/week horiz)
85

Current Permanent + Contingency Staff Ideal

14 PE - FI
45 hours per week
4 hours office time
8 hours Spills, Pluggings, other Engineering
5200 producing wells 6 visits per year
876 injection wells 12 visits per year
13 hours for well inspections
21 hours for rig inspection

296 hours per week for rig inspection
3 hours per week per rig average (1 visit/week vert and 2 visits/week horiz)
100

Current Permanent + Contingency Staff Actual

14 PE - FI
50 hours per week
3 hours office time
8 hours Spills, Pluggings, other Engineering
5200 producing wells 2 visits per year
876 injection wells 2 visits per year
4 hours for well inspections
35 hours for rig inspection

495 hours per week for rig inspection
3 hours per week per rig average (1 visit/week vert and 2 visits/week horiz)
165

Governor's Recommended Permanent Staff

15 PE - FI
45 hours per week
4 hours office time
8 hours Spills, Pluggings, other Engineering
5200 producing wells 0 visits per year
876 injection wells 0 visits per year
0 hours for well inspections
34 hours for rig inspection

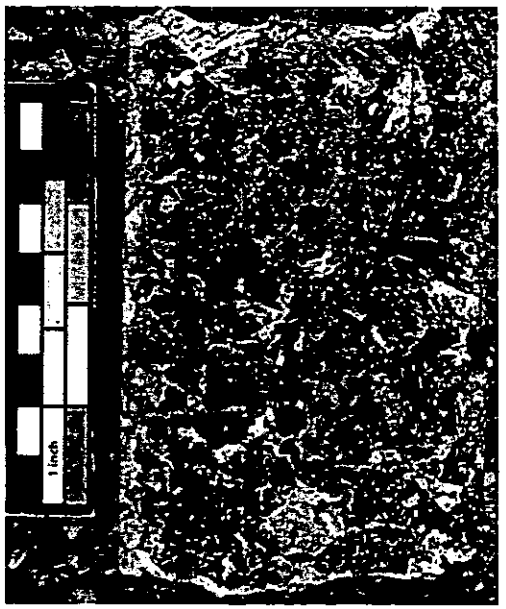
510 hours per week for rig inspection
3 hours per week per rig average (1 visit/we
170

6 ET - FI
45 hours per week
4 hours office time
0 hours Spills, Pluggings, other Engineering
9280 producing wells 5 visits per year
900 injection wells 6 visits per year
41 hours for well inspections
0 hours for rig inspection

and 2 visits/week horiz)

Estimate 20-50 billion tor ND Mineable Reserves

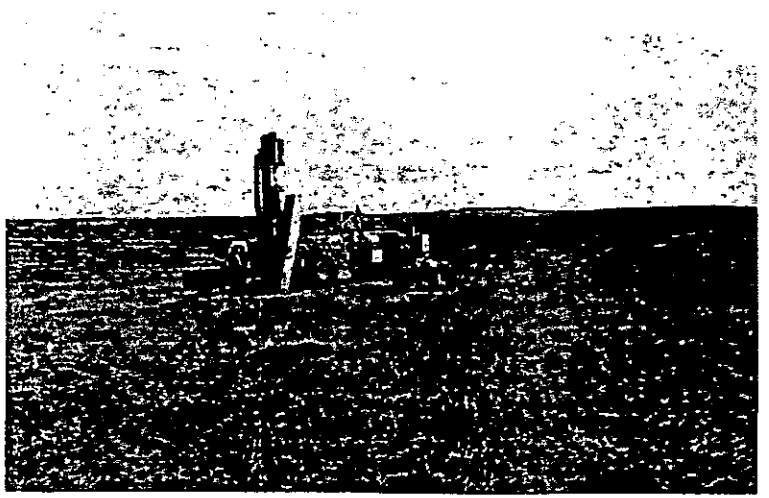
$6 trillion -15 trillion



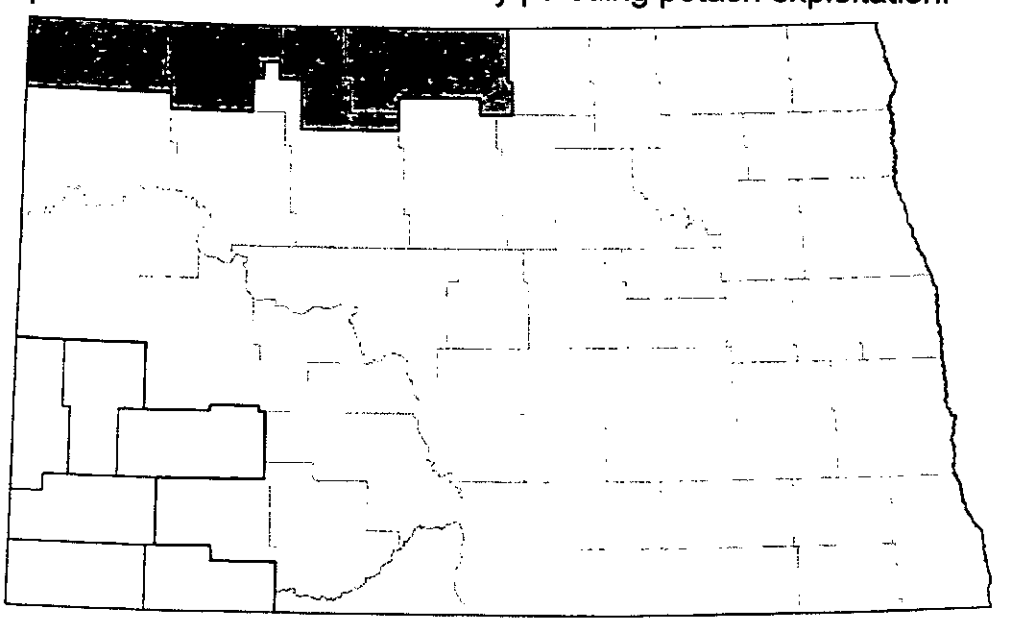
Potash core from a depth of 9,000 feet in Burke County.

We have received a number of enquires from the mineral industry in the past 18 months as the price increased for a variety of elements and minerals. Chief among these enquiries has been uranium and potash. Uranium was mined in North Dakota in the 1960s. It was heavily explored for in the 1970s, but has been of little interest for the last 30 years until the price for uranium oxide reached an all time high in June of 2007. Companies have also expressed interest in associated elements molybdenum and germanium. If a company submits a permit to do in situ leach uranium mining, we will need a geologist dedicated full-time to that project. We are aware of three companies that are contemplating mining uranium in southwestern North Dakota.

Potash or potassium salts are primarily used in the production of fertilizer. Potash exploration took place in northwest North Dakota in the 1970s. Since the beginning of 2007, the price of potash has risen from $190 to $1,050 per ton based on a low supply and increasing demand. Due to the increased workload, we will need a geologist to oversee potash exploration and production if we receive a permit from either of the two companies that we know are actively pursuing potash exploitation.



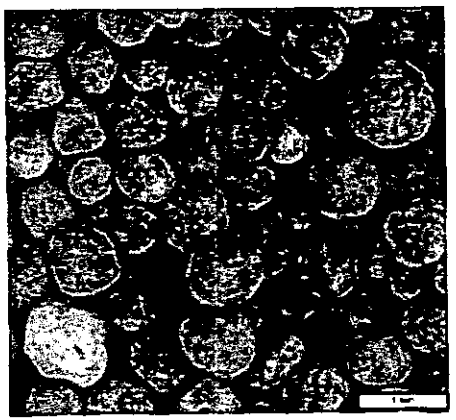
Formation Resources drilling for uranium, molybedenum, and germanium under a subsurface mineral permit in Billings County during the fall of 2008.



Counties that contain uranium deposits are in yellow and those that contain the shallowest potash deposits are in blue.

PROPPANT PROJECT

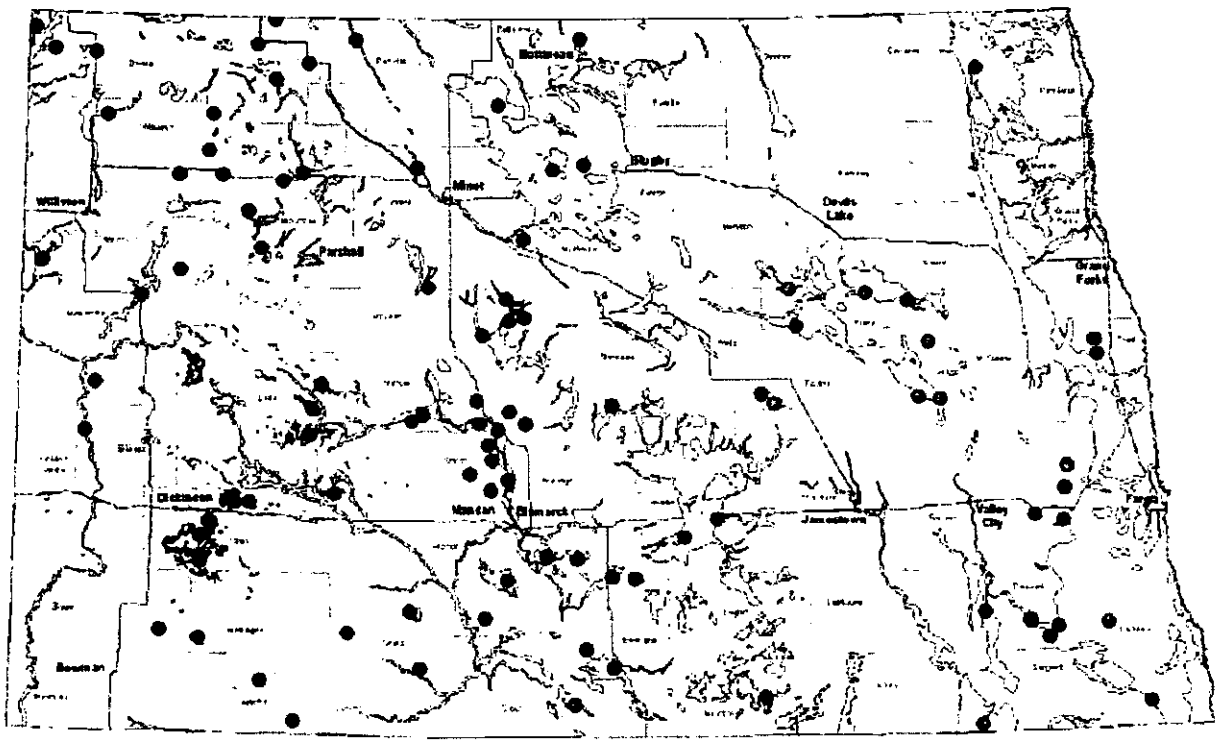
Photomicrograph of sand grains collected in McHenry County.



Photomicrograph of ceramic proppant from a batch that was used in a Bakken well in North Dakota. This proppant was manufactured in China.

Millions of tons of sand and ceramic proppants are used every year in the Williston Basin, part of a multi-billion dollar industry. The Geological Survey has collected 125 sand samples throughout the state in our search for deposits that could be utilized for oil and gas proppants in the well fracing process. We are in the process of performing preliminary analysis on those samples to determine if any would fit the proppant criteria. We have also collected clay samples and will be testing those samples for their kaolin content to determine their suitability in the manufacturing of ceramic proppants.

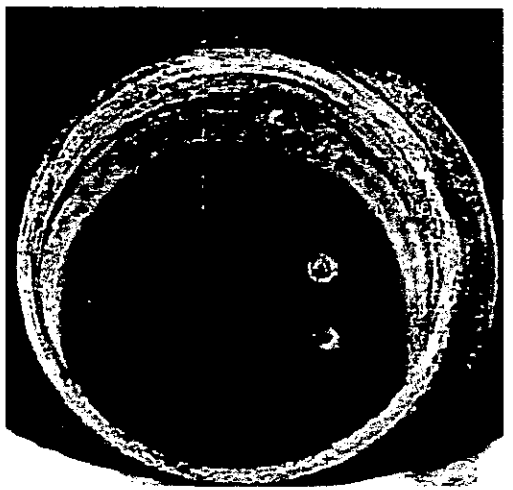
Under the second phase of this project, the ten most promising sand samples will undergo full ISO analysis (including bulk density, specific gravity, crush resistance, etc), mineralogy (XRD), and stack conductivity analysis to determine which are the most suitable proppant candidates and we will continue to evaluate the clay beds.



Locations of sand samples (red dots) and clay samples (blue dots) collected during this study. The areas in yellow are known sand deposits and the areas in brown are kaolinitic claystones within the Golden Valley Formation.

ALLOW GAS PROJECT

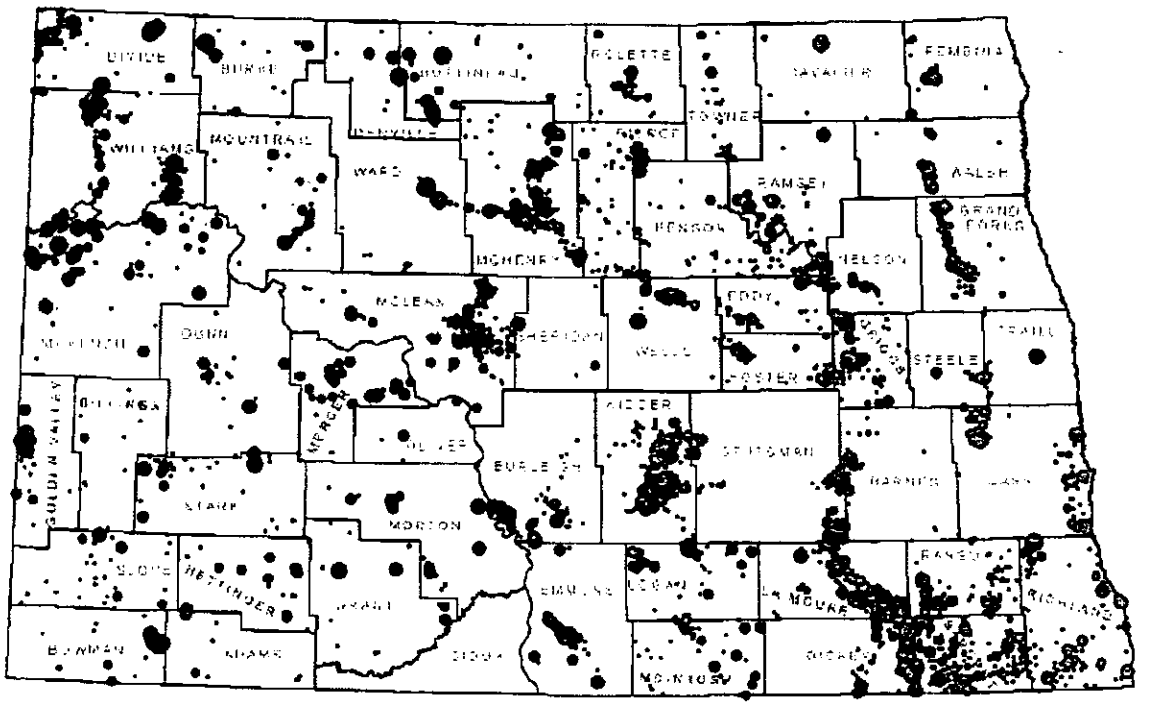
The Geological Survey tested 4,325 NDSWC monitoring wells for methane in 52 of the 53 counties in North Dakota from 2006-2010.



Methane bubbling to the surface in a two-inch NDSWC monitoring well.

The Geological Survey recently completed phase I of a study of shallow natural gas in North Dakota. We investigated 9,400 ND State Water Commission monitoring well sites, tested 4,325 wells, and detected methane in 905 wells. Approximately 20% of the wells contained detectable gas.

During the second phase of the project, thirty groundwater samples, primarily from eastern North Dakota, will be analyzed for dissolved gas composition, isotopes, and general chemistry. This will enable us to determine the source of the gas and identify chemical groundwater signatures that might assist the oil and gas industry in natural gas exploration.



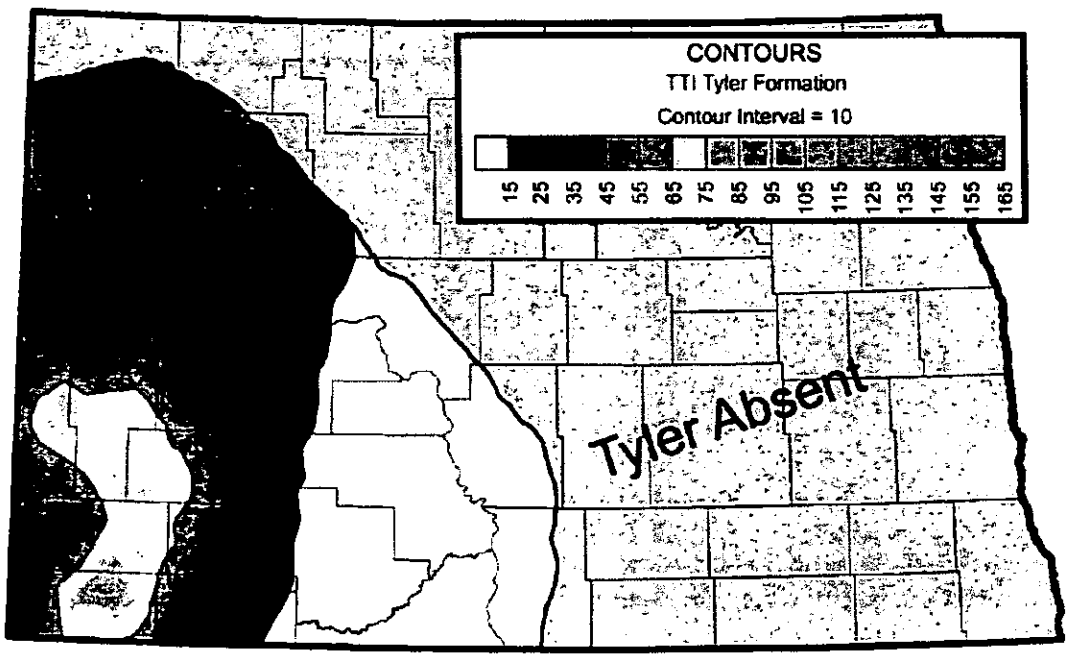
Monitoring wells that contained methane are indicated with red dots, black dots are wells that contained no detectable methane. The red dots are sized to reflect the concentration of methane -- the higher the concentration, the larger the dot.

OIL-BEARING ROCK ANALYSIS PROJECT

The cores and rock samples in our core and sample library in Grand Forks can provide a valuable insight into the history of the Williston Basin. Over the last 20 years, the Geological Survey has analyzed some of the oil-bearing rocks in the core library for the total organic carbon content and a suite of rock analyses called RockEval. The vast majority of these rock samples (95%) have come from the Bakken Formation, only a few hundred from all of the other formations in the basin. Oil companies have also performed these tests, but they have generally been limited to their lease holdings or areas of interest. The results of these analyses can be used to predict where the rocks in the Williston Basin were buried deep enough and long enough to generate oil (mature areas).

The Geological Survey plans to obtain 475 rock samples from core in the Niobrara, Spearfish, Tyler and Icebox Formations for total organic carbon and RockEval analysis. The results of such a widespread sampling program will significantly increase our knowledge of these oil-bearing rock units and will provide the framework for a RockEval database. RockEval has become one of the leading oil exploration tools in organic-rich rocks within the Williston Basin.

Three-foot long boxes of Tyler core from the Shell Government 41X-S in Slope County. Core interval is from a depth of 7,815 to 7,833 feet. The rocks are primarily organic-rich shales and siltstones with an oil-stained sandstone reservoir [illegible]oth of 7,817- 7,919 feet.

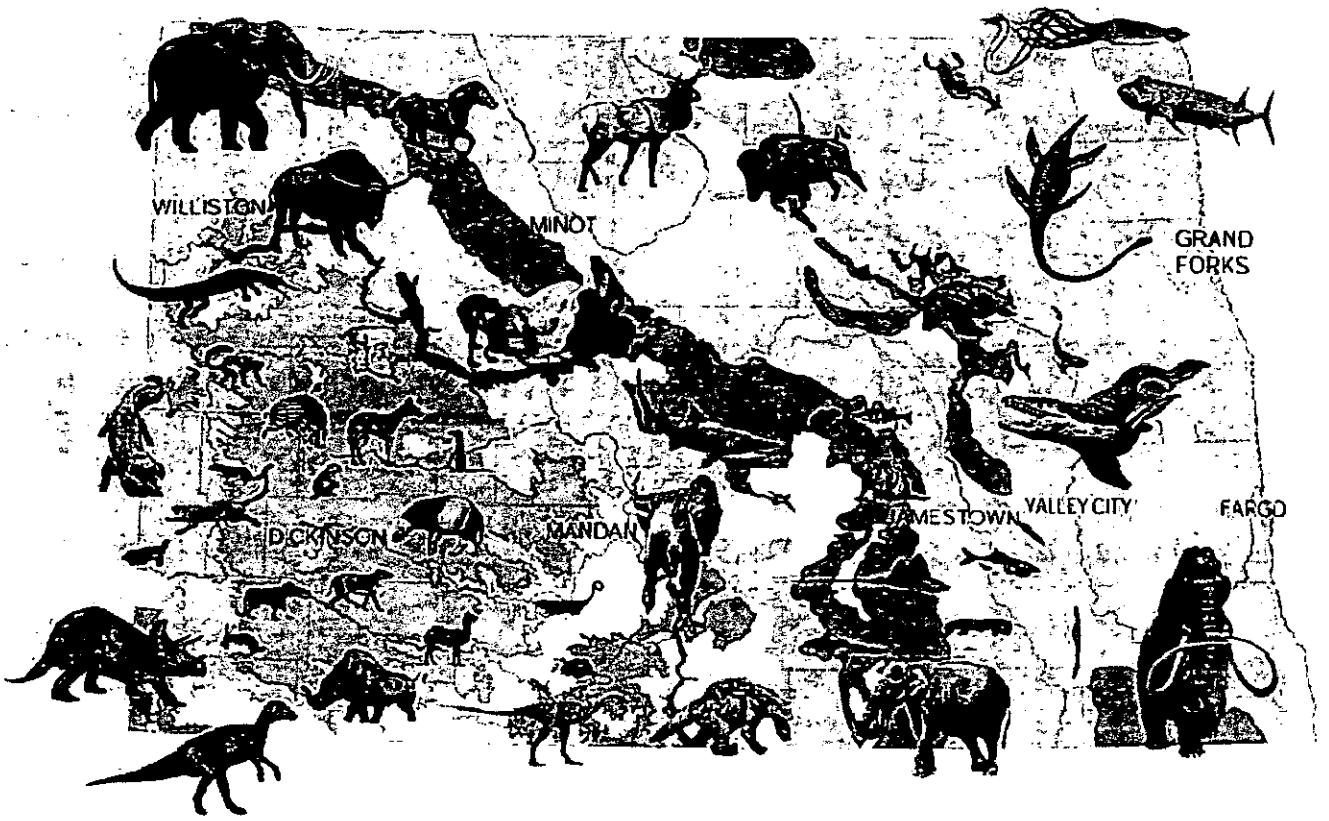


A preliminary Time-Temperature Index Map for the Tyler Formation in North Dakota. This map was generated from the burial history of the Tyler core. The yellow and green colors correspond to the "oil window" where the Tyler was buried deep enough (was hot enough) for a long enough period of time to generate oil. The two Tyler cores that have been analyzed by the RockEval method are consistent with this map.

Department of Mine[redacted]s Geological Survey

Prehistoric Life o[redacted]rth Dakota

John W. Hoganson
North Dakota Geological Survey



Each Icon on the state map is a link to additional information

CRITACEOUS

Hell Creek Formation
Fox Hills Formation
Pierre Formation
Niobrara

TERTIARY

PALEOCENE

Golden Valley Formation
Sentinel Butte Formation
Bullion Creek Formation
Cannonball, Ludlow and Slope Formations

MIOCENE

Arikaree Formation

EOCENE - OLIGOCENE

Chadron and Brule Formations

QUATERNARY

Coleharbor Group (glacial drift)

lake sediment (silt and clay)

river and beach sediment (sand and gravel)

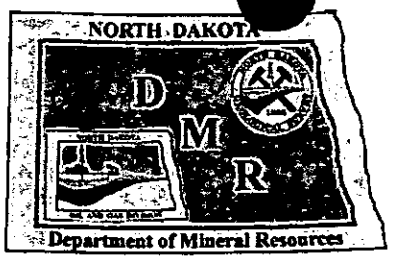
Lakes and Rivers

glacial sediment (till)

Flat to rolling land

Hilly Land

Internet
100%
start
Search Desktop



OPTIONAL REQUESTS

Optional Requests not included in the executive budget recommendation are prioritized as follows:

Funding for Class VI primacy work by Carbon Dioxide Storage Supervisor Position
Contingency 4-FTE (2-Petroleum Engineers and 2-Field Inspection Engineering Technicians) for OGD
New 1-FTE (Engineering Technician for geothermal field inspection in Red River Valley)
New 1-FTE (Administrative Staff Officer) shared GSD and OGD
Core re-boxing project
New 1-FTE (Surface Geologist) for GSD

Governor's Recommended Permanent Staff

15	PE - FI			6	ET - FI		
45	hours per week			45	hours per week		
4	hours office time			4	hours office time		
8	hours Spills, Pluggings, other Engineering			0	hours Spills, Pluggings, other Engineering		
5200	producing wells	0	visits per year	9280	producing wells	5	visits per year
876	injection wells	0	visits per year	900	injection wells	6	visits per year
0	hours for well inspections			41	hours for well inspections		
34	hours for rig inspection			0	hours for rig inspection		

510 hours per week for rig inspection
3 hours per week per rig average (1 visit/week vert and 2 visits/week horiz)
170

Calculate Permanent + Contingency Staff Ideal

17	PE - FI			8	ET - FI		
48	hours per week			48	hours per week		
4	hours office time			4	hours office time		
8	hours Spills, Pluggings, other Engineering			0	hours Spills, Pluggings, other Engineering		
5200	producing wells	0	visits per year	10000	producing wells	6	visits per year
876	injection wells	0	visits per year	900	injection wells	12	visits per year
0	hours for well inspections			45	hours for well inspections		
36	hours for rig inspection			0	hours for rig inspection		

600 hours per week for rig inspection
3 hours per week per rig average (1 visit/week vert and 2 visits/week horiz)
200

House Bill 1014
House Appropriations Government Operations Committee
Testimony of DeAnn Ament
North Dakota Public Finance Authority

For the record, my name is DeAnn Ament and I am the Executive Director of the Public Finance Authority. I am providing this testimony in support of the Industrial Commission's requested appropriation for the Public Finance Authority for the 2011-2013 biennium in the amount of $654,027. The requested biennial appropriation is $16,006 less than the current biennial appropriation. This budget includes the recommended salary adjustments outlined in the Executive Budget. Primarily, the overall budget decrease is due to salary adjustments resulting when Tim Porter, former Executive Director, departed to work full-time for the Bank of North Dakota. Some minor adjustments have been made within several operating lines to more accurately reflect projected expenditures. Due to the Public Finance Authority's co-location at the Bank of North Dakota, the agency continues to benefit from efficiencies created.

The Public Finance Authority is a state agency that operates under the supervision and authority of the Industrial Commission. It is a self-supporting state agency and receives no money from the General Fund. The staff of the Public Finance Authority currently consists of 1.75 full-time state employees (FTE's). Currently, the Executive Director is .75 Public Finance Authority employee. The Public Finance Authority also employs a full time Business Manager.

The Public Finance Authority administers the Capital Financing Program, the financial portion of the State Revolving Fund and the Industrial Development Bond Program. Detailed activity of all programs is contained in our annual report which is attached. In 2009, the State Revolving Fund was the recipient of American Recovery and Reinvestment Act (ARRA) funding. This funding has required many changes for documenting, funding and reporting purposes and has resulted in an increased workload for both employees. It is anticipated that many of these changes will carry forward to future capitalization grants. The Public Finance Authority continues to develop programs as needs arise for financing municipal, economic development, agriculture, and energy projects in North Dakota. At this point, we are uncertain how the development of these programs will affect the Public Finance Authority's staffing needs. The current budget for the 2009-2011 biennium includes salaries for 2.75 FTE's. The vacant FTE within the current budget is for a loan officer position that would help analyze the loan applications and financial statements of potential borrowers under all of the Public Finance Authority's programs. Therefore, I ask that you appropriate funding for this vacant position for the 2011-2013 biennium while we assess the demand for our services under existing programs as well as the new programs mentioned above.

The written testimony below describes the Public Finance Authority and its financing programs. Also, a copy of the 2010 Annual Report for the Public Finance Authority has been included in the binder for your review. This Report describes in more detail the Public Finance Authority's programs and provides a complete history of all the Public Finance Authority's loans and bond issues.

Mission

To develop rural and urban North Dakota by providing political subdivisions and other qualifying organizations access to flexible and competitive financing options for their local qualifying projects.

The Public Finance Authority was established to make low-cost loans to North Dakota political subdivisions at favorable interest rates. Loans are made to political subdivisions by the Public Finance Authority through the purchase of municipal securities issued by the political subdivisions in accordance with state and federal law. Loans are primarily made with the proceeds of bonds issued by the Public Finance Authority under the programs described below. In certain instances, a direct loan may be made to a political subdivision from the Public Finance Authority's operating fund or from the federal grants or loan repayments held under the State Revolving Fund Program.

The municipal securities issued by a political subdivision to the Public Finance Authority may be either tax-exempt or taxable obligations. A political subdivision must retain bond counsel to assist in the preparation and adoption of its bond resolution and other necessary documents. The Public Finance Authority may purchase municipal securities only if the Attorney General issues an opinion that states the municipal securities are properly eligible for purchase under the North Dakota Century Code (N.D.C.C.) chapter 6-09.4, the Public Finance Authority Act.

Required Debt Service Reserve

Subsection 1 of §6-09.4-10 of the N.D.C.C. requires the Public Finance Authority to establish a debt service reserve in an aggregate amount equal to at least the largest amount of money required in the current or any succeeding calendar year for the payment of the principal of and interest on its outstanding bonds.

Subsection 4 of §6-09.4-10 of the N.D.C.C. of the N.D.C.C. provides as follows:

> "In order to assure the maintenance of the required debt service reserve, there shall be appropriated by the Legislative Assembly and paid to the Public Finance Authority for deposit in the reserve fund, such sum, if any, as shall be certified by the Industrial Commission as necessary to restore the reserve fund to an amount equal to the required debt service reserve."

In the written opinion of the Attorney General, this provision does not constitute a legally enforceable obligation of the State. In the written opinion of the Public Finance Authority's bond counsel, there is no applicable provision of state law that would prohibit a future Legislative Assembly from appropriating any sum that is certified by the Industrial Commission as necessary to restore the reserve fund in an amount sufficient to meet the required debt service reserve amount. The legislative obligation imposed by the Legislative Assembly in subsection 4 of §6-09.4-10 is referred to as a moral obligation because the obligation to provide an appropriation for the Public Finance Authority's reserve fund is not backed by the full faith and credit of the State. All bonds issued by the Public Finance Authority under any of its programs are moral obligation bonds unless the Industrial Commission approves a resolution to allow the Public Finance Authority to issue bonds under section 40-57 as a conduit issuer. Under any of the Public Finance Authority programs, there has never been the need to request an appropriation to cover a shortfall in a reserve fund.

Advisory Committee

The Industrial Commission, by policy, has established a Public Finance Authority Advisory Committee. The Committee is made up of three members appointed by the Commission. The Committee reviews each loan application for the purpose of making a recommendation concerning the loan to the Industrial Commission, which must give its approval before a loan may be made under each Program. However, if the loan is for $500,000 or less for the Capital Financing Program and $1,000,000 or less for the State Revolving Fund Program, the Committee may authorize the approval of the loan, and then submit a report describing the loan and the action taken to the Commission at its next meeting.

At the present time, the Public Finance Authority has four loan programs: the Capital Financing Program, the State Revolving Fund Program, the School Construction Financing Loan Program, and the Industrial Development Bond Program.

Capital Financing Program

The Capital Financing Program, established in 1990, makes loans to political subdivisions for any purpose for which political subdivisions are authorized to issue municipal securities, subject to certain statutory requirements.

Through December 31, 2010, the Public Finance Authority has made $86,663,016 of loans to political subdivisions under the Capital Financing Program. The outstanding amount of Capital Financing Program bonds is $9,660,000. Recognizing the strength of the State's moral obligation pledge, Standard and Poor's (S&P) has assigned a rating of "A+" to the Capital Financing Program Bonds.

State Revolving Fund Program

Under the State Revolving Fund (SRF) Program, federal capitalization grants are received by the State through the Health Department from the Environmental Protection Agency (EPA), and are deposited and held under the Program's Master Trust Indenture for the purpose of making below-market interest rate loans to political subdivisions for qualified projects and for other authorized purposes. The projects are subject to the approval by the State Health Department under appropriate state law and the Federal Clean Water Act and the Federal Safe Drinking Water Act. The federal capitalization grants are available to states on the basis of an 80-20 federal-state match. A portion of the SRF Program bonds issued by the Public Finance Authority provides the 20% state match. The federal capitalization grants must be held by the state in a revolving loan fund and are available only for purposes authorized under the Federal Clean Water Act and the Federal Safe Drinking Water Act.

The SRF Program consists of a Clean Water SRF Program and a Drinking Water SRF Program. Federal capitalization grants for the Clean Water SRF Program were first appropriated to the State in 1989. Since that time, $155,067,688 of federal capitalization grants under the Clean Water SRF Program have been appropriated and awarded to the State through federal fiscal year 2010. Through December 31, 2010, 214 loans totaling $307,595,079 have been approved under the Clean Water SRF Program. The Health Department's Clean Water Intended Use Plan for 2010 includes approximately $115,000,000 of potential projects.

Federal capitalization grants for the Drinking Water SRF Program were first appropriated to the State in 1997. Since that time, $122,916,147 of federal capitalization grants under the Drinking Water SRF Program have been appropriated and awarded to the State through federal fiscal year 2010. Through December 31, 2010, 146 loans totaling $283,432,426 have been approved under the Drinking Water SRF Program. The Health Department's Drinking Water Intended Use Plan for 2010 includes approximately $388,000,000 of potential projects.

A project must be on the appropriate Intended Use Plan to be able to apply for a loan under the SRF Program. The current interest rate for most loans under the SRF Program is 2.5% with a 0.5% annual administrative fee on the outstanding balance. Bonds issued by the Public Finance Authority under the SRF program are rated "Aaa" by Moody's Investors Service, Inc. (Moody's), which is Moody's highest possible rating.

State School Construction Financing Program

The Public Finance Authority's State School Construction Financing Program provides loans to North Dakota school districts. This program has been assigned an "A+" rating by S&P, which allows the school districts, which generally do not have a credit rating, to borrow at lower interest rates. Bonds issued under this Program will be moral obligation bonds of the State and will also be supported by the state school aid intercept provision adopted by the Legislature in 1999. The state aid intercept provision is found in §6-09.4-23 of the N.D.C.C. A school district will be required to authorize the withholding of state school aid payments which are due and payable to the district under N.D.C.C. chapter 15-40.1 in order to participate in the Program. If a school district defaults on its loans under this Program, the Department of Public Instruction is notified by the Public Finance Authority to withhold aid payments to the defaulting school district until such time that principal and interest have been paid or satisfactory arrangements have been made to make the payment.

Industrial Development Bond Program

The Public Finance Authority's Industrial Development Bond Program provides loans to North Dakota manufacturers that meet the IRS definition for small issue manufacturers. This program has been assigned an "A+" rating by S&P, which allows those manufacturers that qualify to finance fixed assets at attractive tax-exempt rates. Bonds issued under this Program will be moral obligation bonds of the State unless the borrower has the financial strength to request that the Public Finance Authority issue the bonds on a conduit basis. The 2005 Legislature passed the legislation allowing the Public Finance Authority to issue industrial revenue bonds. Current Program limits are $2,000,000 per project and $20,000,000 cumulative for the program. For conduit issuance when the state's moral obligation is not used as a credit enhancement there are no project or program limits. The Public Finance Authority has made three loans under this program in the amount of $4,860,000.

Annual Report

The Public Finance Authority submits its Annual Report to the Legislative Council each year. The Annual Report provides a complete list of all loans made and bonds issued by the Public Finance Authority since its inception in 1975.

North Dakota Public Finance Authority

2010
Annual Report

NORTH DAKOTA PUBLIC FINANCE AUTHORITY

Industrial Commission of North Dakota

Jack Dalrymple
Governor
Chairman

Wayne Stenehjem
Attorney General

Doug Goehring
Agriculture Commissioner

Advisory Committee

Robert Frantsvog
Minot

Wade Williams
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NORTH DAKOTA
PUBLIC FINANCE AUTHORITY

2010 Annual Report

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NORTH DAKOTA PUBLIC FINANCE AUTHORITY

The North Dakota Public Finance Authority (PFA) was established for the purpose of making loans to political subdivisions of the State through the purchase of municipal securities which, in the opinion of the Attorney General of North Dakota, are properly eligible for purchase by the PFA. Subject to credit and program requirements, a loan can be made by the PFA to a political subdivision for any purpose for which the political subdivision has the legal authority to borrow money through the issuance of municipal securities. Certain types of municipal securities issued under N.D.C.C. ch. 40-57 (MIDA bonds) may also be purchased by the PFA.

The PFA, which is under the operation, control and management of the Industrial Commission of North Dakota, is a self-supporting state agency. The costs and expenses of operation of the PFA are financed with earnings on program assets and fees paid by participating political subdivisions.

Obligations of the PFA which are issued to provide funds to purchase municipal securities do not constitute a debt or liability of the State or a pledge of the faith or credit of the State. All obligations of the PFA are payable solely from revenues or program assets pledged or available for their payment as authorized by law. The PFA has no authority to incur any indebtedness or liability on behalf of or payable by the State.

The PFA is required by statute (N.D.C.C. § 6-09.4-10(1)) to establish and maintain a reserve fund for its bonds. The Legislative Assembly has made a non-binding pledge to the PFA to replenish the reserve fund if it is depleted by the default of a political subdivision. Section 6-09.4-10(4) provides that "there shall be appropriated by the legislative assembly and paid to the PFA for deposit in the reserve fund, such sum, if any, as shall be certified by the industrial commission as necessary to restore the fund to an amount equal to the required debt service reserve." Because future Legislative Assemblies are not legally obligated or required to appropriate moneys certified as necessary by the Industrial Commission, this statutory provision is referred to as a "moral obligation." There has never been the need to request an appropriation of the reserve fund.

Mission

To develop rural and urban North Dakota by providing political subdivisions and other qualifying organizations access to flexible and competitive financing options for their local qualifying projects.

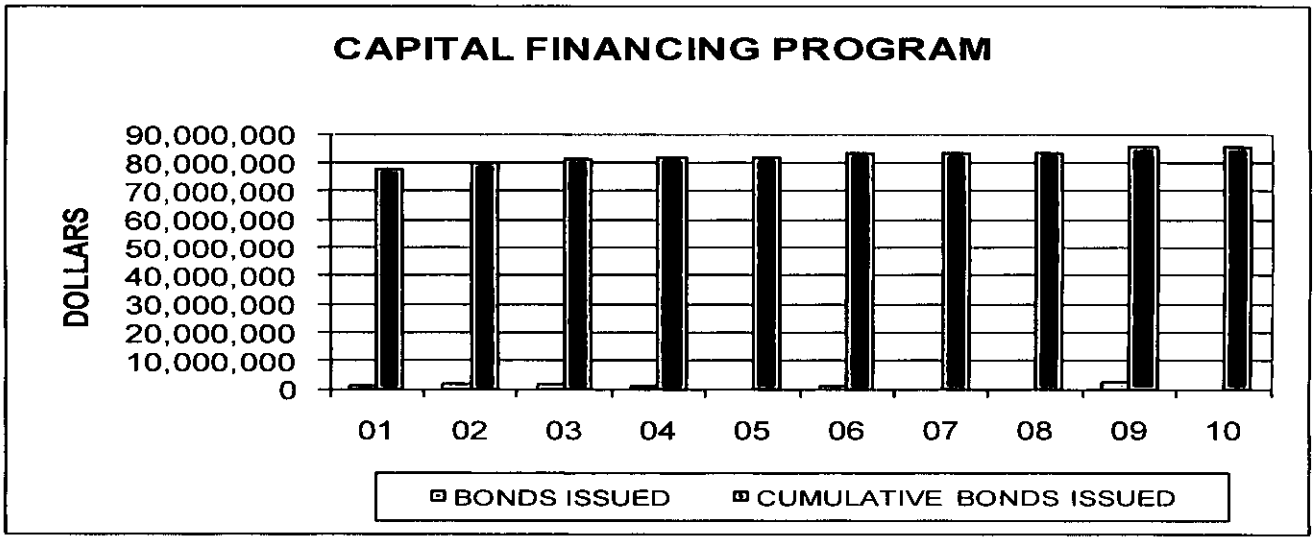
Vision Statement

A municipal bond market that realizes the competitive advantage of utilizing the North Dakota Public Finance Authority's (PFA) superior bond rating to issue municipal securities, resulting in lower interest rates to fund local projects. A PFA that enables customers to utilize on-line services, such as accessing account information or applying for additional financing. A PFA that leads a cooperative effort with other state agencies to combine available resources into programs that finance infrastructure and improvements for political subdivisions and other qualifying organizations. A State that recognizes the PFA as the leader in providing municipal financing for local projects.

CAPITAL FINANCING PROGRAM

Under its Capital Financing Program (CFP), the PFA makes loans for the purpose of financing projects or improvements for which political subdivisions are legally authorized to borrow money through the issuance of municipal securities. Subject to credit requirements and certain program requirements, financing is available in any dollar amount.

The interest rates payable by a political subdivision are market rates, which are set through a competitive bid process when the PFA issues and sells its bonds to fund a loan. The interest rates paid by the PFA on its bonds are the same rates a political subdivision will pay on its municipal securities sold to the PFA.



The Capital Financing Program has been assigned a rating of "A+" by Standard & Poor's Ratings Group.

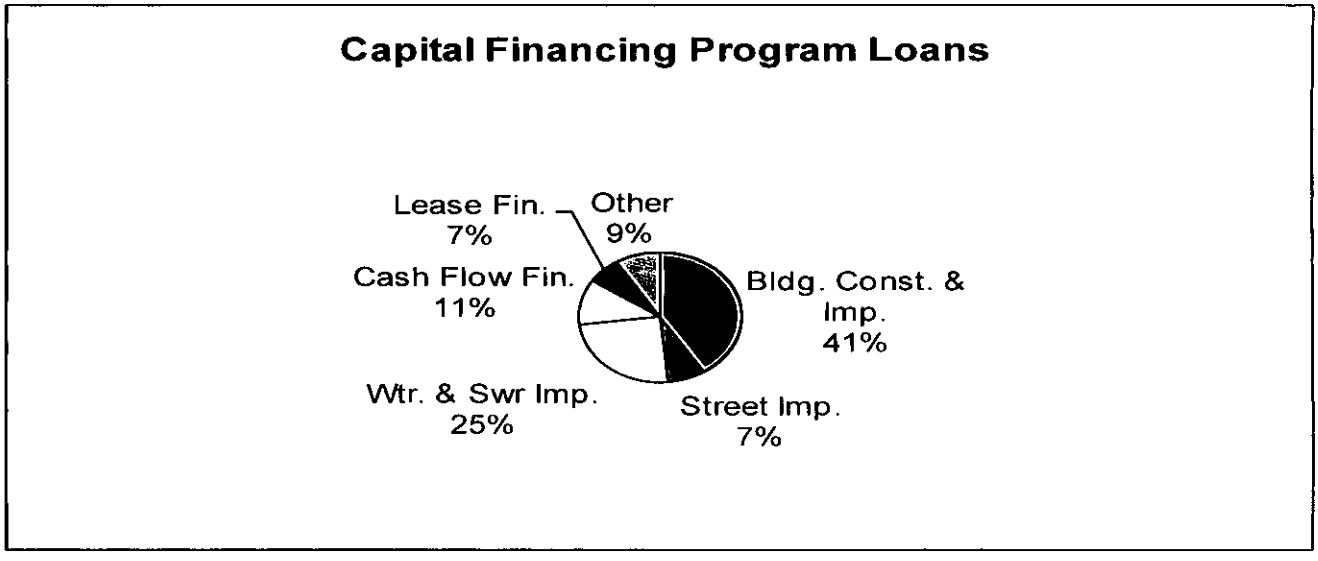
The PFA did not issue CFP Bonds in 2010.

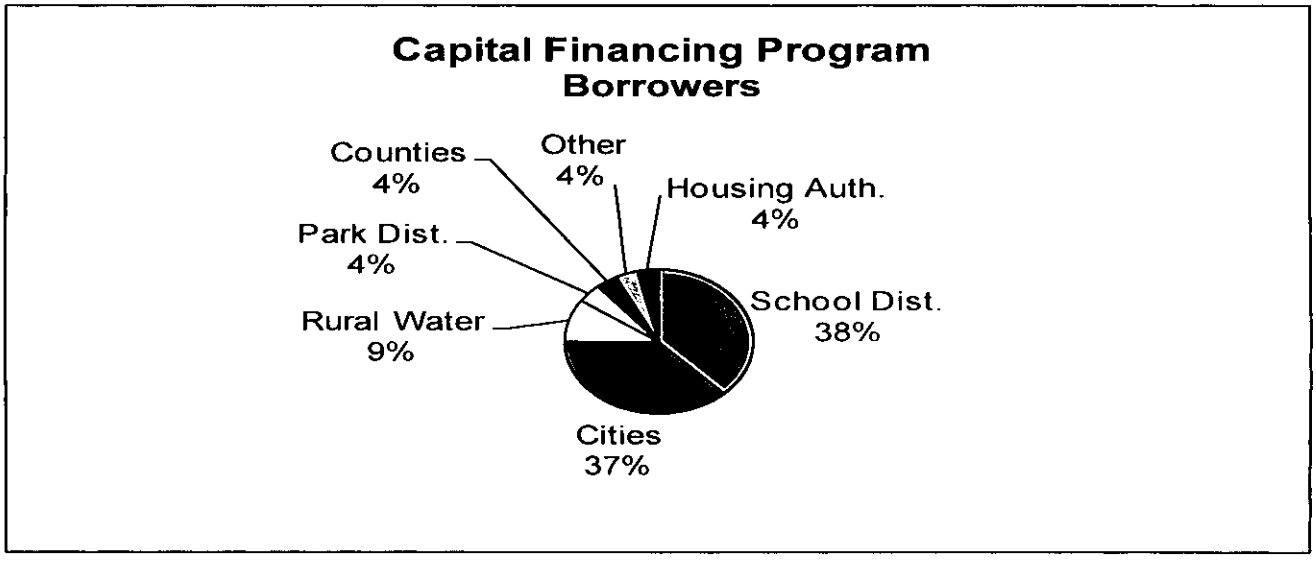
The total outstanding amount of CFP Reserve Notes at December 31, 2010, was $2,257,510, and the total outstanding amount of CFP Reserve Fund Letters of Credit at December 31, 2010, was $3,498,628. The CFP Reserve Notes and CFP Reserve Fund Letters of Credit are issued to meet the requirement of the CFP General Bond Resolution that the PFA maintain reserves for each series, equal to the largest aggregate amount of principal and interest due in any twenty-four consecutive month period. The CFP Reserve Notes are purchased by the Bank of North Dakota (BND) and the CFP Reserve Fund Letters of Credit are issued by BND.

As of December 31, 2010, the total cumulative amount of bonds issued under the CFP General Bond Resolution was $85,695,000 and the total outstanding amount of bonds under the CFP General Bond Resolution was $9,660,000.

Part E of Attachment 1 beginning on page 1-4 of this Report contains a complete list, as of December 31, 2010, of all loans made by the PFA with proceeds of CFP Bonds issued under the CFP General Bond Resolution, including the name of each political subdivision, the original amount of each loan, and the outstanding principal of each loan.

Part F of Attachment 2 on page 2-1 of this Report contains a complete list, as of December 31, 2010, of all series of Capital Financing Bonds issued under the CFP General Bond Resolution, including the original dollar amount and the outstanding principal amount of each series of CFP Bonds.





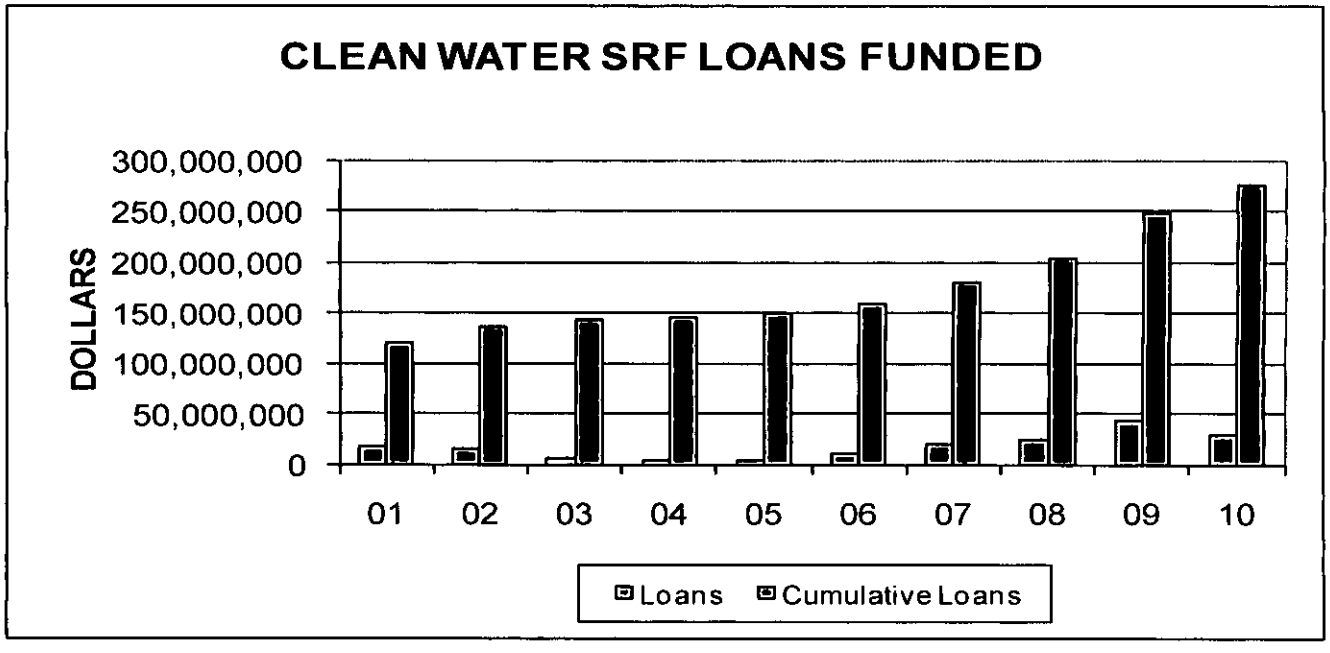
STATE REVOLVING FUND PROGRAM

The State Revolving Fund Program (SRF Program) was established in 1990 to enable North Dakota to receive federal capitalization grants as authorized under the Clean Water Act. In 1998, the SRF Program was amended to enable the State to receive capitalization grants as authorized under the Safe Drinking Water Act. The SRF Program grants, received from the United States Environmental Protection Agency, are to be used to make below-market interest rate loans to political subdivisions for the purpose of financing authorized projects, to establish reserve funds, and for other purposes under the Clean Water Act and the Safe Drinking Water Act. Authorized projects under the Clean Water Act include wastewater treatment facilities and nonpoint source pollution control projects. Authorized projects under the Safe Drinking Water Act include public water systems. The SRF Program is administered jointly by the North Dakota Department of Health and the PFA.

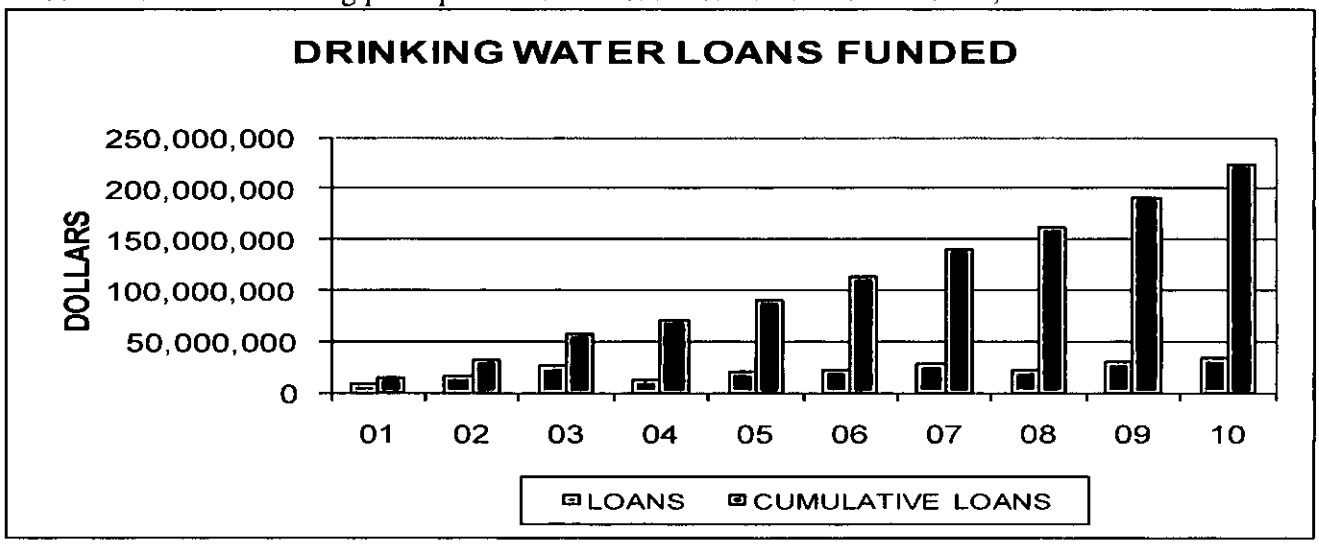
In 2001, Moody's Investors Service, Inc. upgraded the North Dakota SRF Program from "Aa2" to "Aaa", Moody's highest rating,

The interest rates on SRF Program loans are set by the Health Department in consultation with the PFA. The interest rates are fixed for the term of a loan. The interest rate for tax-exempt SRF Program loans is 2.5%. The interest rates for taxable SRF loans is 3.5%. The interest rate for Drinking Water Loans in excess of $5 million is 75% of the current market rate. Loans made with American Recovery and Reinvestment Act "ARRA" funds are at .5% and/or have a loan forgiveness component.

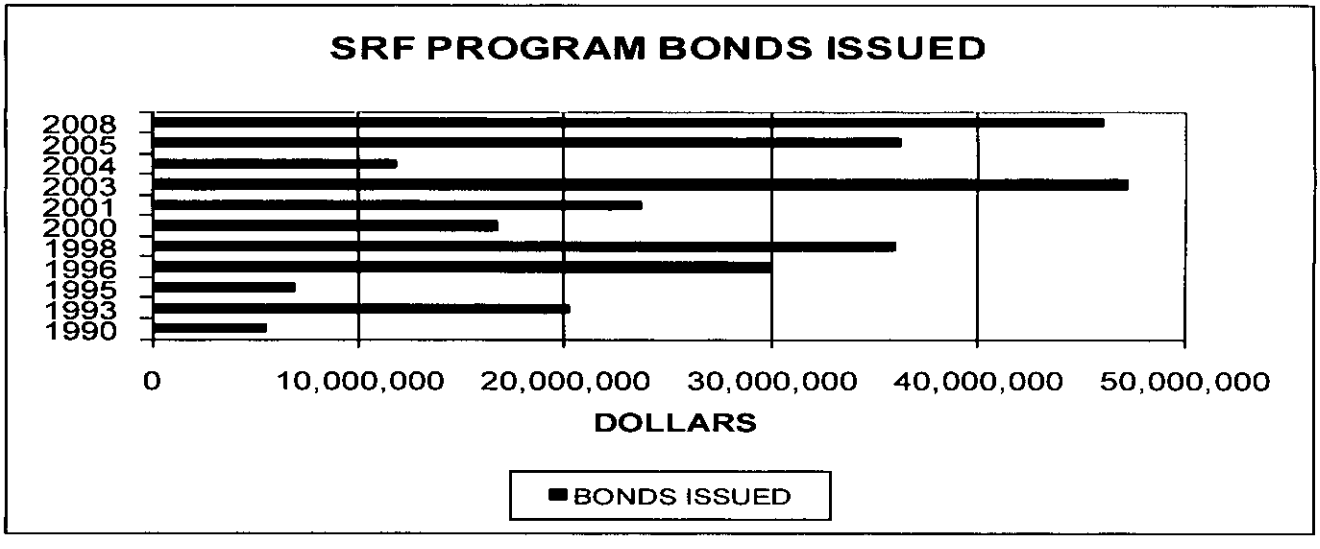
The PFA approved $13,450,007 of Clean Water SRF Program loans to 13 political subdivisions in 2010. Subpart 19 of Part F of Attachment 1 on page 1-16 of this Report contains a list of all approved Clean Water SRF Program loans for 2010, including the approved amount, the funded amount, and the outstanding principal amount of each loan as of December 31, 2010.



The PFA approved $31,624,813 of Drinking Water SRF Program loans to 12 political subdivisions in 2010. Subpart 12 of Part G of Attachment 1 on page 1-21 of this Report contains a list of loans made under the Drinking Water SRF Program during 2010, including the approved amount, the funded amount and the outstanding principal amount of each loan as of December 31, 2010.



The total amount of SRF Program Bonds issued under the PFA's SRF Program Master Trust Indenture is $280,325,000. This total includes $68,915,000 of the 1990, 1993, 1995, 1996, 1998 and 2000 SRF Program Bonds which have been advance refunded and are no longer considered to be outstanding.



As of December 31, 2010, the total amount of SRF Program Bonds outstanding was $136,260,000, and the total outstanding amount of SRF Program loans was $341,870,908. The total amount on deposit in the SRF Program Reserve Fund as of December 31, 2010, was $16,929,001, which represents the Total Reserve Requirement under the Master Trust Indenture.

Part G of attachment 2 on page 2-3 of this Report contains a complete list of the SRF Program Bonds issued by the PFA under the Master Trust Indenture, including the original dollar amount and the outstanding principal amount of each series of SRF Program Bond.

INDUSTRIAL DEVELOPMENT BOND PROGRAM

The Public Finance Authority's Industrial Development Bond Program (IDBP) provides loans to North Dakota manufacturers that meet the IRS definition for small issue manufacturers. Bonds issued under this Program are moral obligation bonds of the State unless the borrower has the financial strength to request that the Public Finance Authority issue the bonds on a conduit basis. The 2007 Legislature renewed the legislation allowing the Public Finance Authority to issue industrial revenue bonds with program limits of $2,000,000 per project and $20,000,000 for the entire program. For conduit issuance when the state's moral obligation is not used as a credit enhancement there are no project or program limits.

The interest rates payable by a borrower are market rates, which are set through a competitive bid process when the PFA issues and sells its bonds to fund a loan. The interest rates paid by the PFA on its bonds are the same rates a borrower will pay on its bonds sold to the PFA.

This program has been assigned an "A+" rating by S&P, which allows those manufacturers that qualify to finance fixed assets at attractive tax-exempt rates.

The PFA did not issue IDBP Bonds in 2010.

Part H of Attachment 1 beginning on page 1-22 of this Report contains a complete list, as of December 31, 2010, of all loans made by the PFA with proceeds of IDBP Bonds issued under the IDBP General Bond Resolution, including the name of each borrower, the original amount of each loan, and the outstanding principal of each loan.

Part H of Attachment 2 on page 2-4 of this Report contains a complete list, as of December 31, 2010, of all series of Industrial Development Program Bonds issued under the IDBP General Bond Resolution, including the original dollar amount and the outstanding principal amount of each series of IDBP Bonds.

The outstanding amount of Reserve Fund Letters of Credit at December 31, 2010 was $772,575. The IDBP Reserve Fund Letters of Credit are issued to meet the requirement of the IDBP General Bond Resolution that the PFA maintain reserves for each series, equal to the largest aggregate amount of principal and interest due in any twenty-four consecutive month periods. The IDBP Reserve Fund Letters of Credit are issued by BND.

OTHER BONDS

1977 General Bond Resolution. The PFA, pursuant to a 1977 General Bond Resolution, issued $15,000,000 in 1977, $16,590,000 of bonds in 1979, and $11,600,000 of bonds in 1983, for a total principal amount of $43,190,000. The 1977, 1979 and 1983 bonds have been retired.

1985 Local Governmental Assistance Program. In 1985, the PFA issued $35,290,000 of bonds under a Local Governmental Assistance Program. These bonds were retired in 1986.

1990 Government Assistance Program. In 1990, pursuant to its Government Assistance Program, the PFA issued two series of bonds in the total amount of $2,006,704. These bonds were retired in 1991.

1989 Insured Water System Revenue Bonds and 1999 Taxable Insured Water System Refunding Revenue Bonds. Pursuant to a Trust Indenture adopted in 1989, the PFA issued two series of Water System Revenue Bonds. The 1989 Series A Bonds were issued in the amount of $11,650,000, and the 1989 Series B Bonds were issued in the amount of $1,410,000 (the 1989 Series A Bonds and the 1989 Series B Bonds are referred to as the "1989 Bonds"). The Series B Bonds were issued to fund a reserve fund for the Series A Bonds. Proceeds of these taxable bonds were used by the PFA to make loans to certain political subdivisions to enable them to repurchase, at a discount, outstanding loans with the Farmers Home Administration. On December 21, 1995, the PFA entered into a Purchase Contract with Dain Bosworth Incorporated (now RBC Wealth Management) for the forward refunding of the 1989 Insured Water System Revenue Bonds. Under the terms of the Purchase Contract, the PFA issued and delivered $8,875,000 of its Taxable Insured Water System Refunding Revenue Bonds, 1999 Series B to Dain Rauscher on April 1, 1999, for the purpose of refunding the 1989 Bonds. The benefits realized by the PFA through the refunding of the 1989 Bonds are being passed through to the participating political subdivisions in the form of lower interest rates and interest rate buydowns over the remaining terms of their loans. The debt service requirement for these bonds for the 2011-2013 biennium is $505,250.

BIENNIAL DEBT SERVICE REQUIREMENTS

The debt service requirement for the outstanding CFP Bonds for the 2011-2013 biennium is $3,594,635, and the debt service requirement for the outstanding SRF Program Bonds for the 2011-2013 biennium is $32,862,474. The outstanding IDBP debt service requirement for 2011-2013 is $763,418.

The aggregate debt service requirement for all outstanding PFA Bonds for the 2011-2013 biennium is $37,725,777.

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
LOANS MADE 1977 THROUGH 2010

Part A

Subpart 1 **$15,000,000 1977 Series A Bonds**

Borrower

Alexander PSD
Alexander
Almont
Ashley
Barney
Bell PSD
Beulah
Bismarck
Bismarck Park District
Butte PSD
Buxton
Carrington PSD
Cass County
Casselton
Center
Courtenay Special PSD
Drake
Edinburg PSD
Edmore PSD
Elgin
Ellendale PSD
Emerado
Enderlin
Esmond
Esmond PSD
Fingal PSD
Finley
Fordville
Gackle PSD
Galt PSD
Garrison
Glen Ullin PSD
Gwinner
Halliday
Hampden PSD
Hazelton Moffitt PSD
Hazen
Jamestown
Juzeler PSD
Kathryn PSD
Kensal PSD
Kinloss PSD
Kinyon PSD
Kulm
LaMoure PSD
LaMoure
Lawton
Leeds
Lehr
Leonard PSD
Leonard
Lidgerwood
Lignite
Lincoln PSD
Linton
Linton PSD
Maddock
Mandan
Mayville
McVille
Michigan
Minnewauken PSD
Napoleon
Nedrose PSD
Nesson PSD
New Salem
New Leipzig Fire District
New Rockford
New Leipzig PSD
New Leipzig
New Rockford
North Sargent PSD
Park River
Parshall
Pembina
Portland
Reeder PSD
Regent PSD
Reynolds
Robinson PSD
Rock Lake PSD
Rolla
Rutland
Sawyer PSD
Scotia PSD
Scranton
Sharon
Sharon PSD
Sherwood
Sheyenne PSD
Solen PSD
South Heart PSD
South Bend PSD
Southern PSD
Southwest Fargo
Stanley
Stanton
Steele
Streeter PSD
Sutton PSD
Thompson
Tioga PSD
Tolna
Traill County District
Turtle Lake
Valley City
Velva
Verona
Walcott
Walhalla
Washburn
Watford City
Westhope
Wildrose PSD
Wilton
Wishek PSD
Wishek
Woodworth PSD
Yellowstone Irrigation District
Zeeland PSD

Subpart 2 **$16,590,000 1979 Series A Bonds**

Borrower

Anita Fire Protection District
Ashley PSD
Beulah
Beulah PSD
Center PSD
Edgeley
Edinburg
Edmore
Enderlin
Finley
Gackle
Garrison
Glen Ullin
Grand Forks Park District
Halliday
Harwood
Hazelton
Hazen
Hazen PSD
Hebron
Hettinger
Hope
Hunter
Linton
Lisbon
Mandan
Mayville
Medina
Mott
Napoleon
New Rockford
New Rockford Park District
Park River
Portland
Richardson PSD
Rock Lake
Rolla
Scranton
Sherwood Fire Protection District
Stanley
Stanton
Strasburg
Streeter
Thompson
West Fargo PSD
Wilton
Wishek
Zap

Subpart 3 **$11,600,000 1983 Series A Bonds**

Borrower

Anamoose
Antler
Binford
Bismarck Rural Fire District
Bowbells PSD
Carrington
Cass Richland Drainage District
Casselton
Crosby
Dodge
Edgeley PSD
Elgin PSD
Enderlin
Finley
Flasher PSD
Gladstone
Grafton PSD
Gwinner
Hankinson Rural Fire District
Horace
Killdeer
Lakota PSD
Larimore
Leonard
Linton
Mandan
Manning PSD
Mapleton
Medina
Michigan PSD
Milnor
New England
New Leipzig
Osnabrock
Pembina
Pingree PSD
Rhame
Richardton
Rolette
Stanley
Strasburg
Towner
Velva
Westhope
Wildrose
Zap PSD

Part B **Local Government Assistance Program**
$35,290,000 1985 Series A Bonds

Borrower

Barnes County
Bismarck PSD
Border Central PSD
Burleigh County
Cass Valley North PSD
Cass County
Crary PSD
Dakota PSD
Dickey County
Dickinson PSD
Drayton PSD
Edgeley PSD
Epping PSD
Fargo PSD
Fessenden
Fordville
Grace City PSD
Grand Forks County
Grand Forks PSD
Killdeer PSD
LaMoure PSD
Mandan PSD
Mandan
McIntosh County
Michigan PSD
Minot PSD
Morton County
Powers Lake PSD
Ramsey County
Richland County
Solen PSD
Stanton PSD
Stark County
Steele County
Stutsman County
Tolley PSD
Walsh County
West Fargo PSD

Part C **Government Assistance Program**
$765,000 1990 Series A Bonds

Borrower

Cavalier
Edgely PSD
Eight Mile PSD
Marion PSD
Pembina PSD
Sherwood PSD

Part D **Insured Water System Revenue Bonds**
$8,875,000 1999 Series A Bonds
$1,410,000 1999 Series B Bonds

Borrower

All Season Water Users
Cass Rural Water
Dakota Water Users
Lidgerwood
North Valley Water Users Association
Richland Rural Water
Traill County Rural Water Users, Inc.
Tri-County Water Users Association

Capital Financing Program

Part E

Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 1	**1990**		
Morton County		$ 400,000	$ 0
Linton		185,000	0
Mandan		95,000	0
Hankinson		155,000	0
Fargo Park District		680,000	0
Traill County Water Resource District		100,000	0
Dickinson Recreation Building Authority		250,000	0
Rolla		220,000	0
Morton County Water Resource Board		230,000	0
North Valley Rural Water Association		140,000	0
Milnor		85,000	0
Bismarck Parks & Recreation District		770,000	0
Twin Buttes School District		70,000	0
Hettinger Park District		35,000	0
Mandan Parks & Recreation District		335,000	0
		3,750,000	0
Subpart 2	**1991**		
Burleigh County Housing Authority		225,000	0
Bismarck Parks & Recreation District		1,300,000	0
Bismarck Parks & Recreation District		410,000	0
Mandan Parks & Recreation District		560,000	0
Richardton		165,000	15,000
Kindred		25,000	0
Montefiore PSD		75,000	0
Pembina PSD		195,000	0
Eight Mile PSD		150,000	0
Lake Agassiz Regional Council		180,000	0
North Valley Water Association		200,000	0
Finley		875,000	0
Wyndmere		65,000	0
Ward County		85,000	0
Oakes Municipal Airport Authority		45,000	0
Devils Lake PSD		1,810,000	115,000
Greater Richland Education Communications Consortium		250,000	0
Cass County		400,000	0
		7,015,000	130,000

Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 3	**1992**		
Mandan PSD		$ 2,500,000	$ 165,000
New England		75,000	0
Cavalier		75,000	0
Lidgerwood		75,000	0
Kindred PSD		1,545,000	189,000
Edinburg		120,000	0
Milnor		205,000	0
West Fargo PSD		2,500,000	305,000
Lisbon PSD		800,000	100,000
Emerado PSD		100,000	0
Milnor		190,000	0
Pembina PSD		195,000	0
Eight Mile PSD		200,000	0
Briarwood		40,000	0
Buxton		40,000	0
Missouri Hills Interactive Consortium		455,000	0
Grand Forks PSD		2,500,000	0
Mercer County Housing Authority		435,000	0
Nelson County		100,000	0
		12,150,000	759,000
Subpart 4	**1993**		
Lake Metigoshe Recreation Service District		150,000	0
Glenburn PSD		880,000	175,000
Fargo PSD		1,975,000	0
Fargo PSD		525,000	0
Thompson PSD		900,000	165,000
Souris		40,000	0
Marion PSD		115,000	0
Pembina PSD		180,000	0
Eight Mile PSD		150,000	0
Sims PSD		60,000	0
Oakes		120,000	0
McVille		230,000	0
Milnor		195,000	0
Emerado PSD		60,000	0
Grand Forks PSD		2,000,000	365,000
Burleigh County Housing Authority		325,000	0
		7,905,000	705,000

Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 5	**1994**		
Mandan Airport Authority		$ 180,000	$ 0
Fairmount PSD		305,500	0
Grafton PSD		2,000,000	0
Sawyer PSD		450,000	0
Glenburn PSD		592,500	0
Lincoln PSD		274,000	0
Finley-Sharon PSD		499,500	0
Oakes PSD		1,650,000	0
North Sargent-Gwinner PSD		538,300	0
Rolette PSD		461,900	0
Zap PSD		250,000	0
Stanley PSD		1,185,000	0
Clifford-Galesburg PSD		532,669	0
Rhame PSD		180,000	0
West Fargo PSD		3,000,000	0
Manvel PSD		228,000	0
United-Des Lacs PSD		942,647	0
Surrey PSD		413,000	0
Cando PSD		50,000	0
Surrey PSD		325,000	0
Sawyer		150,000	0
Marion PSD		105,000	0
Pembina PSD		90,000	0
Eight Mile PSD		200,000	0
Sims PSD		50,000	0
		14,653,016	0
Subpart 6	**1995**		
Burleigh County Housing Authority		1,600,000	0
Traill County Water Resource District		100,000	0
Mooreton		170,000	0
Milnor		160,000	0
Ward County		95,000	0
Marion PSD		105,000	0
Eight Mile PSD		200,000	0
Sims PSD		75,000	0
		2,505,000	0

Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 7	**1996**		
Minot		$ 500,000	$ 0
Rolette County Housing		500,000	0
Dunseith		100,000	0
Garrison		120,000	10,000
Hazelton		140,000	0
Walcott-Colfax District		70,000	0
Burleigh Water Users		1,585,000	0
Marion PSD		120,000	0
Garrison PSD		230,000	0
		3,365,000	10,000
Subpart 8	**1997**		
Cavalier		540,000	5,000
Burleigh Rural Water Users		3,350,000	0
New Town PSD		300,000	0
North Valley Water Association		1,400,000	0
South Central Water Users District		350,000	0
Grafton PSD		4,500,000	0
Richardton		205,000	0
Aggasiz Water Users		375,000	85,000
Sims PSD		50,000	0
West Fargo PSD		1,000,000	0
Wahpeton		1,600,000	0
Garrison		125,000	0
McVille		1,550,000	715,000
		15,345,000	805,000
Subpart 9	**1998**		
Gackle		295,000	195,000
Lidgerwood		120,000	60,000
Prairie Rose		175,000	0
Surrey		100,000	0
Hettinger Park District		200,000	35,000
Maple River Water Resource District		55,000	0
Milnor		400,000	105,000
Grandin		165,000	85,000
West Fargo PSD		1,000,000	0
Sims PSD		50,000	0
Park River		450,000	260,000
		3,010,000	740,000

Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 10	**1999**		
Lidgerwood		$ 1,075,000	$ 0
Drayton		140,000	0
Drayton		70,000	0
Max		50,000	0
Surrey		100,000	0
West Fargo PSD		1,000,000	0
Sims PSD		100,000	0
Tri-County Water District		1,710,000	0
Tri-County Water District		285,000	205,000
		4,530,000	205,000
Subpart 11	**2000**		
Lisbon		765,000	0
Enderlin		195,000	0
Amenia		155,000	0
West Fargo PSD		3,000,000	0
Sims PSD		100,000	0
		4,215,000	0
Subpart 12	**2001**		
Frontier		735,000	485,000
Subpart 13	**2002**		
McVille		215,000	170,000
Southeast Water Users District		700,000	540,000
Bismarck Rural Fire District		185,000	130,000
Kulm		150,000	105,000
Fessenden-Bowdon PSD		350,000	80,000
		1,600,000	1,025,000
Subpart 14	**2003**		
Langdon Rural Water District		1,495,000	1,225,000
Subpart 15	**2004**		
Traill Rural Water		300,000	240,000
Surrey		500,000	225,000
Mercer County Housing		80,000	0
		880,000	465,000
Subpart 16	**2006**		
Rolette County Housing Authority		235,000	215,000
Belcourt Public School District		1,045,000	675,000
Enderlin		105,000	65,000
		1,385,000	955,000

Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 17	**2009**		
West Fargo		530,000	520,000
Tri-county Water District		1,415,000	1,365,000
Emerado		180,000	175,000
		2,125,000	2,060,000
Total Capital Financing Program Loans		$ 86,663,016	$ 9,569,000

Clean Water State Revolving Fund Program

Part F

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 1	**1990**			
Enderlin		$ 490,000	$ 490,000	$ 0
Fargo		3,561,559	3,561,559	675,000
Minot		879,386	879,386	0
		4,930,945	4,930,945	675,000
Subpart 2	**1993**			
Fargo		7,770,000	7,770,000	1,805,000
Jamestown		1,581,406	1,581,406	370,000
Minot		665,000	665,000	120,000
Northwood		1,150,000	1,150,000	235,000
Wahpeton		1,062,366	1,062,366	242,366
West Fargo		175,000	175,000	30,000
Lake Metigoshe		296,263	296,263	0
New Town		132,050	132,050	0
Jamestown		1,289,702	1,289,702	375,000
Williston		252,835	252,835	0
		14,374,622	14,374,622	3,177,366
Subpart 3	**1994**			
Minot		443,522	443,522	0
Burlington		165,037	165,037	40,000
Devils Lake		1,076,423	1,076,423	315,000
Grafton		410,000	410,000	60,000
Casselton		112,000	112,000	0
		2,206,982	2,206,982	415,000
Subpart 4	**1995**			
Fargo		2,850,429	2,850,429	1,110,429
Max		74,912	74,912	18,750
Cooperstown		55,000	55,000	0
Northwood		225,837	225,837	60,000
Colfax		36,297	36,297	0
Edmore		62,256	62,256	15,595
Ellendale		196,826	196,826	0
Minot		400,000	400,000	0
Williston		291,881	291,881	0

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 4 Cont.	**1995**			
Lisbon		$ 100,000	$ 100,000	$ 0
Napoleon		133,851	133,851	60,000
Park River		498,279	498,279	155,000
Carrington		835,000	835,000	275,000
Mott		211,157	211,157	60,000
Harvey		478,556	478,556	170,000
Beach		226,241	226,241	0
Williston		328,581	328,581	0
Buffalo		38,248	38,248	0
Hettinger		156,001	156,001	60,000
Davenport		176,339	176,339	50,000
Ellendale		220,990	220,990	0
Cando		113,006	113,006	0
Cooperstown		300,000	300,000	25,000
		8,009,687	8,009,687	2,059,774
Subpart 5	**1996**			
Jamestown		16,300,000	16,300,000	5,765,000
Cooperstown		1,174,952	1,174,952	415,000
Park River		72,312	72,312	0
Portland		82,368	82,368	24,714
Medina		67,255	67,255	0
Mayville		105,433	105,433	0
Manvel		478,416	478,416	170,000
Oriska		21,531	21,531	0
Bottineau		100,000	100,000	10,000
Arthur		132,963	132,963	60,000
Cando		254,052	254,052	90,000
Kindred		124,498	124,498	54,498
Page		47,738	47,738	14,322
Argusville		213,061	213,061	0
Bottineau		104,500	104,500	0
Grand Forks		13,700,000	13,700,000	6,300,000
Bank of North Dakota		1,101,444	1,101,444	34,000
		34,080,523	34,080,523	12,937,534
Subpart 6	**1997**			
Grand Forks		3,940,000	3,940,000	1,810,000
Casselton		1,589,652	1,589,652	645,000
Christine		385,273	385,273	170,000
Mapleton		152,864	152,864	25,000

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 6 Cont.	**1997**			
Horace		$ 225,330	$ 225,330	$ 95,000
Carrington		805,000	805,000	330,000
Mandan		5,191,929	5,191,929	2,650,000
Berthold		82,875	82,875	29,575
Cooperstown		123,067	123,067	60,000
Jamestown		2,277,487	2,277,487	920,000
Lakota		1,933,969	1,933,969	815,000
Minnewauken		218,000	218,000	51,000
		16,925,446	16,925,446	7,600,575
Subpart 7	**1998**			
Granville		42,000	42,000	0
Enderlin		342,373	342,373	140,000
Wishek		140,704	140,704	0
Fargo		1,482,337	1,482,337	682,337
Gwinner		258,711	258,711	135,000
Southeast Cass		214,000	214,000	94,000
Casselton		108,261	108,261	50,000
Sanborn		76,195	76,195	15,000
Frontier		98,603	98,603	40,000
Abercrombie		300,875	300,875	135,875
Grandin		97,042	97,042	40,000
Taylor		59,872	59,872	12,000
Fargo		10,723,277	10,723,277	5,700,000
Grand Forks		2,650,804	2,650,804	1,105,000
		16,595,054	16,595,054	8,149,212
Subpart 8	**1999**			
Fargo		210,000	210,000	100,000
Gackle		118,020	118,020	53,000
Hillsboro		360,000	360,000	0
Kindred		1,113,522	1,113,522	570,000
Wimbledon		74,738	74,738	41,000
Jamestown		747,990	747,990	240,000
Lisbon		87,025	87,025	46,000
Stanley		102,413	102,413	0
Buffalo		213,667	213,667	108,000
Buxton		77,000	77,000	0
Hankinson		88,000	88,000	46,000
Jamestown		454,641	454,641	140,000
		3,647,016	3,647,016	1,344,000

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 9	**2000**			
Abercrombie		$ 20,064	$ 20,064	$ 0
Hankinson		84,999	84,999	47,000
Fargo		1,816,295	1,816,295	1,020,000
Lidgerwood		89,405	89,405	51,000
Enderlin		1,189,549	1,189,549	660,000
Hunter		158,395	158,395	81,000
Cogswell		81,960	81,960	42,000
Mayville		1,075,000	1,075,000	655,000
Ward County Water Resource District		797,375	797,375	450,000
Emerado		406,207	406,207	175,000
		5,719,249	5,719,249	3,181,000
Subpart 10	**2001**			
Jamestown		370,120	370,120	165,000
Mayville		1,169,393	1,169,393	715,000
Forman		135,172	135,172	78,000
Lisbon		716,436	716,436	400,000
Amenia		141,489	141,489	79,000
Grand Forks		13,781,500	13,781,500	8,415,000
Kulm		678,640	678,640	430,000
Tower City		503,123	503,123	300,000
Lake Metigoshe		485,400	485,400	323,000
Williston		1,124,000	1,124,000	685,000
Rolette		102,000	102,000	62,000
Hebron		122,890	122,890	76,000
Hankinson		1,457,760	1,457,760	885,000
Harvey		69,281	69,281	42,800
Oakes		106,076	106,076	54,000
		20,963,280	20,963,280	12,709,800
Subpart 11	**2002**			
Sanborn		30,694	30,694	19,600
Williston		1,190,559	1,190,559	790,000
Grand Forks		1,580,755	1,580,755	1,004,000
Grand Forks		2,274,164	2,274,164	1,330,000
Grand Forks		6,686,156	6,522,307	4,142,307
Linton		95,770	95,770	64,000
Mayville		3,073,811	3,073,811	2,025,000
Morton County Water Resource District		258,000	258,000	171,000

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 11 Cont.	**2002**			
Wildrose		$ 86,405	$ 86,405	$ 0
Mapleton		80,790	80,790	53,000
Wahpeton		374,065	374,065	270,000
		15,731,169	15,567,320	9,868,907
Subpart 12	**2003**			
Hunter		41,930	41,930	29,500
Oakes		746,350	746,350	511,000
Harvey		244,615	244,615	179,000
Hankinson		133,790	133,790	94,800
Mantador		50,000	50,000	35,200
Litchville		236,381	236,381	170,000
Courtenay		49,444	49,444	33,900
Jamestown		1,309,568	1,309,568	1,020,000
		2,812,078	2,812,078	2,073,400
Subpart 13	**2004**			
Oakes		601,500	601,500	455,000
Portland		291,164	291,164	210,000
Lidgerwood		84,416	84,416	62,000
Lincoln		397,944	397,944	176,000
Hillsboro		186,336	186,336	0
Warwick		32,775	32,775	27,000
West River Water and Sewer		338,007	338,007	251,000
		1,932,142	1,932,142	1,181,000
Subpart 14	**2005**			
Mapleton		335,000	335,000	260,000
Hazen		276,120	276,120	215,000
Enderlin		184,307	184,307	140,000
Rutland		180,841	180,841	143,000
Grand Forks		4,500,000	4,500,000	3,575,000
		5,476,268	5,476,268	4,333,000
Subpart 15	**2006**			
Jamestown		1,475,346	1,475,346	1,226,000
Rice Lake Recreation Service District		2,813,537	2,813,537	2,312,000
Fargo		2,631,739	2,631,739	2,130,000
Gackle		77,824	77,824	65,400
Tower City		121,502	121,502	101,000
BND		2,398,556	1,622,501	1,131,282
Portland		30,236	30,236	26,000
Wyndmere		188,146	188,146	159,000
Oakes		950,000	950,000	810,000
		10,686,886	9,910,831	7,960,682

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 16	**2007**			
Bismarck		20,000,000	20,000,000	17,615,000
Southeast Cass Water Resource District		850,000	738,299	598,299
Lakota		414,948	414,948	355,000
Leonard		255,000	255,000	224,000
Argusville		634,606	634,606	561,000
Mayville		345,725	345,725	291,000
McVille		81,677	81,677	71,000
Jamestown		1,467,998	1,467,998	1,239,000
Hope		757,963	757,963	654,000
Portland		46,937	46,937	41,000
Cass Rural Water District		15,326,652	15,326,652	15,245,652
Willow City		148,174	148,174	129,000
Oakes		258,747	258,747	218,000
Nome		16,011	16,011	0
		40,604,438	40,492,737	37,241,951
Subpart 17	**2008**			
Lisbon		1,260,000	1,125,922	1,027,922
Harvey		355,000	210,952	165,952
Hunter		138,580	138,580	128,000
Fargo		63,725,000	40,713,478	40,703,478
Flasher		121,414	121,414	107,000
Hankinson		100,000	95,000	87,000
Ellendale		734,842	734,842	674,000
Fargo		1,640,000	1,497,105	1,487,105
Watford City		808,588	808,588	740,000
		68,883,424	45,445,881	45,120,457
Subpart 18	**2009**			
Tappen		179,761	179,761	165,000
Casselton		1,931,688	1,835,104	1,832,104
Mandan		1,705,100	1,590,154	1,456,054
Mandan		1,000,000	304,930	224,930
Stutsman Rural Water District		5,500,000	4,410,131	4,150,131
Lisbon		1,435,000	1,242,211	517,870
Cavalier		487,315	487,315	460,000
Lake Metigoshe Recreation Service District		517,400	517,400	250,000
Velva		501,032	321,032	0
Hazen		290,000	233,686	205,686
Enderlin		800,000	735,903	405,680
Glenburn		824,900	548,273	155,362
Davenport		400,000	359,677	132,330
Munich		1,200,120	1,200,120	239,469
Edgeley		1,720,000	1,543,624	161,626
Valley City		480,000	193,484	170,484
Strasburg		1,600,000	1,211,189	156,451
		20,572,316	16,913,994	10,683,177

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 19	**2010**			
Hillsboro		134,519	123,141	118,141
Drayton		2,262,345	1,292,583	1,166
Michigan		1,697,336	1,442,332	342,332
Northwood		2,363,000	2,275,500	949,898
Fargo		853,974	344,580	303,606
Wishek		185,547	185,547	178,547
Mapleton		825,800	533,283	533,283
Hankinson		585,000	533,289	533,289
Fargo		3,149,575	2,590,835	2,590,835
Hunter		192,500	129,578	129,578
Dickinson		853,958	569,354	569,354
Langdon		240,000	143,734	143,734
Kulm		100,000	54,409	54,409
		13,443,554	10,218,165	6,448,172
Total		$ 307,595,079	$ 276,222,220	$ 177,160,007

Drinking Water State Revolving Fund Program

Part G

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 1	**1999**			
Wahpeton		$ 345,715	$ 345,715	$ 160,000
Park River		261,000	261,000	95,000
New Rockford		281,102	281,102	125,000
Sawyer		136,000	136,000	41,000
Walsh Rural Water District		3,000,000	3,000,000	1,685,000
Tioga		44,004	44,004	0
Williston		3,901,331	3,901,331	2,385,000
St. John		399,388	399,388	221,000
		8,368,540	8,368,540	4,712,000
Subpart 2	**2000**			
Grand Forks		11,542,236	11,542,236	6,370,000
Lisbon		912,115	912,115	510,000
Stutsman Rural Water Users		666,168	666,168	375,000
State Water Commission		1,500,000	1,500,000	825,000
Cooperstown		300,000	300,000	170,000
Harwood		866,514	866,514	535,000
Mayville		1,025,000	1,025,000	620,000
		16,812,033	16,812,033	9,405,000
Subpart 3	**2001**			
Hankinson		405,000	405,000	230,000
Finley		2,479,994	2,479,994	1,512,800
Enderlin		195,000	195,000	100,000
Valley City		1,444,139	1,444,139	880,000
Grand Forks		10,050,000	10,050,000	6,130,000
Oxbow		475,657	475,657	290,000
Lisbon		460,381	460,381	285,000
Nome		22,465	22,465	0
Southeast Water Users		60,000	60,000	36,000
		15,592,636	15,592,636	9,463,800

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 4	**2002**			
Lisbon		$ 413,522	$ 413,522	265,000
Harvey		427,076	427,076	280,000
Grafton		285,616	285,616	190,000
Mandan		4,197,565	4,197,565	2,688,000
Ramsey County WRD		3,482,000	3,482,000	2,382,000
Enderlin		87,500	87,500	58,000
Linton		563,063	563,063	370,000
Cleveland		206,406	206,406	123,000
Langdon		522,796	522,796	340,000
Drayton		132,362	132,362	42,000
Larimore		1,991,805	1,991,805	1,290,000
Wahpeton		1,890,000	1,890,000	1,421,000
Grafton		1,130,229	1,130,229	830,000
		15,329,940	15,329,940	10,279,000
Subpart 5	**2003**			
Southeast Water District		1,446,906	1,446,906	955,000
Grand Forks - Traill Water District		3,991,780	3,991,780	2,630,000
North Valley Water District		4,138,000	4,138,000	2,765,000
Williston		3,693,344	3,693,344	2,605,000
Barnes Rural Water District		816,000	816,000	580,000
Argusville		360,718	360,718	270,000
Casselton		1,272,000	1,272,000	920,000
Aneta		171,340	171,340	125,400
Stutsman Rural Water District		201,651	201,651	151,000
		16,091,739	16,091,739	11,001,400
Subpart 6	**2004**			
Oakes		147,652	147,652	108,000
Cass Rural Water District		1,890,923	1,890,923	1,435,000
Leeds		179,000	179,000	130,000
Hazen		1,000,000	1,000,000	750,000
Tioga		418,727	418,727	310,000
Lincoln		307,681	307,681	230,000
Lincoln		447,000	447,000	216,500
Abercrombie		244,002	244,002	183,000
Lisbon		410,000	410,000	320,000
Williston		5,000,000	5,000,000	0
Harvey		676,556	676,556	520,000
Noonan		39,602	39,602	32,000
Williams County Rural Water		1,500,000	1,500,000	1,190,000
Williston		18,000,000	17,593,143	14,785,000
Jamestown		2,534,604	2,534,604	1,990,000
		32,795,747	32,388,890	22,199,500

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 7	**2005**			
Argusville		217,304	217,304	168,000
Park River		746,100	746,100	614,000
Mapleton		83,754	83,754	64,000
Bottineau		750,000	750,000	587,000
Southeast Water Users District		808,411	808,411	645,000
		2,605,569	2,605,569	2,078,000
Subpart 8	**2006**			
Walcott		159,112	159,112	131,000
Stutsman Rural Water District		1,164,020	1,164,020	943,000
Wildrose		52,291	52,291	41,500
Velva		1,616,123	1,616,123	1,175,000
Cooperstown		320,000	294,634	228,634
Riverdale		762,138	762,138	542,000
Pick City		224,260	211,926	172,926
Braddock		16,610	16,610	0
Center		358,800	328,070	268,070
Page		95,975	95,975	80,000
Harvey		91,581	91,581	75,000
Hillsboro		1,151,563	1,151,563	935,000
Washburn		1,977,000	1,858,802	1,530,802
Southeast Water Users District		4,655,000	4,655,000	3,899,000
Portal		50,000	50,000	42,000
Park River		517,600	517,600	455,000
Central Plains Water District		1,661,967	1,661,967	1,388,000
Columbus		57,000	57,000	37,000
Southeast Water Users District		186,902	186,902	154,000
		15,117,942	14,931,314	12,097,932
Subpart 9	**2007**			
McLean-Sheridan Rural Water		519,104	519,104	457,000
Walsh Rural Water District		1,796,902	1,796,902	1,555,000
North Prairie Water District		5,700,000	5,700,000	5,169,000
Mayville		324,341	324,341	270,000
Southeast Water Users District		5,418,000	5,418,000	2,630,000
South Central Regional Water		8,000,000	8,000,000	7,030,000
Jamestown		2,076,816	2,076,816	1,795,000
Devils Lake		4,000,000	3,800,000	3,320,000
North Valley Water District		2,617,000	2,617,000	2,299,000
Christine		219,015	219,015	200,000
Grand Forks Traill Water District		1,200,000	1,200,000	1,050,000
All Seasons Water Users District		211,950	211,950	185,000
		32,083,128	31,883,128	25,960,000

Borrower	Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 10 2008			
Southeast Water Users District	595,000	595,000	523,000
Hazelton	261,000	158,801	144,000
Lisbon	1,165,000	683,544	593,544
Mapleton	1,149,088	1,149,088	1,064,000
Mandan	4,511,900	4,385,141	4,030,241
Fargo	2,500,000	2,386,356	2,156,356
Cass Rural Water District	1,376,605	1,376,605	1,223,605
Fargo	29,240,000	8,273,731	8,263,731
Tri-County Water District	300,000	285,000	261,000
Lakota	199,802	199,802	184,000
Crosby	2,361,275	433,383	247,108
Hankinson	95,000	90,250	82,250
Hannaford	53,748	53,748	49,000
South Central Regional Water	4,000,000	4,000,000	3,690,000
Ray	1,452,760	1,452,760	1,330,000
Parshall	1,487,500	1,413,125	1,298,125
Mandan	8,600,000	5,766,751	5,136,751
Leeds	37,076	37,076	35,000
	59,385,754	32,740,161	30,311,711
Subpart 11 2009			
Traill Rural Water District	3,246,880	3,145,032	3,140,152
Carrington	240,117	240,117	221,000
Lisbon	330,000	292,703	266,703
Watford City	347,464	347,464	319,000
Bismarck	16,320,000	6,367,187	5,662,187
Lisbon	1,860,000	1,606,912	1,531,912
Ray	864,000	820,800	0
Southeast Water Users District	1,800,000	819,740	779,740
Southeast Water Users District	1,165,000	237,395	222,395
Barnes Rural Water District	2,050,000	2,050,000	1,950,000
Velva	454,074	347,919	329,919
All Seasons Water Users District	206,675	154,433	146,433
Wimbledon	258,353	258,353	243,353
Hope	175,000	175,000	168,000
Enderlin	3,000,000	1,719,287	1,602,287
Garrison	425,000	158,222	120,222
Wildrose	1,780,000	1,469,385	0
Karlsruhe	873,100	750,085	134,839
Strasburg	2,230,000	1,935,822	348,630
	37,625,663	22,895,856	17,186,772

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 12	**2010**			
Hillsboro		299,413	265,337	253,337
Washburn		4,668,000	3,779,291	1,789,645
South Central Regional WD		4,600,000	2,912,115	2,912,115
BDW Water Systems		2,500,000	1,301,984	0
State Line Water Coop		275,000	68,772	58,772
Valley City		4,646,000	2,058,532	806,754
Hillsboro		1,351,400	979,129	783,454
Mandan		7,000,000	1,556,096	1,556,096
Kenmare		500,000	397,772	397,772
Buffalo		98,922	98,922	98,922
Jamestown		5,650,000	1,334,009	1,334,009
Kulm		35,000	24,910	24,910
		31,623,735	14,776,869	10,015,786
Total		$ 283,432,426	$ 224,416,675	$ 164,710,901

Industrial Development Bond Program Loans

Part H

Borrower		Funded Loan Amount	Outstanding Loan Amount
Subpart 1	**2006**		
Prairie Gold Real Estate, LLC		$ 1,360,000	$ 1,219,583
Subpart 2	**2008**		
ND Natural Beef, LLC		2,000,000	1,962,611
Subpart 3	**2009**		
Giant Snacks Inc.		1,500,000	1,459,583
ND Natural Beef, LLC		65,269	65,269
		1,565,269	1,524,852
Total		$ 4,925,269	$ 4,707,047

Direct Loans

Part I

Borrower		Funded Loan Amount	Outstanding Loan Amount
Subpart 1	**1992**		
Ft. Clark Irrigation		$ 20,750	$ 0
Subpart 2	**1993**		
Solen		9,000	0
Subpart 3	**1995**		
Plaza PSD		16,000	0
Mooreton		30,000	0
Garrsion PSD		110,000	0
Beulah Airport Authority		35,000	0
		191,000	0
Subpart 4	**1996**		
Christine		27,000	0
McHenry		24,000	0
Sims PSD		17,000	0
		68,000	0
Subpart 5	**1997**		
Ward County		80,000	0
Traill County Rural Water Users		40,000	0
Christine		17,500	7,000
Manvel		28,000	0
		165,500	7,000
Subpart 6	**1998**		
Berthold		45,000	0
Page		60,000	8,000
Ransom Sargent Water Users Inc.		87,000	0
Upper Souris Water Users Association		75,000	0
Hannaford		20,000	0
		287,000	8,000
Subpart 7	**1999**		
Forest River		50,000	0

Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 8	**2000**		
New Town PSD		$ 500,000	$ 0
Sanborn		13,500	0
Havana		120,000	0
		633,500	0
Subpart 9	**2001**		
Fort Pembina Airport Authority		117,000	44,000
Sims PSD		100,000	0
		217,000	44,000
Subpart 10	**2002**		
Kulm		21,360	0
Southeast Water Users		640,000	0
Solen PSD		200,000	0
		861,360	0
Subpart 11	**2003**		
Solen PSD		200,000	0
Traill County Rural Water Users		50,000	0
St. John		85,000	28,500
		335,000	28,500
Subpart 12	**2004**		
Solen PSD		200,000	0
New Town PSD		60,000	0
		260,000	0
Subpart 13	**2005**		
Enderlin		92,000	0
Columbus		57,000	0
Solen PSD		200,000	0
Gackle		75,000	0
Portal		185,000	0
Surrey Township		42,500	0
		651,500	0
Subpart 14	**2006**		
Solen PSD		200,000	0
Subpart 15	**2007**		
Emerado		186,288	0

Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 16	**2008**		
Sterling PSD		100,000	0
Cass Rural Water District		330,000	115,000
Watford City		405,000	0
Casselton		685,000	0
		1,520,000	115,000
Subpart 17	**2009**		
Northood PSD		1,500,000	600,000
Hazen		215,000	0
Solen PSD		390,000	318,000
		2,105,000	918,000
Subpart 18	**2010**		
Drayton		405,000	405,000
Drayton		278,000	278,000
		683,000	683,000
Total Direct Loans		$ 8,443,898	$ 1,803,500

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
BONDS ISSUED 1977 THROUGH 2010

Part A 1977 General Bond Resolution

		Initial Bond Amount	Outstanding Bond Amount
1977 Series A		$ 15,000,000	$ 0
1979 Series A		16,590,000	0
1983 Series A		11,680,000	0
	Subtotal	43,270,000	0

Part B Local Governmental Assistance Program

1985 Series A		35,290,000	0

Part C Insured Water System Revenue Bonds

1989 Series A		11,650,000	0
1989 Series B		1,410,000	0
	Subtotal	13,060,000	0

Part D Government Assistance Program

1990 Series A		765,000	0
1990 Series B		1,241,704	0
	Subtotal	2,006,704	0

Part E Taxable Insured Water System Refunding Bonds

1999 Series A		8,875,000	755,000
1999 Series B		1,410,000	1,410,000
	Subtotal	10,285,000	2,165,000

Part F Capital Financing Program

1990 Series A	400,000	0
1990 Series B	185,000	0
1990 Series C	95,000	0
1990 Series D	155,000	0
1990 Series E	680,000	0
1990 Series F	100,000	0
1990 Series G	250,000	0

Part F Cont.	Initial Bond Amount	Outstanding Bond Amount
1990 Series H	$ 220,000	$ 0
1990 Series I	230,000	0
1990 Series J	140,000	0
1990 Series K	85,000	0
1990 Series L	770,000	0
1990 Series M	70,000	0
1990 Series N	35,000	0
1990 Serues O	335,000	0
1991 Series A	225,000	0
1991 Series B	1,300,000	0
1991 Series C	410,000	0
1991Series D	560,000	0
1991 Series E	265,000	0
1991 Series F	345,000	0
1991 Series G	380,000	0
1991 Series H	280,000	0
1991 Series I	2,460,000	0
1992 Series A	565,000	0
1992 Series B	820,000	0
1992 Series C	2,650,000	0
1992 Series D	115,000	0
1992 Series E	1,870,000	0
1992 Series F	3,260,000	0
1992 Series G	290,000	0
1992 Series H	395,000	0
1992 Series I	535,000	0
1992 Series J	2,500,000	0
1992 Series K	535,000	0
1993 Series A	150,000	0
1993 Series B	880,000	175,000
1993 Series C	1,975,000	0
1993 Series D	1,465,000	165,000
1993 Series E	505,000	0
1993 Series F	2,930,000	365,000
1994 Series A	5,335,000	0
1994 Series B	525,000	0
1994 Series C	445,000	0
1995 Series A	1,700,000	0
1995 Series B	425,000	0
1995 Series C	380,000	0
1996 Series A	500,000	0
1996 Series B	930,000	10,000
1996 Series C	1,585,000	0
1996 Series D	350,000	0
1997 Series A	540,000	5,000

Part F Cont.		Initial Bond Amount	Outstanding Bond Amount
1997 Series B		$ 3,350,000	$ 0
1997 Series C		300,000	0
1997 Series D		1,750,000	0
1997 Series E		4,705,000	0
1997 Series F		375,000	85,000
1997 Series G		1,050,000	0
1997 Series H		3,275,000	715,000
1998 Series A		945,000	290,000
1998 Series B		6,685,000	865,000
1998 Series C		565,000	190,000
1998 Series D		1,050,000	0
1998 Series E		450,000	260,000
1999 Series A		1,075,000	0
1999 Series B		260,000	0
1999 Series C		100,000	0
1999 Series D		1,100,000	0
1999 Series E		1,710,000	0
1999 Series F		285,000	205,000
2000 Series A		1,115,000	0
2000 Series B		3,100,000	0
2001 Series A		735,000	485,000
2002 Series A		1,700,000	1,125,000
2003 Series A		1,495,000	1,225,000
2004 Series A		880,000	480,000
2006 Series A		1,385,000	955,000
2009 Series A		2,125,000	2,060,000
	Subtotal	85,695,000	9,660,000

Part G	State Revolving Fund Program		
1990 Series A	[1]	5,520,000	0
1993 Series A	[2, 5]	20,220,000	0
1995 Series A	[3]	6,975,000	0
1996 Series A	[3]	29,845,000	200,000
1998 Series A	[5, 6]	35,965,000	5,625,000
2000 Series A	[4]	16,725,000	0
2001 Series A		23,725,000	13,740,000
2003 Series A		26,795,000	19,420,000
2003 Series B		20,455,000	13,945,000
2004 Series A		11,790,000	11,335,000
2005 Series A		36,210,000	29,595,000
2008 Series A		46,100,000	42,400,000
	Subtotal	280,325,000	136,260,000

[1] A portion of the proceeds of the 1993 Series A SRF Bonds was used to defease and refund the 1990 Series A SRF Bonds.

[2] A portion of the proceeds of the 2001 Series A SRF Bonds was used to defease and refund the 1993 and 1995 Series A SRF Bonds.

[3] The proceeds of the 2003 Series B SRF Bonds was used to defease and refund the 1996 Series A SRF Bonds.

[4] The proceeds of the 2004 Series A SRF Bonds was used to defease and refund the 2000 Series A SRF Bonds.

[5] A portion of the proceeds of the 2005 Series A SRF Bonds was used to defease and refund the 1993 and 1998 Series A SRF Bonds.

[6] A portion of the proceeds of the 2008 Series A SRF Bonds was used to defease and refund 1998 Series A SRF Bonds.

	Initial Bond Amount	Outstanding Bond Amount
Part H	**Industrial Development Bond Program**	
2006 Series A	1,360,000	1,240,000
2008 Series A	2,000,000	1,930,000
2008 Series A	1,500,000	1,480,000
	4,860,000	4,650,000
Total All Bonds	$ 474,791,704	$ 152,735,000

TESTIMONY TO THE
HOUSE APPROPRIATIONS COMMITTEE
GOVERNMENT OPERATIONS DIVISION
January 10, 2011

HOUSE BILL 1014

ERIC HARDMEYER - BANK OF NORTH DAKOTA

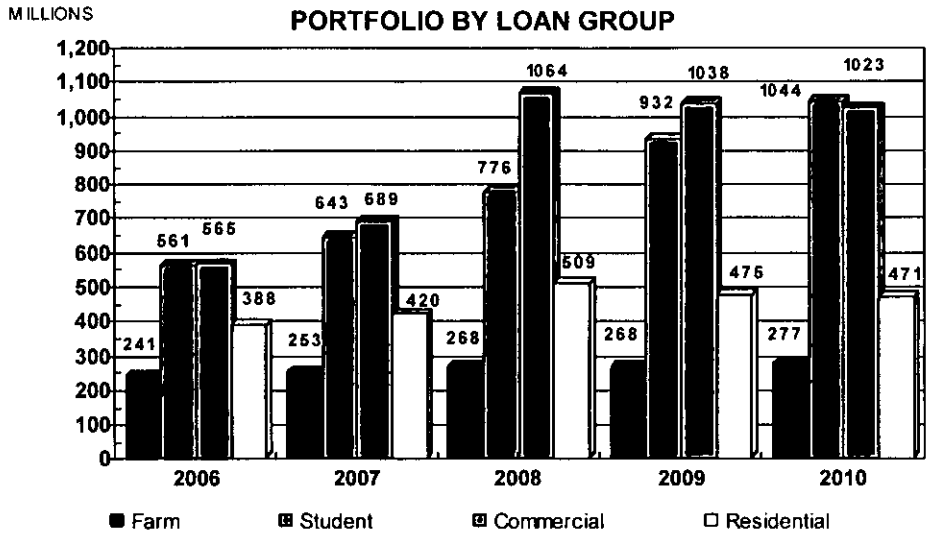
The Bank of North Dakota (BND) is the only state-owned bank in the nation. Its mission, established by legislative action in 1919, is to encourage and promote agriculture, commerce and industry in North Dakota. In this role, BND acts as a funding resource in partnership with other financial institutions, economic development groups and guaranty agencies. BND also acts as a secondary market for residential loans for ND banks that choose not to hold their residential loans. BND provides cash management services to other state agencies and North Dakota financial institutions. We provide check clearing services and liquidity programs for over 100 ND financial institutions.

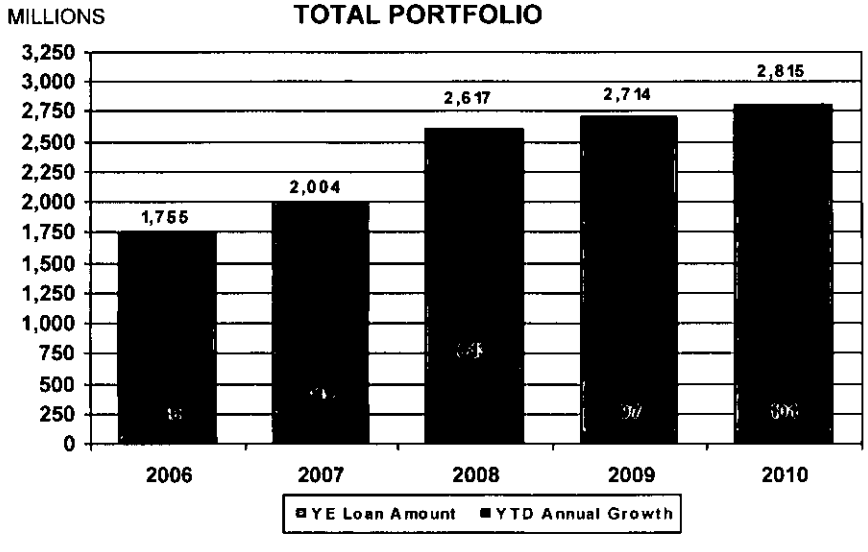
12-31 Year-End BND Financial Highlights (millions)

	2007	2008	2009	Unaudited 2010	Projected 2011
Assets	$2,779	$3,517	$3,960	$4,030	$4,327
Loans	$2,004	$2,618	$2,714	$2,815	$2,872
Deposits	$1,871	$2,645	$2,939	$3,058	$3,247
Capital	$ 192	$ 224	$ 272	$ 327	$ 368
C/A Ratio	7.19%	6.79%	7.19%	7.96%	8.52%
Income	$51.1	$57.0	$58.1	$61.9	$64.8
Transfer	$30.0	$30.0	$15.0	$ 5.0	$23.0
% transfer	58.7%	52.6%	25.8%	8.1%	35.5%
ROE	26.6%	25.4%	21.4%	18.9%	17.6%

Assets have grown 45% since year-end 2007. This growth generally can be attributed to the overall strength of North Dakota's economy. As tax and fee incomes grow, they are deposited at BND. Those deposits are then deployed into various asset types: loans, investments, or short term securities.

Total loan volume has increased each year with over a 40% increase in net loans since 2007. The $2.8 billion loan portfolio is diversified and breaks into four main categories as shown below.





The Bank of North Dakota is adequately capitalized with equity of $327 million or 7.96% of average assets. According to Federal Reserve regulations, to qualify as "well-capitalized", a financial institution must have at least 5% capital. A nation-wide average for banks of similar size is 9.32%, while the North Dakota average for all banks is 9.14%. Our internal goal has been to have equity of 8%; essentially we have achieved this at year-end 2010. This largely has been accomplished by retaining a significant portion of our earnings and careful stewardship of our balance sheet.

As you know much of the country has been entrenched in a financial crisis that has brought increased attention to the financial industry. This, of course has resulted in significant scrutiny and regulatory change. While BND has performed well throughout

this crisis, a result of the crisis will likely be to increase regulatory required capital levels. While BND is not federally regulated, we are, however, examined by state regulators and hold an independent rating from Standards & Poor's (A+/stable). Consequently, it is prudent on our part to increase our benchmark capital to asset ratio to 8.5%. We believe this can be achieved by year-end 2011.

Earnings have been strong over the last four years, with BND achieving record profits the last seven, although 2010 financials are unaudited at this point. For 2010, we had budgeted earnings to be $60 million; however, as a result of a growing deposit base and stable loan demand, earnings were approximately $62 million. For the 2009-11 biennium, total BND earnings will be approximately $120 million.

The return on equity ratio, which averages 23% for the last four years, represents the state's return on its investment in the Bank.

Student Loans

As many of you know, effective July 1, 2010 the Federal Family Education Loan (FFEL) program was eliminated and now is delivered by the US Department of Education through the Direct Loan program. The FFEL program has been the hallmark of the Bank of North Dakota's student loan program for over 40 years with a total student loan portfolio just recently surpassing $1 billion.

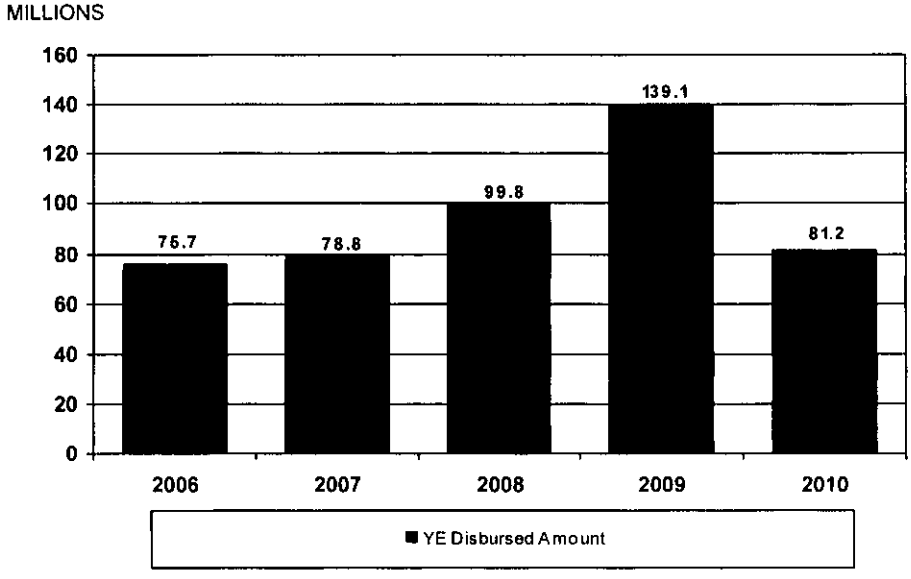
BND has 54 employees working in the student loan area. This includes both the lending function and the Guaranty Agency. Responsibilities include: loan origination, servicing, default prevention activity, education and outreach activities.

At this point we are going through a methodical process of analyzing the impact of the loss of the FFEL program in regards to our FTE count. This is somewhat complicated by the fact that we are in the process of a system conversion with our existing student loan system to a new more robust system that will provide greater efficiency. Additionally, we will continue to provide the Dakota Education Alternative Loan (DEAL) Program. This is a Bank of North Dakota program that is designed to fill in gaps around the federal student loan program. As detailed in the graphs provided, this program has experienced significant growth for BND and we believe that trend will continue.

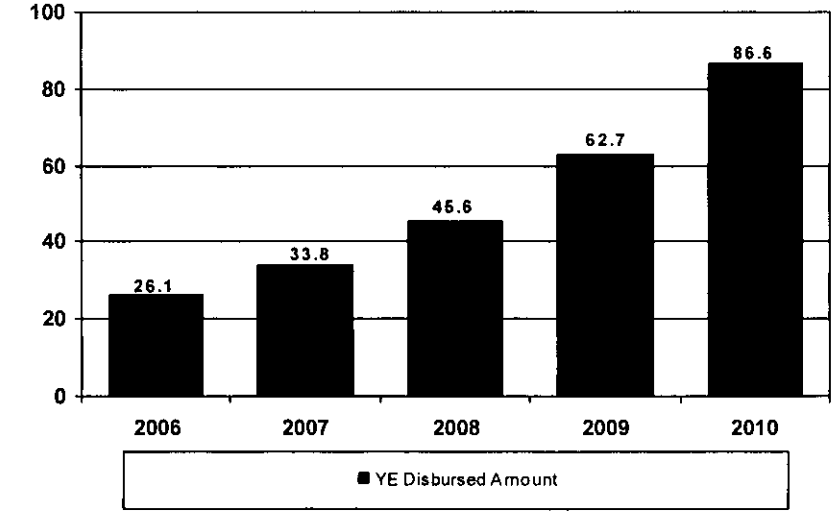
BND has other opportunities to utilize existing student loan staff. In 2010, we were designated by Governor Hoeven as the agency to receive the College Access Grant. This grant provides funding for education and outreach for low to moderate income areas in regards to financing education; it might also include funds to assist with counseling and default prevention. Additionally, in 2011, BND will become eligible to service Direct Student loans on behalf of the Federal Government. The Department of Education will open up contracts to non-profit state agencies to service up to 100,000 accounts. This would allow BND to potentially carve out North Dakota and surrounding areas. This is very preliminary at this point and much due diligence will need to be completed before we can go forward.

At this time, I don't see a significant reduction in our FTE count as we work through the conversion, College Access Grant and a potential service contract. However, there may be some reduction through attrition and shift of job duties for others. In the meantime, we will continue to seek new ways to deploy assets to continue to meet our mission to promote and encourage industry, commerce, and agriculture

FFELP LOAN TOTALS



DEAL LOANS



BANK OF NORTH DAKOTA
HOUSE BILL 1014, SECTION 1
OPERATIONS

As you know, BND is a special fund agency, consequently; all appropriated expenses are funded by revenues generated through operations. Profits are available to provide capital or make transfers to the General Fund. Our goal as we put this budget together was to provide a hold-even budget in line with the governor's recommendation. Outside of the increase in expenditures associated with the College Access Grant we have achieved that goal.

The Bank of North Dakota's 20011-13 proposed operations budget is comprised of two major line items: operations and capital assets. Included in the operations line item are salaries & benefits, operating expense, and contingency.

MAJOR LINE ITEM EXPENSE CATEGORIES:

OPERATIONS

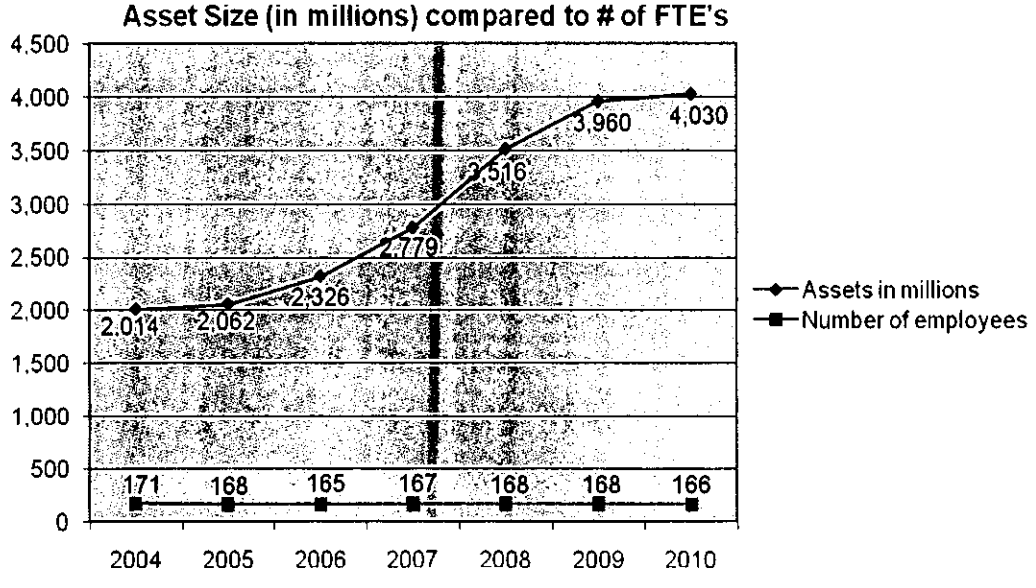
Budget 2011-2013	$45,587,155	Appropriation
Budget 2009-2011	$41,762,274	Base level
	$ 3,824,881	Enhancement

SALARIES AND BENEFITS

Budget 2011-2013	$25,716,399	Appropriation
Budget 2009-2011	23,712,874	Base level
	$ 2,003,525	Enhancement

The salaries and wages line item increase represents the salary increases of 3% for 2011 and 2012 as proposed in the Governor's budget. This also reflects the increase in medical insurance and other benefits as proposed in the Governor's executive budget.

As demonstrated on the graph below, BND's total assets have grown from $2.0 billion in 2004 to over $4.0 billion for 2010, more than doubling our size over the past seven years. This outstanding growth has been managed with fewer employees in 2010 than in 2004 as represented in the graph below:



BND continues to monitor efficiency ratios for salaries and wages and also in regard to the number of employees. At BND, expenditures for salaries and benefits are .31% of average assets compared to over 1.2% for peer banks in ND. There are $24.2 million in assets per employee at BND compared to $4.1 million for the same peer group.

Our efficient use of staff resources has enabled us to grow the bank while reducing the number of employees, and our business practice includes a diligent requisition process to evaluate every vacancy that occurs. We have gained efficiencies in some areas of the bank by the implementation of computer processes or streamlining efforts, and have been able to deploy affected employees to other areas of need. This practice has served us well and has allowed us to become an efficient business partner who provides substantial value to our customers and the State of North Dakota.

With our authorized staffing level at 176.5 FTEs and year-end 2010 count at 166, a current review of resources has brought us to the point in time where the following issues are being planned for in order to effectively manage bank business:

- Student Loans
  - Guarantor - Our guarantee agency was affected due to recent federal legislation which eliminated our involvement under the Federal Family Education Loan (FFEL) program. However, we have been awarded a grant from the Department of Education to provide college information/resources to low income, minority, and first generation students. Funding is in place to provide this grant for five years, so we have been able to refocus our efforts and maintain staff utilizing these resources.
  - Lender
    - Our DEAL (Dakota Education Alternative Loan) portfolio has grown substantially over the past few years with potential need for employees in the customer service area. Future efficiencies due to a recent migration to a new computer system for the student loan lender are yet to be seen and we are focused on identifying these before any additions are made. The use of temporary staff where appropriate has helped us meet our customer needs in the meantime.
    - Another potential impact to this area is the pursuit of a Direct Loan Servicing contract with the Department of Education. According to estimates, our staffing needs could increase by approximately **10** FTE's to meet the needs of borrowers under this contract.

- Mortgage Lending – Legislation is being proposed to originate mortgage loans on residential real property which would require the addition of **2** FTE's to manage the process.

- Technology and Operations – In order to continue to meet regulatory requirements and secure our information assets, the need for **1** FTE has been identified as an Information Security Officer.

- Correspondent Bank of Choice – To meet our strategic imperative to become the correspondent bank of choice, we see the potential need for **1** FTE to manage bank-wide projects for the best utilization of staff and resources.

All of these areas point to our need for flexibility in managing staffing levels. We have a proven track record of efficiently and effectively managing this so far.

OPERATING EXPENSES

Budget 2011-2013	$16,670,756	Appropriation
Budget 2009-2011	$14,049,400	Base level
	$ 2,621,356	Enhancement

Operating expenses include things like data processing, training and development, supplies, postage, etc. The major increase, nearly $2,000,000 is the authorization to spend the ND College Access Grant monies. As noted earlier this is money received from the US Department of Education to assist with educational outreach to low and moderate families.

A key industry benchmark for gauging the efficiency of a financial institution is the efficiency ratio. This measures non-interest expense as percentage of income. Anything below 50% is considered to be excellent. BND is operating with a 21.5% efficiency ratio, which is nearly three times better the industry average of 60.9%.

CONTINGENCY

Budget 2011-2013	$ 3,200,000	Appropriation
Budget 2009-2011	4,000,000	Base level
	$ (800,000)	Enhancement

Of the $3,200,000 requested for contingency, $2,200,000 is earmarked for a student loan servicing project. In conformity with law, this project was submitted to the Senior Information Technology Advisory Committee (SITAC) and was ranked third in priority for replacement. The remaining balance is to ensure funding for an unforeseen event.

CAPITAL ASSETS

Budget 2011-2013	$ 1,266,000	Appropriation
Budget 2009-2011	1,455,000	Base level
	$ (189,000)	Enhancement

Moneys appropriated for capital assets consist of funds for replacement servers for core banking system, software upgrades, and hardware replacement.

BANK OF NORTH DAKOTA
HOUSE BILL 1014, SECTION 1
ECONOMIC DEVELOPMENT

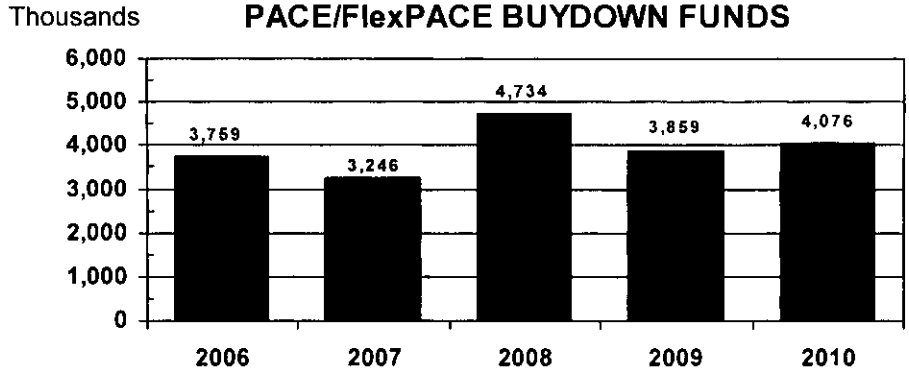
PACE FUND

Budget 2011-2013	$ 6,000,000	Appropriation
Budget 2009-2011	8,000,000	Base level
	$ (2,000,000)	Enhancement

The PACE Fund was established to buy-down the interest rate on loans to assist North Dakota communities in expanding their economic base by providing local jobs development. The program is available to all cities and counties throughout North Dakota for business projects involved in manufacturing, processing, value-added processes and targeted service industries. In 2005, the PACE program was expanded to include a special limited provision called Flex PACE. This special program allows local communities to set their own standards for use of the program including business retention or essential services. In the 2009-11 biennium, $6 million of PACE funding was earmarked for Flex PACE.

The PACE Fund began in 1991. Money provided to the PACE Fund by biennium is as follows:

1991-1993	$5,700,000	
1993-1995	4,700,000	
1995-1997	4,500,000	
1997-1999	4,600,000	
1999-2001	6,000,000	
2001-2003	6,000,000	
2003-2005	5,700,000	
2005-2007	5,700,000	
2007-2009	8,000,000	
2009-2011	8,000,000	
2011-2013	6,000,000	Proposed
Total	$64,900,000	



A total of 10 PACE loans were funded in 2010 in comparison to 19 in 2009. A total of 53 Flex PACE Loans were funded in 2010 compared to 36 Flex PACE loans funded in 2009.

2009-2011 Biennium Buy-down Fund

Total Available Appropriated Funds	$12,328,953
PACE Buy-down Funds - Funded/Committed Loans	2,889,011
Flex PACE Buy-down Funds - Funded/Committed Loans	5,739,777
Remaining Buy-down Funds	$ 3,700,165

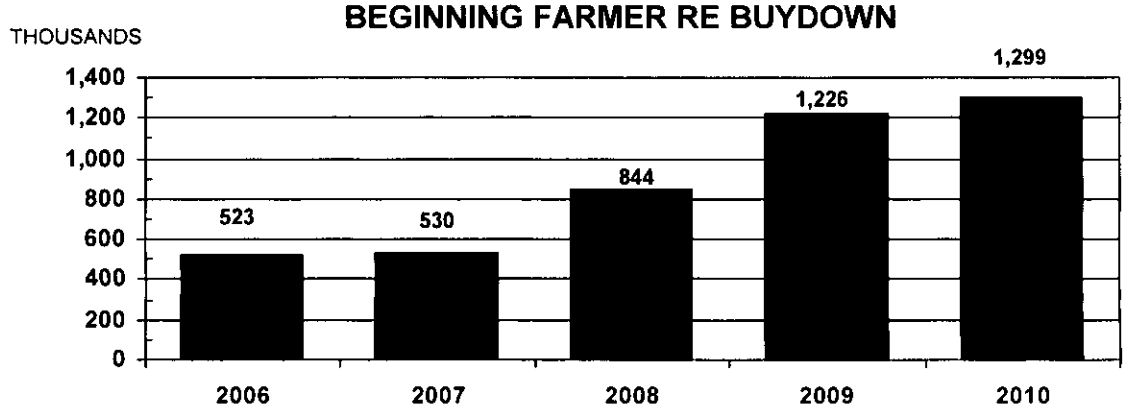
BEGINNING FARMER REVOLVING LOAN FUND

Budget 2011-2013	$1,400,000	Appropriation
Budget 2009-2011	950,000	Base level
	$ 450,000	Enhancement

Since the 2005-07 biennium, buydown funds for the Beginning Farmer Program were taken directly from the Beginning Farmer Revolving Loan Fund; consequently, no general fund appropriation has been needed or requested. With a cash balance of $1,762,611, BND has determined that the Beginning Farmer Revolving Loan (BFRL) Fund will now need to be funded through a general fund appropriation as it was from 1991 to 2005.

General Fund dollars appropriated for buying down the interest rate on these loans by biennium are as follows:

1991-1993	$1,000,000	
1993-1995	1,000,000	
1995-1997	950,000	
1997-1999	921,500	
1999-2001	1,000,000	
2001-2003	1,000,000	
2003-2005	950,000	
2005-2007	0	
2007-2009	0	
2009-2011	0	
2011-2013	1,400,000	Proposed
Total	$8,221,500	



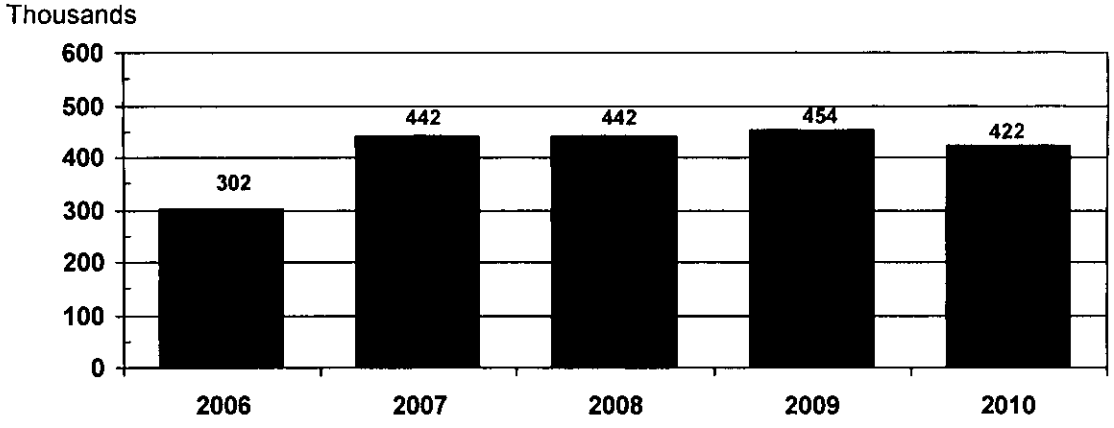
A total of 64 Beginning Farmer Real Estate Loans were funded in 2010 in comparison to 71 in 2009. The number of Beginning Farmer Real Estate loans funded has increased and the loan amounts are larger with a higher total loan maximum and increased land values.

2009-2011 Biennium Beginning Farmer Buy-down Fund

Total Available Cash Balance	$4,368,929*
Buy-down - Funded/RE Committed Loans	2,295,156
Buy-down - Funded/Chattel Committed Loans	783,560

*As stated in statute the entire cash balance in the Beginning Farmer Revolving Fund is available for buy-down purposes. As of 12-31-10 there was about $ 1.7 million in cash available.

BEGINNING FARMER CHATTEL BUYDOWN



The program's inception date was July 1, 2001. A total of 63 Beginning Farmer Chattel Loans were funded in 2010 as was also the case in 2009.

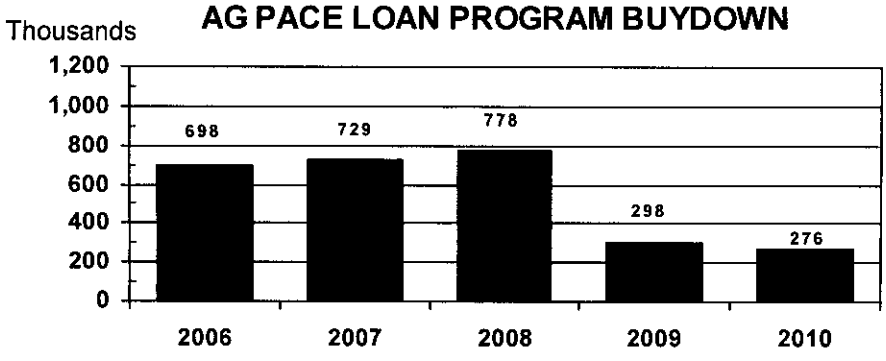
AG PACE FUND

Budget 2011-2013	$ 1,000,000	Appropriation
Budget 2009-2011	1,400,000	Base level
	$ (400,000)	Enhancement

The AG PACE Fund was established to buy-down the interest rate on loans to on-farm businesses. The program is available to businesses which are integrated into the farm operation and will supplement farm income.

The AG PACE Fund began in 1991. Money provided to the AG PACE Fund by biennium is as follows:

1991-1993	$ 996,000
1993-1995	400,000
1995-1997	380,000
1997-1999	397,100
1999-2001	1,500,000
2001-2003	1,500,000
2003-2005	1,425,000
2005-2007	0
2007-2009	1,400,000
2009-2011	1,400,000
2011-2013	1,000,000 Proposed
Total	$10,398,100



A total of 18 Ag PACE loans were funded in 2010 compared to 19 in 2009.

2009-2011 Biennium Buy-down Fund

Total Available Appropriated Funds	$1,663,068
Buy-down Funds - Funded/Committed Loans	$ 323,506
Remaining Buy-down Funds	$ 1,339,562

BIO-FUELS PACE FUND

Budget 2011-2013	$1,000,000	Appropriation
Budget 2009-2011	0	Base level
	$1,000,000	Enhancement

2009-2011 Biennium Buy-down Fund

Total Available Appropriated Funds	$2,413,461
Buy-down Funds - Funded/Committed Loans	$1,143,315
Remaining Buy-down Funds	$1,270,146

The demand for Biofuels PACE funds has generally been for livestock operations with 28 loans funded since 2008.

HOUSE BILL 1014, SECTION 6
Transfer to the Industrial Commission

BND provides funding to the Industrial Commission each biennium for its operations including administrative and clerical costs.

HOUSE BILL 1014, SECTION 7
Appropriation Transfer

This language is included to clarify that appropriations for the PACE Program, AGPACE, and Bio-fuels PACE go directly to the fund, not to BND for its operations. BND is an enterprise fund, not a general fund agency, that is, it generates revenues to cover all of its own operations. The appropriations for the PACE Programs are passed through BND because it manages the PACE funds.

House Appropriations Committee
Government Operations Division
House Bill No. 1014 Budget No. 475
North Dakota Mill & Elevator Association
January 10, 2011

Mr. Chairman and Representatives:

I am Vance Taylor, President and General Manager of the North Dakota Mill and Elevator. With me today is Ed Barchenger, our Controller and Finance Manager.

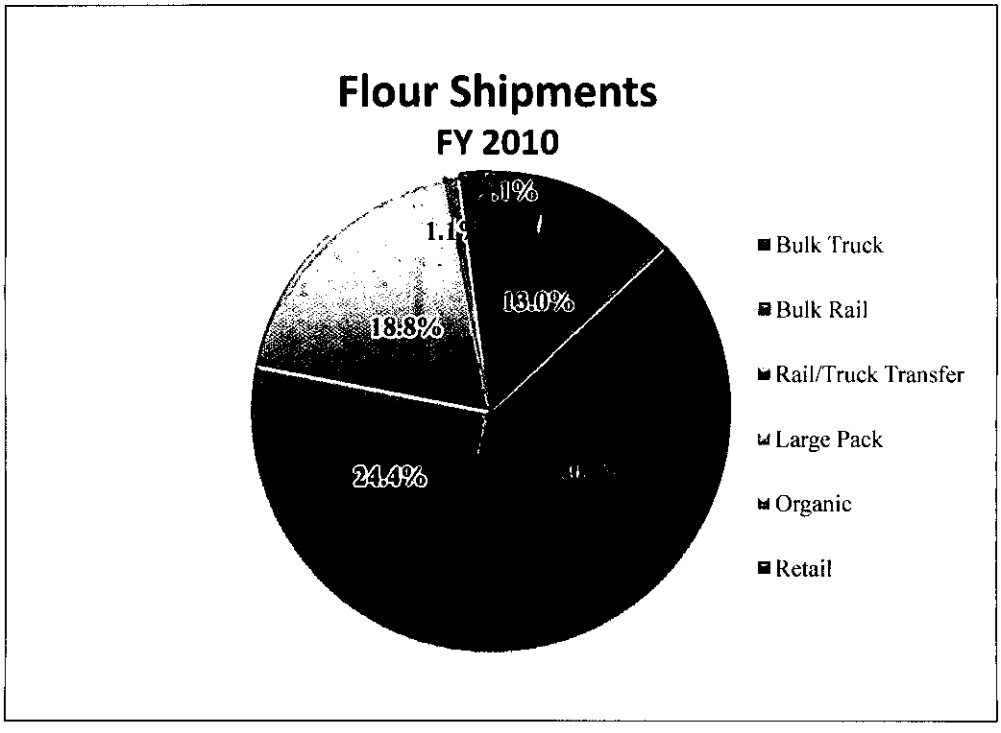
The North Dakota Mill and Elevator Association, located in Grand Forks, is presently the largest single site wheat flour mill and the 11th largest wheat milling company in the United States with sales of over $222 million per year.

Our milling complex includes 7 milling units with the capacity to produce 3.6 million lbs. of finished product per day, a terminal elevator with total available storage of over 4,000,000 bu. of grain and a packaging center and warehouse capable of producing, storing and shipping large quantities of various sized bags of milled products. We process over 80,000 bu. of top quality North Dakota spring wheat and durum per day, adding value to approximately 23,000,000 bu. per year. All facilities are located in Grand Forks.

The Mill normally operates 24 hours per day, 5 to 7 days per week. Our total current staffing is 131 full time employees.

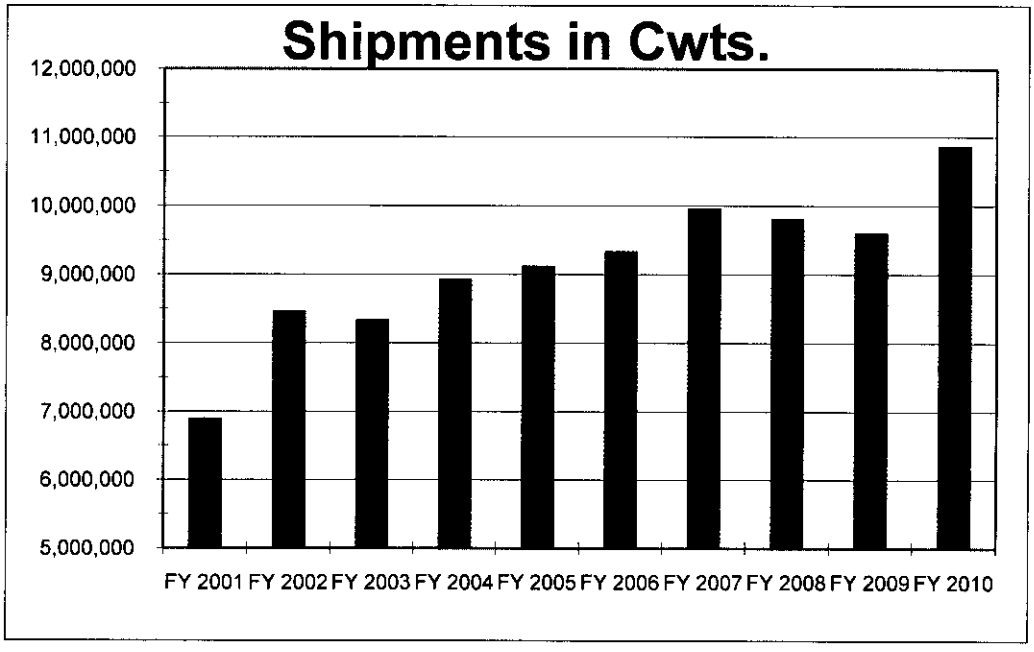
We mill both spring wheat and durum, shipping 90% spring wheat products and 10% durum products. About 75% of our products are shipped in bulk trucks or railcars and 25% is shipped in bags or totes. The Mill produces conventional and organic products. At present organic products make up about 1% of our total shipments.

P.O. Box 13078 / Grand Forks, ND 58208-3078
Telephone: (701) 795-7000 / Fax: (701) 795-7272



Business Growth

Our Renovation and Expansion Project was completed during fiscal year 2002, at a cost of $19.5 million. This project provided for various upgrades resulting in a production capacity increase of 4,000 cwts. per day and an increase in average milling yields. In fiscal year 2005 we replaced our whole-wheat milling unit with a larger, more automated milling unit. During fiscal year 2007 the K Mill was expanded and a new C Mill was completed further increasing spring wheat milling capacity and yields. In fiscal year 2009 our new E Mill was completed adding 1000 cwts. per day of spring wheat capacity and in fiscal year 2010 the D Mill was expanded adding 1000 cwts. per day of durum capacity. These most recent expansions increased the daily capacity of the Mill to 3.6 million pounds of flour a day. Our need to expand has been driven by increasing demand from our current customers and the addition of several new customers. The completion of these major projects has been vital for the North Dakota Mill to continue to compete effectively and provide a more significant economic impact to the State.



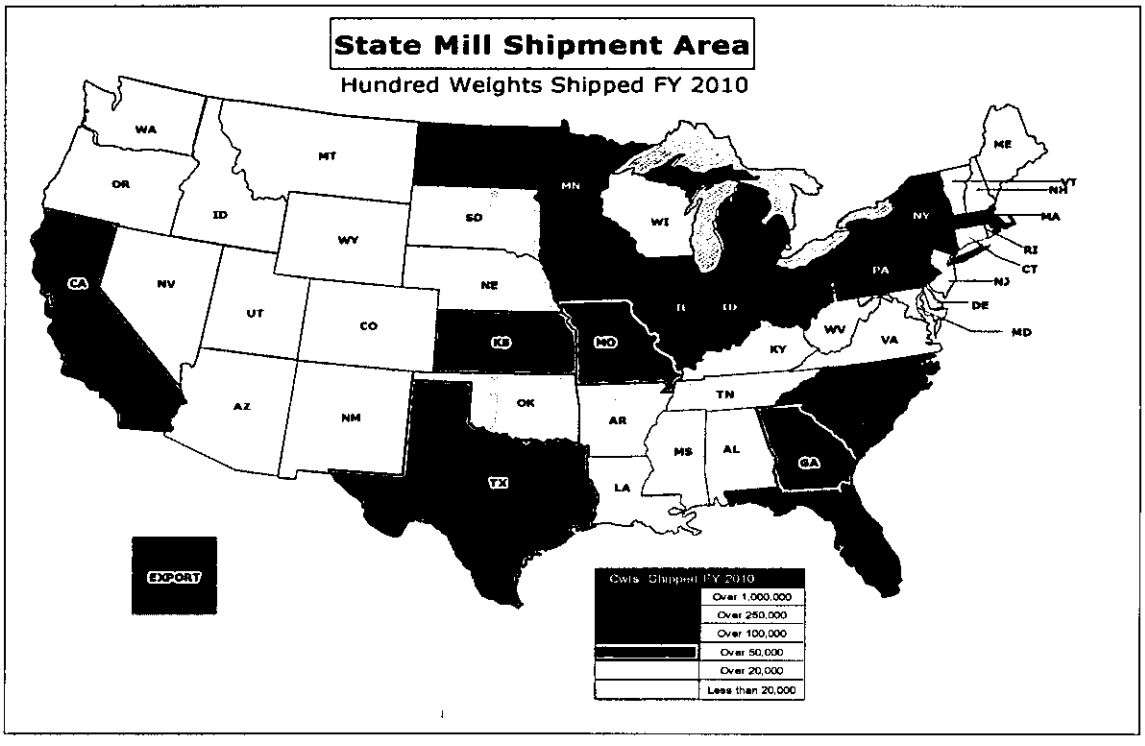
Markets and Competition

Our bulk and large package shipping area is diverse but more concentrated in the Ohio River Valley and on the East Coast. We also export product to the Caribbean Islands, and the Pacific Rim. Our customers include bakery flour distributors, retail distributors, large bakeries and pasta companies. Sales are made by our in-house sales staff and food brokers.

We compete with large milling companies such as Horizon Milling, ADM, ConAgra, General Mills and others. The outstanding quality of our products, verified by our ISO 9001-2008 certification, allows us to be very competitive against these companies. North Dakota Mill flour is in demand across the country and abroad.

Going forward, we intend to continue to maximize production volume; increase the percentage of bagged products sold; continue to aggressively market family flour and retail mixes; grow our organic flour business and investigate new markets, new products and extensions of current product lines.

We will continue to leverage our greatest strength – our employees, whose efforts have given us an excellent reputation for product quality and customer service in the market place.



Economic Impact

A North Dakota State University study stated that for every dollar in direct economic activity from wheat processing, another $2.32 was generated in secondary economic activity. For the past two fiscal years, the Mill produced $163,239,000 in direct economic activity resulting in an additional $378,714,000 in secondary economic activity. This results in a total economic impact to the region of more than $541,953,000 over the last fiscal year.

Strategic Plan 2011

Working with the UND Office of Work Force Development, the State Mill management team has developed the following strategic objectives for fiscal year 2011:

- Promote and Support ND Agriculture, Commerce and Industry
- Identify and Respond to Emerging Issues in the Flour Milling Industry
- Increase Profitability
- Grow our Customer Base
- Invest in our Employees

Budget Request

All operating funds are generated internally at the Mill. Short or long-term needs are met by borrowing from the Bank of North Dakota. No funds or financial assistance is received from the State.

The budget request is for $46,741,421. This is a $6,359,230 increase over the last biennium budget. This increase represents increases in both wages and benefits and other operating expenses.

Wages and benefits increase $3,387,343 over the current budget. The Mill is in the second year of a five-year contract with the Local Union No. 167G, Unit 135 of the Bakery, Confectionery, Tobacco Workers and Grain Millers International. This contract expires June 30, 2014. The Union represents approximately 65% of the employees at the Mill.

Operating expenses excluding wages and benefits increased $2,896,887. Utilities expense increased $1,200,000 over the current budget. The largest portion of our utility bill is the electrical expense. The Western Area Power Administration (WAPA) supplies a significant portion of our electrical power. We budgeted part of the electrical expense increase based on the historical increases received from WAPA. The remaining portion of our electrical power comes from Nodak Electric who indicated that we should expect a 10%-15% increase from them.

Repairs expense increased $750,000 over the current budget. Increases in the number of rail cars leased and as the milling equipment purchased in fiscal year 2001 begins to get older higher maintenance costs will drive this expense higher.

Insurance expense increased by $480,000. In addition to insurance rates increasing, the higher wheat prices have driven up our grain and flour inventory values. In addition, as we have increased cwts. of production and sales, we have increased the volume of flour inventory carried. This has resulted in an increased cost for insurance for these higher inventory values.

Four items, wages and benefits, utility expense, repair expense, and insurance expense increased $5,817,343 in our requested appropriations. A large share of these expenses is driven by the volume of production and sales at the Mill. The Mill set a new record of sales in cwts. of flour sold in fiscal year 2010 reaching 10,876,000 cwts., a 13% increase over the previous fiscal year. In the first five months of fiscal year 2011 we have achieved sales of 4,979,000 cwts., which is 10% higher than in fiscal year 2010.

The Mill currently transfers 5% of the profits to the Agricultural Fuel Tax Fund and 50% of the remaining profits to the General Fund. In fiscal year 2010, the Mill transferred $658,996 to the Agricultural Fuel Tax Fund and $6,260,457 to the General Fund.

In the 2011-2013 biennium, there is $6,650,000 budgeted to be transferred to the General Fund and $700,000 transferred to the Agricultural Fuel Tax Fund.

Thank you for your time and consideration of our budget request. I will be happy to answer any questions.

THE UNIVERSITY OF NORTH DAKOTA

ADVANCED POWER SYSTEMS INITIATIVE: LIGNITE FEASIBILITY STUDY

Final Draft Report – Executive Summary

Submitted to:

Ms. Karlene Fine
North Dakota Industrial Commission
State Capitol
600 East Boulevard Avenue, Department 405
Bismarck, ND 58505-0840

Submitted by:

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Srivats Srinivasachar
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University of North Dakota
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Grand Forks, ND 58202-7101

Envergex LLC

Burns & McDonnell

December 30, 2010

EXECUTIVE SUMMARY

Introduction

The need to replace the aging fleet of university and hospital district steam generating systems in North Dakota prompted this study to determine the feasibility of a lignite-fired advanced combined heat and power system. Also included in this study was the feasibility of utilizing the system to provide education and training opportunities for the next generation of energy experts and provide a testing platform for demonstrating emerging energy production and emissions control technologies. Another factor that recently emerged that could impact the timing for replacing these aging systems is the Environmental Protection Agency (EPA) proposed new maximum achievable control technology (MACT) emission standards for industrial scale systems. If these new standards are implemented, new air pollution control systems will need to be added to all of the coal-fired industrial scale boilers in the ND fleet. EPA seeks to finalize the standards by April 2012. As a result of the proposed EPA Industrial MACT we have included air pollution controls to meet the proposed emissions standards.

Background

Currently the steam plant at University of North Dakota (UND) produces 170,000 lbs/hr steam on average during the winter months and 47,000 lbs/hr of steam in the summer. The system fires approximately 56,000 tons of sub-bituminous coal from Montana.

Proposed System

We have developed an advanced system to efficiently and cleanly produce steam, electricity, and value-added products from lignite and other fuel/waste resources from North Dakota. Based on this study, the preferred configuration as illustrated in Figure ES-1 consists of the following components:

1. Single train Multiple Hearth Furnace designed to use North Dakota Lignite or North Dakota-sourced biomass to produce around 20,000 tons per year of activated carbon and cogenerate a synthetic fuel gas product for combustion in a boiler to make steam. Revenues for activated carbon product ($ 30 million, annual).
2. A state-of-the art pulverized coal (PC) boiler capable of producing 125,000 lb/hr of steam while operating on any blend of fuel from 100% synthetic gas to 100% solid North Dakota Lignite.
3. A state-of-the art circulating fluidized bed (CFB) boiler capable of producing 55,000 lb/hr of steam while operating on North Dakota Lignite or a blend of North Dakota biomass and North Dakota Lignite.
4. Self-production of electricity (~30,000 MWh/y) with a high efficiency 4 MW_e backpressure topping steam turbine that extracts energy from the high pressure

superheated steam generated in the new boilers and exhausts low pressure steam for utilization by the University and its customers. This results in reduced electricity purchases ($ 1.5 million versus $2.9 million).

5. Reduction in emissions for all pollutants from current operation. Best of breed air pollution control system to reduce pollutants to exceed the levels required by the new EPA Industrial MACT standards and to exceed those found in the majority of comparable production facilities worldwide.
6. Utilization of the existing natural gas fired auxiliary boilers at the University for supplemental steam to meet peak demands, and to provide back-up steam generation for the new boilers to improve reliability.
7. Annual net positive income ($1.7 million) versus annual cost for "upgraded" ongoing operation ($15.7 million); or per 1000 pounds of steam generated, a credit of $2.29 for proposed facility versus cost of $21.5 for "upgraded" current facility.

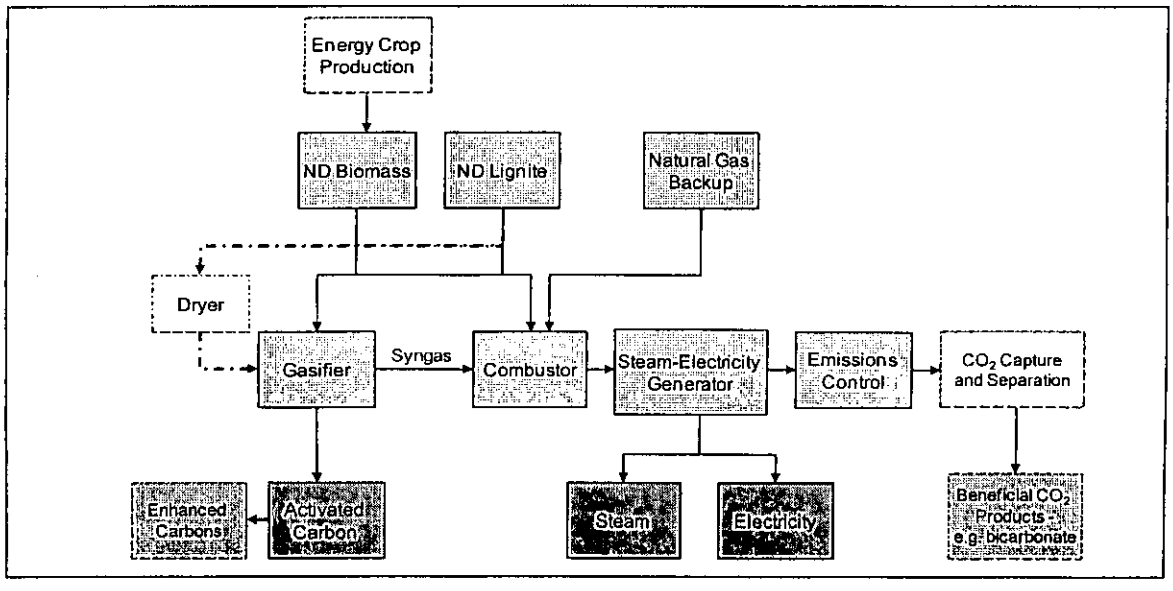

Figure ES 1.Block Diagram of the Advanced System for Production of Steam, Power, and Value-Added Products

Advantages

The advantages of the system developed as part of this program include:

- Designed system will have the capability of producing 180,000 lb/hr of steam and 4 MW_e of electric power with thermal and electric efficiency of over 80%.
- High reliability (two fuel-flexible boilers). The combustion system consists of one 125,000 lb/hr pulverized coal-fired boiler that is capable of firing 100% pulverized lignite to 100% gasification-derived fuel gas and a 55,000 lb/hr circulating fluid bed boiler capable of firing lignite, biomass, and waste materials.
- Lower CO_2 emissions of about 15% for baseline design compared to current operation; flexibility to further reduction to match emissions from a natural gas-fired system.
- Significant economic benefits with the ability to co-produce 20,000 tons per year of activated carbon (activated carbon, market value of about $1500/ton); activated carbon has broad application in various end- use markets and a growing demand with the emergence of a projected $1 billion market for mercury control.
- North Dakota lignite will be the primary fuel, boosting its consumption to about 110,000 tons per year with the additional use for carbon production. This will replace coal currently imported from Montana.
- This advanced system located on the UND campus will be used as a platform to educate the next generation of energy experts and perform research, development and demonstration of emerging energy production and emissions control technologies.
- The market for our proposed advanced energy system is large, not only confined to combined heat and power systems for college and other public institution campuses (11 such facilities) but also other industrial facilities such as ethanol plants.

Project Team

The project was conducted by a team of expert University of North Dakota personnel from the Facilities (extensive experience in steam plant operations and maintenance), Campus Planning, Chemical Engineering Department (extensive experience in lignite properties and their performance in combustion, gasification, and value-added product development), Envergex LLC (expertise in combustion, gasification, activated carbon systems development), and Burns & McDonnell (engineering firm designing commercial scale power and steam generation facilities).

Operating Characteristics and Economics

Details of fuel consumption, emissions, and economic characteristics for the proposed facility are indicated in Table ES-1 below. The operation proposed is the case tagged as Base. This case presents the most economical operation of the facility. The characteristics are compared to the same characteristics for a retrofit and continued operation of the existing facilities. As indicated, the proposed facility using lignite as the primary fuel has significant advantages in nearly all categories including economics.

The revenues or values related to the outputs of the system include those from steam, electricity and activated carbon. The current plant generates only steam for the campus. A unit cost of $21.5 per 1000 pounds of steam is estimated with the current system. A net credit of $2.29 per 1000 lbs of steam is projected for the new system, accounting for the revenue benefit from sales of activated carbon ($30 million annually). The above economic values include all fixed and variable operating costs and include a levelized cost of capital. The total capital cost of the proposed system is estimated to be $204 million. We anticipate applying for grants from U.S. Department of Energy and industry support to partially fund the cost of constructing the state of the art facility. A commitment from State of North Dakota to support this program for $50,000,000 is anticipated as cost share for the project.

It is worth mentioning that the quality of this estimation is that for a feasibility analysis and the costs will be further refined further in next round of evaluation. Annual operating and maintenance costs (not including fuel costs) are estimated at $9 million, compared to current costs of $6.1 million. The increased costs are related to the production of the additional electricity and carbon and are more than offset by revenues accruing from those products.

Additional operating scenarios for the proposed facility are also presented to indicate the capabilities of the proposed system. These scenarios target a further reduction in carbon footprint. The first option, HIGH BIOMASS, consists of maximizing the biomass input to the CFB boiler while still maximizing activated carbon production through utilization of lignite in the hearth furnace. The carbon footprint reduction increases from 14% to 21% relative to current operation without a significant impact to the economics. The second option, MAX BIOMASS, decreases the carbon footprint even further by utilizing biomass in the hearth furnace in lieu of North Dakota lignite, but at the sacrifice of activated carbon quality and production rates and associated economics. Both these cases present an increase in operating risks associated with biomass availability and seasonal constraints with the latter introducing an activated carbon market value risk. Finally, the last option presented, CO_2 CAPTURE, includes addition of a post combustion CO_2 capture system that converts a portion of the carbon dioxide in the flue gas to a mineral-based byproduct. Again, this option shows a significant impact to project economics and introduces new technical risks associated with a technology not yet proven today.

From these results, it is reasonable to project that operation of the hearth furnace on lignite 65% of the year and biomass 35% of the year would accomplish the goal of natural gas

equivalency for carbon footprint. Such would also mitigate some of the biomass availability risks as the unit could be switched over to biomass as the biomass is available. However, activated carbon production would be impacted as would the associated economics of the facility.

Table ES-1. Operating Characteristics and Economics

	Existing Facility (w/MACT Controls)	Proposed Facility BASE	Proposed Facility HIGH BIOMASS	Proposed Facility Max. Biomass	Proposed Facility CO_2 Capture
Annual University Energy Consumption					
Steam Demand, klb/yr	732,457	732,457	732,457	732,457	732,457
Electical Demand, MWh/yr	76,200	44,800	44,800	44,900	47,500
Annual Operating Inputs / Products					
Coal Input, MMBtu/yr	916,597	0	0	0	0
Natural Gas Input, MMBtu/yr	10,902	35,998	46,084	38,210	35,998
Lignite Into Hearth Furnace, MMBtu/yr		1,167,269	1,167,269	0	1,167,269
Lingite Into Boiler, MMBtu/yr		243,828	148,669	96,583	243,828
Lignite Input, MMBtu/yr	0	1,411,097	1,315,938	96,583	1,411,097
Biomass Into Hearth Furnace, MMBtu/yr		0	0	1,038,428	0
Biomass Into Boiler, MMBtu/yr		99,080	184,748	112,580	99,080
Biomass Input, MMBtu/yr	0	99,080	184,748	1,151,008	99,080
Net Power Generation, MWh/yr	0	32,495	32,495	32,397	32,495
Activated Carbon Production, tons/yr	0	20,416	20,416	10,207	20,416
Annual Emissions / Carbon Footprint	Current MACT				
Nitrous Oxides, tons/yr	234 138	76	74	62	76
Sulfur Dioxide, tons/yr	612 28	45	45	37	45
Particulate Matter (PM10), tons/yr	69 7	11	11	9	11
Carbon Monoxide, tons/yr	133 92	113	111	93	113
Carbon Dioxide, tons/yr	118,635	102,992	93,804	3,296	64,774
Capital Investment					
Total Anticipated Capital Investment, $MM	$37	$204	$204	$204	$246
Anticipated Grants, $MM	$0	$50	$50	$50	$50
Net Capital Investment, $MM	$37	$154	$154	$154	$196
Annual Operating Costs ($2010)					
Coal Fuel, $/yr	$2,566,472	$0	$0	$0	$0
Natural Gas Fuel, $/yr	$81,764	$269,985	$345,626	$286,576	$269,985
Lignite Fuel, $/yr	$0	$3,697,074	$3,447,756	$253,047	$3,697,074
Biomass Fuel, $/yr	$0	$495,399	$923,738	$5,755,038	$495,399
Activated Carbon Cost (Revenue), $/yr	$0	($30,624,483)	($30,624,483)	($15,310,171)	($30,624,483)
Total Effective Fuel Cost, $/yr	$2,648,236	($26,162,024)	($25,907,362)	($9,015,510)	($26,162,024)
Levelized Cost of Capital, $/yr	$4,030,378	$13,962,288	$13,962,288	$13,962,288	$17,754,114
Fixed Operating Costs, $/yr	$4,600,000	$6,055,000	$6,055,000	$6,055,000	$7,566,455
Variable Operating Costs, $/yr	$1,500,256	$2,923,170	$2,842,679	$1,246,226	$12,523,170
University Electricity Demand Charges, $/yr	$924,956	$833,668	$833,668	$833,668	$845,768
University Electricity Energy Purchases, $/yr	$2,019,403	$712,922	$712,922	$716,996	$823,440
Total Annual Cost, $/yr	$15,723,229	($1,674,976)	($1,500,805)	$13,798,668	$13,350,924
Total Annual Costs, $/klb of Steam	**$21.47**	**($2.29)**	**($2.05)**	**$18.84**	**$18.23**

Milestones and Schedule

A schedule and milestones for the next phases of the project are summarized below. This is provided as an example of timing for next steps of the project.

Activity Description	Milestone Date
A. Funding for Continued Development	1-Mar-2011
1. Finalize Major Plant Configuration / Sizing	15-Jul-2011
2. Start Air Permit Application	15-Jul-2011
3. Complete Key Project Definition Design Documents	31-Dec-2011
4. Receive Air Permit	15-Mar-2012
5. Major Equipment Bids Negotiated and Ready to Award	1-Nov-2012
6. Complete Project Definition Report and Application for Approval	1-Dec-2012
B. Funding for Full Project	8-Jan-2013
1. Major Equipment Full Notice to Proceed	15-Jan-2013
2. Start Construction	1-Jun-2013
3. Boilers / Furnace Delivery To Site	18-Mar-2014
4. Mechanical Completion / Start of Commissioning	17-Dec-2014
5. Commissioning Complete and Ready to Operate	18-Jun-2015

Risks and Mitigation

Major risks and proposed mitigation include:

1. Biomass availability in general and seasonal constraints in particular - This risk is mitigated by minimizing the necessity for firing biomass and having a full-lignite firing capability should biomass not be available. Further, natural gas is available to supplement the lignite through utilization of the auxiliary boilers.
2. Achieving CO_2 emission goals – The proposed unit has flexibility to allow for increases in biomass utilization should the biomass supply support it. In addition, the facility has the capability of being retrofitted with a CO_2 capture technology and the next phase will evaluate emerging technologies with potential beneficial end use products.
3. Suitability of the biomass if used for activated carbon manufacturing; the next phase will investigate quality and availability of North Dakota biomass with suitable supply and characteristics to produce a marketable grade activated carbon.

4. Activated carbon demand and price - The proposed facility activated carbon production will be a very small fraction of the market demand and as such will not impact overall demand-supply balance. The market price for activated carbon can drop by nearly 30% from that assumed before we achieve the "break even" price. Even then the remaining benefits of the project are still realized.

Next Steps

Following approval of funding for continued development, the project team will proceed with the following activities to further define the project and prepare for final approval and project implementation:

- Study plant configuration, capabilities, and sizing, optimize facility and define project scope
- Evaluate biomass fuel availability and quality to determine seasonal constraints and impacts to plant design and operations
- Establish key project design criteria (fuel capability ranges, capacities, fuel gas composition) using specific testing and models
- Evaluate lignite drying and CO_2 scrubber options – design, cost determination, testing
- Develop key project design and definition documents
- Prepare/submit applications for project permits; coordinate applications through approval process
- Complete definitive capital cost estimate and project implementation schedule. Assemble these and the key definition documents into project definition report to be used as a basis for approvals and project controls during implementation
- Bid, negotiate and award major equipment (boilers, hearth furnace, steam turbine, drying equipment, and emissions control equipment) under a minimal obligation Letter of Intent with Full Notice to Proceed pending project final approval
- Prepare secondary equipment procurement specifications and solicit bids on select equipment as required to improve the project schedule and accuracy of the definitive estimate
- Progress detailed design of the facility to the extent practical

A budget for the next phase of work is provided below.

Budget. Technology Testing, Design, and Permitting

Activities	Participants	Budget
Coordination • Personnel in key positions engineering, development, environmental to provide coordination, reporting, and analysis	ChE, Facilities, Planning, Consulting	$750,000
Assessments and Demonstrations • Fuel assessment – availability of biomass and lignite properties • CFB testing with biomass and lignite – bed agglomeration ash deposition • Gasification testing with multiple hearth – gas quality and Activated Carbon for demonstration testing • Drying system testing	ChE, Facilities, Planning, Consultants, CFB testing (EERC), Multiple Hearth (IFCO)	$2,500,000
Integrated Facility • Initial design, layout • Permitting activities	ChE, Facilities, Planning, Consultants, A&E	$6,750,000
Total Budget		**$10,000,000**

Final project approval will release the project team for full implementation of the project including the following activities to accomplish full commercial operation:

- Immediate release of major equipment for Full Notice to Proceed
- Completion of detailed design of the facility
- Award and release the balance of equipment for the facility
- Award of construction contracts and release of construction activities
- Management of the construction contractors
- Commissioning and start-up of the facility
- Facility performance and emissions testing

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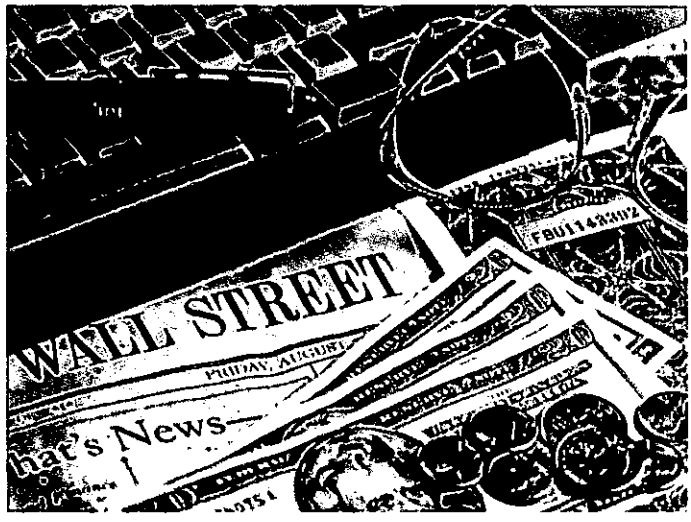
BND
Bank *of* North Dakota



PERFORMANCE HIGHLIGHTS

FOURTH QUARTER REPORT

2010

BANK OF NORTH DAKOTA
PERFORMANCE HIGHLIGHTS
FOURTH QUARTER REPORT
2010

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BANK OF NORTH DAKOTA
BALANCE SHEET - ACTUAL VERSUS BUDGET
DECEMBER 31, 2010 - UNAUDITED

	(In thousands)			
	Actual	Budget	Difference	% Change
Cash and due from banks	$638,100	$551,925	86,175	15.61%
Federal funds sold	33,100	35,000	-1,900	-5.43%
Securities	537,157	337,165	199,992	59.32%
Loans				
Commercial	1,022,002	1,063,463	-41,461	-3.90%
Farm	276,693	268,991	7,702	2.86%
Residential	471,411	467,861	3,550	0.76%
Student Loans	1,044,442	1,123,101	-78,659	-7.00%
	2,814,548	2,923,415	-108,867	-3.72%
Less allowance for loan loss	(46,613)	(44,534)	(2,079)	4.67%
	2,767,935	2,878,881	-110,946	-3.85%
Other assets	53,635	49,917	3,718	7.45%
Total assets	4,029,927	3,852,888	177,039	4.59%
Deposits -				
Non-interest bearing	387,040	300,000	87,040	29.01%
Interest bearing	2,671,686	2,329,800	341,886	14.67%
Federal funds purchased and repurchase agreements	240,725	450,000	-209,275	-46.51%
Short and long-term borrowings	397,365	440,109	-42,744	-9.71%
Other liabilities	5,814	6,330	-516	-8.15%
Total liabilities	3,702,630	3,526,239	176,391	5.00%
Equity	327,297	326,650	647	0.20%
Total liabilities and equity	4,029,927	3,852,888	177,039	4.59%

STRATEGIC OBJECTIVE: One of BND's four strategic objectives is to maintain the strength and financial integrity of the Bank. The Bank monitors, capital adequacy, asset quality, liquidity, and interest rate sensitivity, which are used in the banking industry to assess strength and financial integrity.

COMMENTARY:

Core deposits have remained higher than anticipated as a result of the strong economic conditions in the state. FHLB balances were $42.7 million lower than projected as funding needs did not materialize.

Cash and due from banks was $86 million higher as BND invested its additional liquidity at the Federal Reserve. Securities were $200 million higher than budgeted due to the implementation of strategies to manage the balance sheet. Commercial loan volume was $41 million less than budgeted as a result of a significant repurchase of credit from our originating lenders. Student loan volume was almost $79 million less than budgeted as a result of the Bank no longer participating in the Federal Family Education Loan Program.

BANK OF NORTH DAKOTA
INCOME STATEMENT - ACTUAL VERSUS BUDGET
DECEMBER 31, 2010 - UNAUDITED

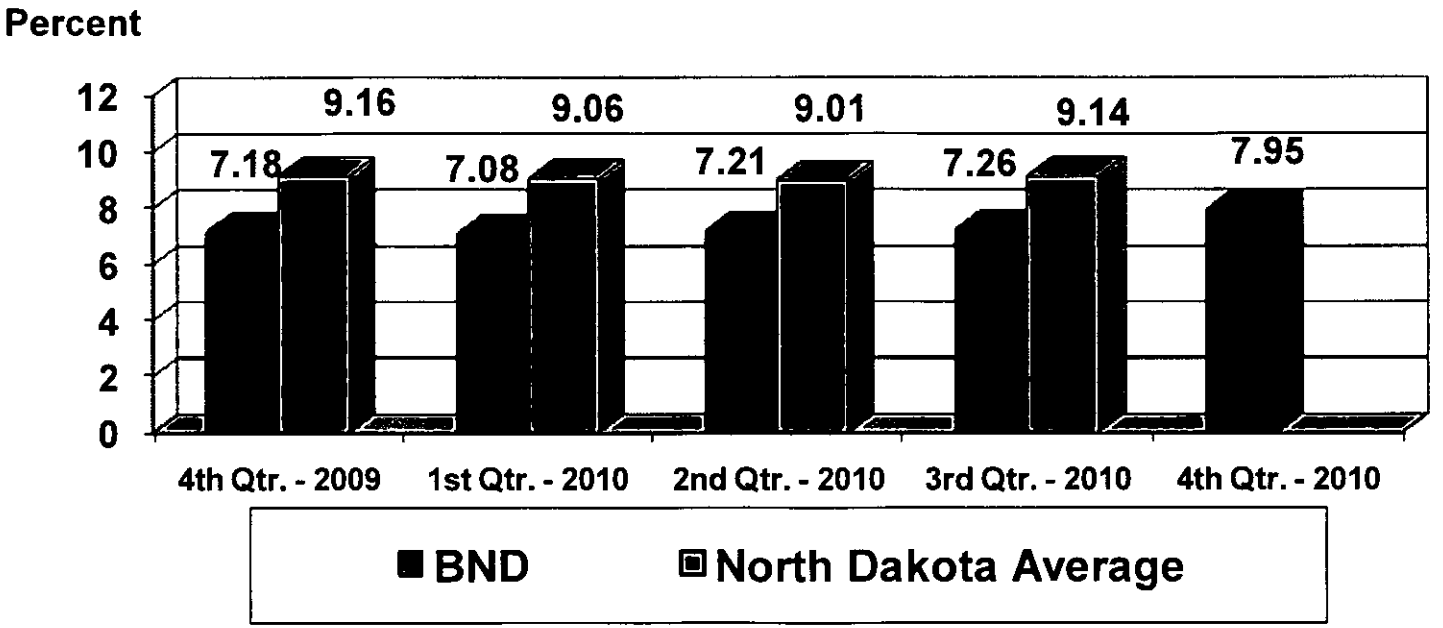
	(In thousands)			
	ACTUAL	BUDGET	DIFFERENCE	CHANGE
INTEREST INCOME	$133,400	$131,899	$1,501	1.14%
INTEREST EXPENSE	45,188	45,999	-811	-1.76%
NET INTEREST INCOME	88,212	85,901	2,311	2.69%
PROVISION FOR LOAN LOSSES	12,100	8,400	3,700	44.05%
NET INTEREST INCOME AFTER PROVISION	76,112	77,501	-1,389	-1.79%
NONINTEREST INCOME	6,113	4,838	1,275	26.36%
NONINTEREST EXPENSE				
Salaries and benefits	11,188	11,494	-306	-2.66%
Occupancy and equipment	823	964	-141	-14.59%
Data Processing	4,084	5,202	-1,118	-21.50%
Other operating expenses	4,279	4,679	-400	-8.55%
	20,374	22,339	-1,965	-8.80%
NET INCOME	$61,851	$60,000	$1,851	3.09%

STRATEGIC OBJECTIVE: One of BND's four strategic objectives is to generate a consistent return to the State of North Dakota.

COMMENTARY: Overall, net income is $1.9 million better than budget. Net interest income is $2.3 million higher than budgeted due to the purchase of additional securities that weren't budgeted. Also, due to the low rate environment, deposit costs are lower than anticipated. BND continues to provide for a healthy allowance for loan losses.

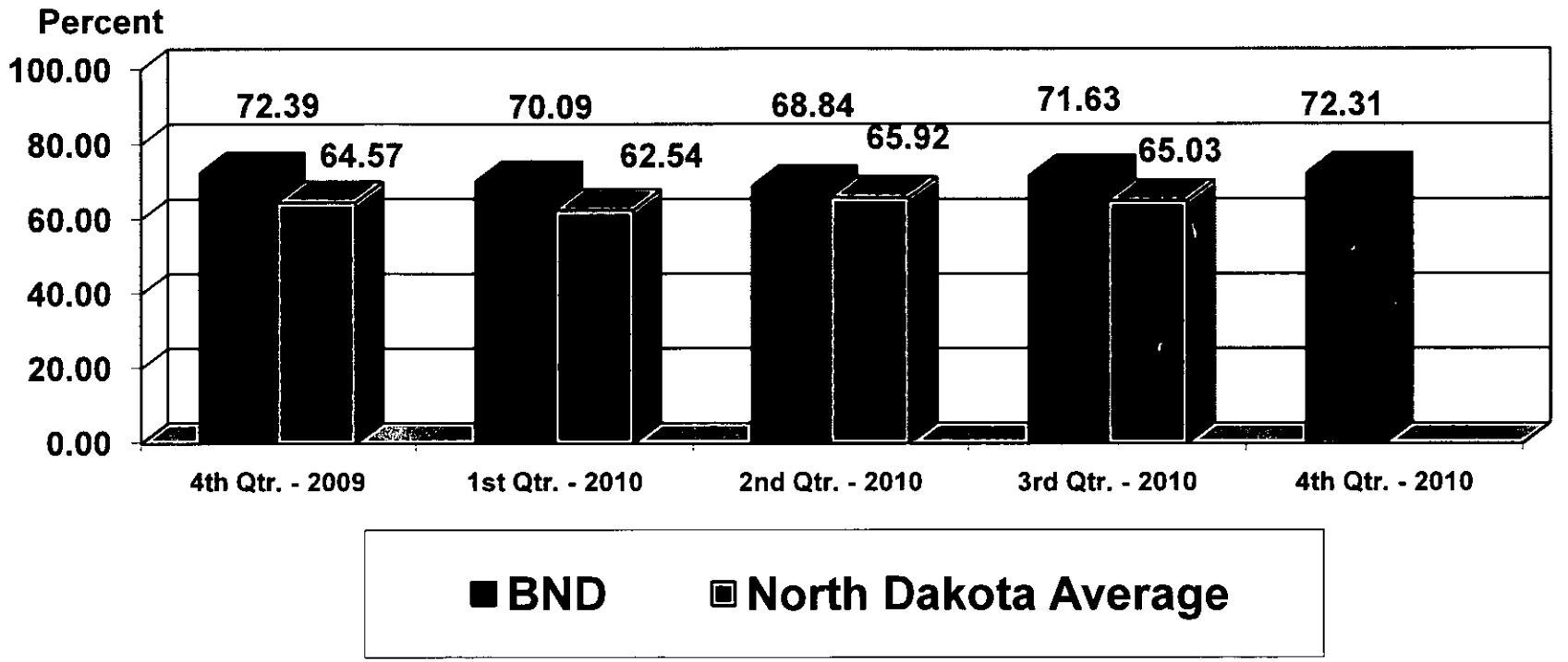
Noninterest income is $1.3 million higher than projected due to increased reimbursements from NDGSLP of new expenditures under the North Dakota College Access Network grant. In addition aniticipated losses in the Venture Capital investment portfolio did not materialize. Net noninterest expenses is $2 million lower than budgeted as a result of increased efficiencies throughout the Bank and the timing of expenses related to the new student loan accounting system.

BANK OF NORTH DAKOTA
Leverage Ratio



The leverage ratio is calculated by dividing tier one capital by average assets for the quarter. This ratio is a measure of strength. Well capitalized per federal regulation F is 5%. BND's benchmark is 8%. Average asset size has grown to $4.11 billion in the fourth quarter of 2010 as compared to $3.76 billion in the same quarter in 2009. Tier one capital has grown from $270 million to $327 million in 2010. The leverage ratio is 9.14 percent as of September 30, 2010 for all insured commercial banks in state. The North Dakota average is obtained from the Federal Financial Institutions Examination Council (FFIEC) who tabulates input from over 100 insured commercial banks in North Dakota. Note: The December 31, 2010 North Dakota average has not yet been determined as the FFIEC publishes this data approximately 60 days after the completion of each calendar quarter.

BANK OF NORTH DAKOTA
Net Loans to Earning Assets



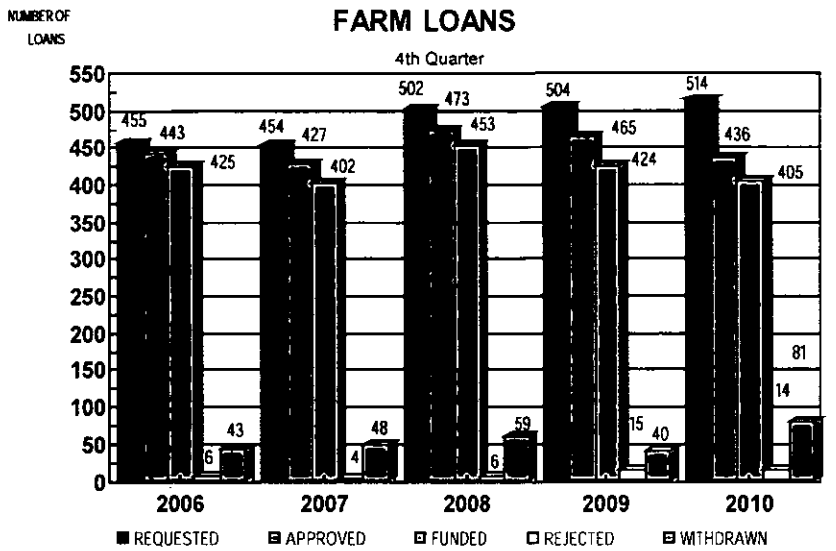
Net loans to earning assets is a ratio used to measure liquidity. BND has established a maximum net loans to earning assets of 90%. As shown above, BND is within this limit. Net loans to assets is 65.03% as of September 30, 2010 for all insured commercial banks in state. The North Dakota average is obtained from the Federal Financial Institutions Examination Council (FFIEC) who tabulates input from over 100 insured commercial banks in North Dakota. Note: The December 31, 2010 North Dakota average has not yet been determined as the FFIEC publishes this data approximately 60 days after the completion of each calendar quarter.

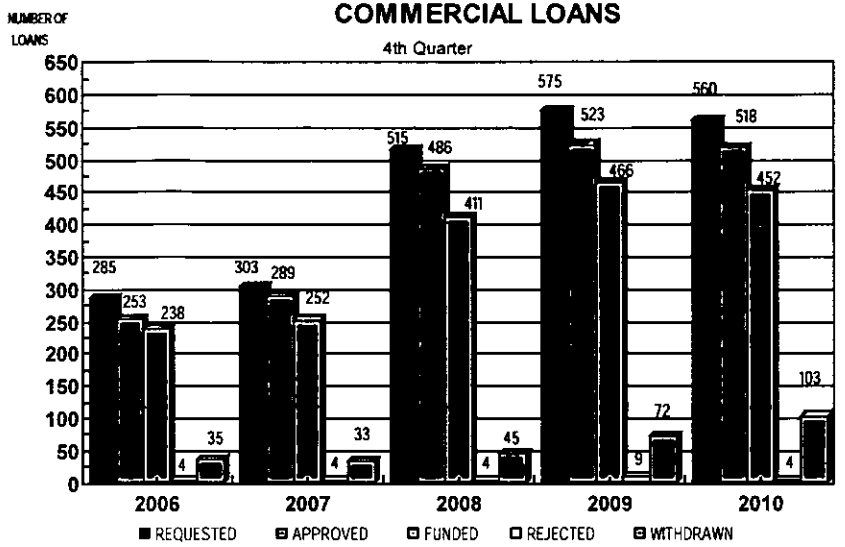
BANK OF NORTH DAKOTA
LOAN ORIGINATIONS

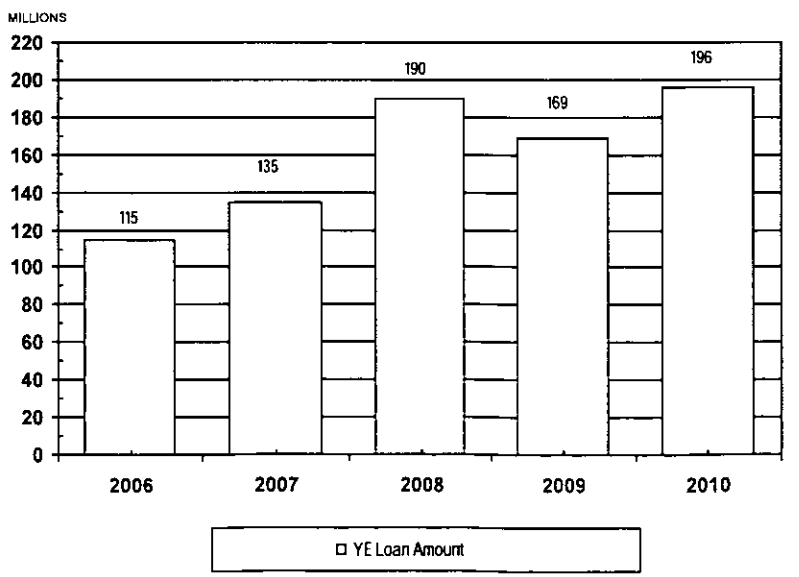
	YEAR TO DATE 31-Dec-10		YEAR TO DATE 31-Dec-09	
	###	$$$	###	$$$
BUSINESS DEVELOPMENT/SMALL BUSINESS	16	2,503,495	14	1,567,523
BANK PARTICIPATIONS - COMMERCIAL	280	423,999,513	303	472,062,563
SMALL BUSINESS MAIN STREET	3	582,971	0	0
PACE	14	4,987,140	19	7,236,064
FLEX PACE	55	13,964,816	36	6,826,675
BIOFUELS PACE	8	926,850	8	2,461,249
MATCH	0	0	0	0
BANK STOCK	23	58,003,911	26	57,545,866
STATE INSTITUTION	7	117,386,250	7	202,261,300
RURAL DEVELOPMENT (COMMERCIAL)	3	14,408,636	4	9,628,954
CERTIFICATE OF DEPOSIT	2	32,753	2	35,760
NEW VENTURE CAPITAL PROGRAM	3	450,000	7	413,900
TOTAL COMMERCIAL LOANS	414	637,246,335	426	760,039,854
FARM OPERATING	26	4,458,225	17	3,225,200
FAMILY FARM	10	1,592,684	2	55,779
FARM & RANCH	148	148,726,735	179	147,680,153
ENVEST	1	598,500	1	12,500
ESTABLISHED FARMER	22	7,922,319	2	350,000
BEGINNING FARMER REAL ESTATE	64	13,657,387	71	12,884,030
AG PACE	17	875,550	17	917,354
AG PACE - DISASTER	1	25,000	2	50,000
FARM SERVICE AGENCY	7	2,693,344	5	1,753,284
LIVESTOCK WASTE MANAGEMENT	1	100,000	6	386,443
FARM DISASTER RELIEF	24	6,000,800	10	1,584,605
TOTAL AGRICULTURAL LOANS	321	186,650,544	312	168,899,348
FEDERAL HOUSING ADMINISTRATION	486	71,310,763	424	57,676,144
VETERANS ADMINISTRATION	100	17,745,920	72	10,352,766
USDA	9	1,340,076	0	0
SPECIAL RURAL PROGRAM	18	2,513,100	0	0
CONVENTIONAL	2	478,000	0	0
TOTAL RESIDENTIAL LOANS	615	93,387,859	496	68,028,910
SUBSIDIZED STAFFORD LOANS	18,777	32,873,775	31,378	56,673,847
UNSUBSIDIZED STAFFORD LOANS	24,374	48,365,242	42,402	82,468,851
PURCHASED STUDENT LOANS	3,587	11,256,219	1,956	6,492,629
PLUS LOANS	298	1,053,861	609	1,936,387
GRAD PLUS	68	348,011	88	567,458
CONSOLIDATION LOANS	0	0	0	0
DEAL LOANS	23,159	86,557,997	18,338	62,694,855
DEAL CONSOLIDATION	369	8,838,690	341	8,391,955
TOTAL STUDENT LOANS	70,632	189,293,795	95,112	219,225,982
TOTAL BANK OF NORTH DAKOTA LOANS	**71,982**	**1,106,578,533**	**96,346**	**1,216,194,094**
ADMINISTERED LOAN PROGRAMS				
FANNIE MAE	8	1,108,620	0	0
BEGINNING ENTR. LOAN GUARANTEE	26	993,466	31	1,453,680
COMMUNITY WATER FACILITY LOAN PROGRAM	1	400,000	2	1,894,067
DEVELOPMENTALLY DISABLED FACILITY	0	0	0	0
LONG-TERM CARE FACILITY LOAN FUND	0	0	0	0
ST LAND DEPT LOAN POOL	21	6,903,400	46	11,883,715
BEGINNING FARMER CHATTEL	63	2,258,990	63	2,423,427
FARM REAL ESTATE LOAN GUARANTEE	0	0	1	225,000
LIVESTOCK LOAN GUARANTEE	0	0	3	1,565,768
FIRST TIME FARMER	0	0	0	0
HEALTH INFORMATION TECHNOLOGY	8	2,791,118	0	0
TOTAL ADMINISTERED LOANS	127	14,455,594	146	19,445,657

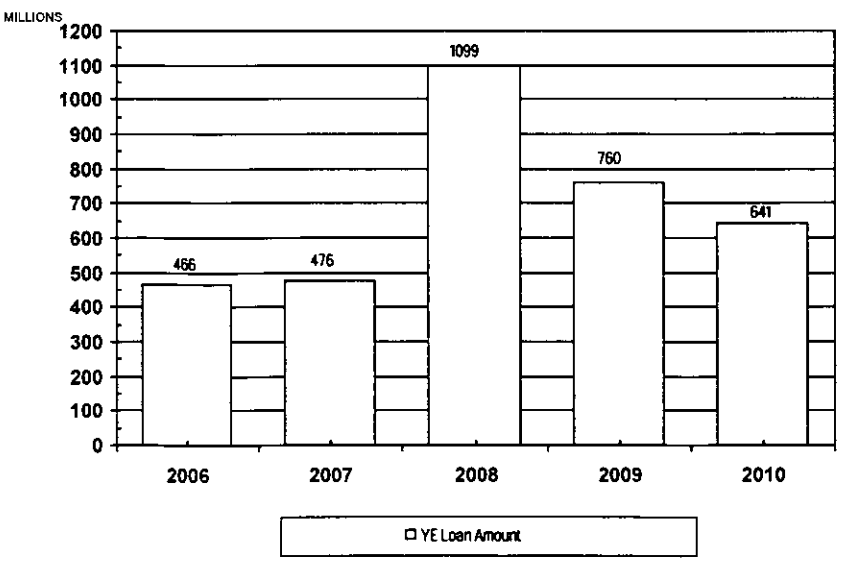
COMMERCIAL AND FARM LOAN ACTIVITY
2006 – 2010

The individual loan program data for this report, as contained on the Loan Originations Report (Page 4), includes data from Bank owned and Administered Loan Programs. Activity includes new loan requests and renewals.



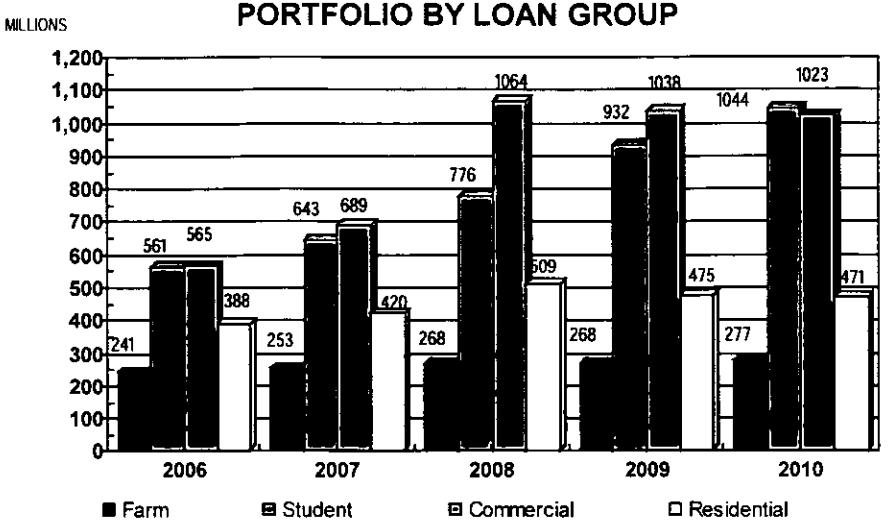




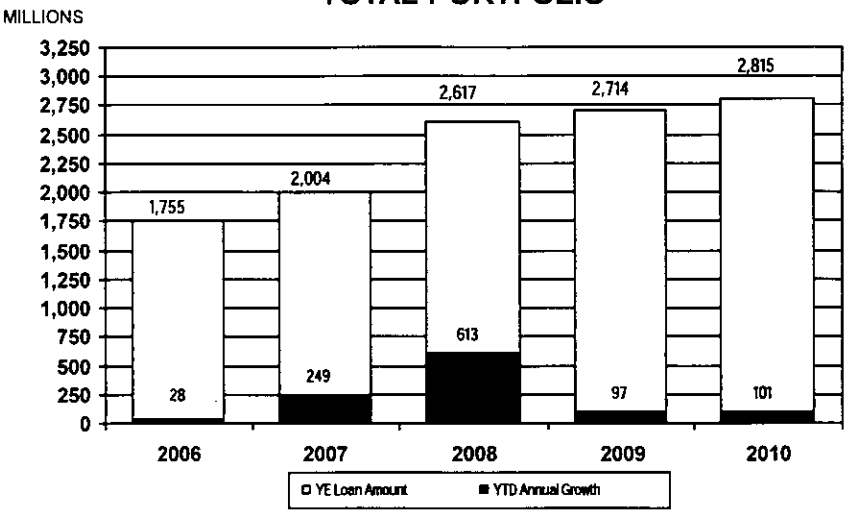


CONSOLIDATED LOAN PORTFOLIO
YEAR END 2006 – 2010

PORTFOLIO BY LOAN GROUP



TOTAL PORTFOLIO



FARM – The farm loan portfolio increased by $9 million year to date with BND funding and renewing $186 million of loans during 2010. Farm and Ranch loans led the way with $149 million in loan volume. Farm participation loan volume has increased in 2010 because the borrowing needs of farmers has increased due to higher annual operating expenses.

STUDENT -In the past, BND's student loan portfolio has historically shown steady growth. Growth of the overall portfolio has been impacted by July 1, 2010 regulatory changes and as a result the bank is no longer participating in the Federal Family Education Loan Program. The portfolio will continue to see growth in our DEAL loan program while our federal loan programs will decrease as loans are repaid. During 2010, BND disbursed over $178 million in student loans. In addition, we purchased 3,587 student loans from other lenders totaling $11.2 million. Due to the changes in the federal loan program, purchases increased significantly when BND acquired loan portfolios we had serviced in the past.

COMMERCIAL - The commercial loan portfolio decreased by $15 million year to date with BND funding and renewing $637 million of loans during 2010. The largest areas of growth were commercial participations with BND funding and renewing $424 million. The commercial portfolio has gradually declined in the last 3 years with the slow down in the national economy.

RESIDENTIAL – BND provides a secondary market for home loans, primarily providing FHA and VA guaranteed financing. The residential loan portfolio decreased by $4 million year to date with BND funding $93 million of home loans during 2010. BND continues to see significant loan refinancing as a result of the low interest rate environment.

FARM LOANS include: Ag PACE, Envest, Family Farm, Farm & Ranch, Farm Disaster Relief, Farm Operating, Farm Real Estate, FSA Guaranty Purchase, and Livestock Waste Management.

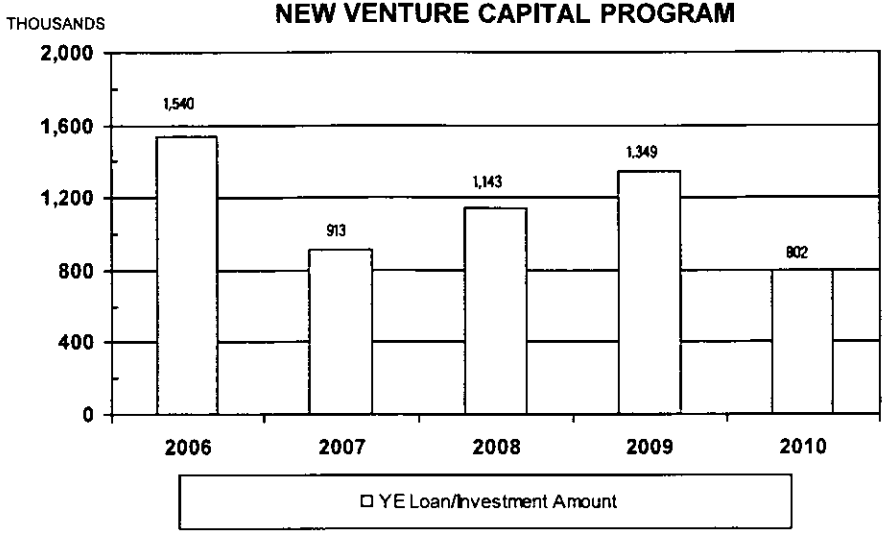
STUDENT LOANS include: Consolidation, DEAL, DEAL Consolidation, DESL, SLS, Stafford, PLUS and Grad PLUS.

COMMERCIAL LOANS include: Bank Participation, Bank Stock, Biofuels PACE, Business Development, Business Disaster Relief, Developmentally Disabled Loan Fund, Flex PACE, Match, New Venture Capital, PACE, Guarantee Purchases, and State Institutions.

RESIDENTIAL LOANS include: Conventional, Rural Conventional, USDA, FHA, and VA Loans.

BUSINESS PROGRAM HIGHLIGHTS
2006 – 2010

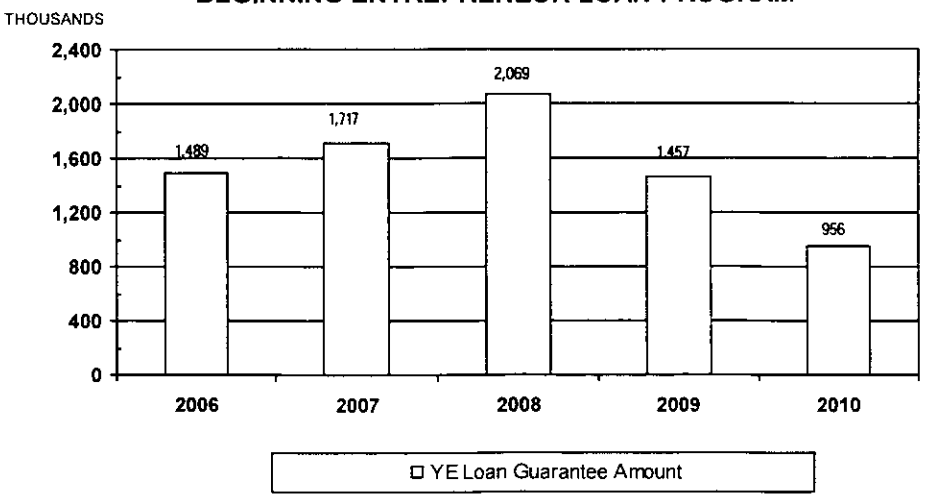
NEW VENTURE CAPITAL PROGRAM



New Venture Capital Program Funds	
Total Available Funds	$10,000,000
Outstanding Loans/Investments	$ 5,889,415
Committed Loans/Investments	$ 462,500
Remaining Funds Available	$ 3,648,085

BND funded 3 loans for $450,000 and 3 investments for $352,000 during 2010. A total of 21 loans for $2,313,745 and 30 investments for $4,946,921 have been funded by BND since this program's inception.

BEGINNING ENTREPRENEUR LOAN PROGRAM



2009-2011 Biennium Beginning Entrepreneur Guarantee Program	
Maximum Guarantee Amount Available	$16,244,859*
Guarantee Amount - Funded/Committed Loans	$4,061,734
Remaining Guarantee Amount Available	$12,183,125

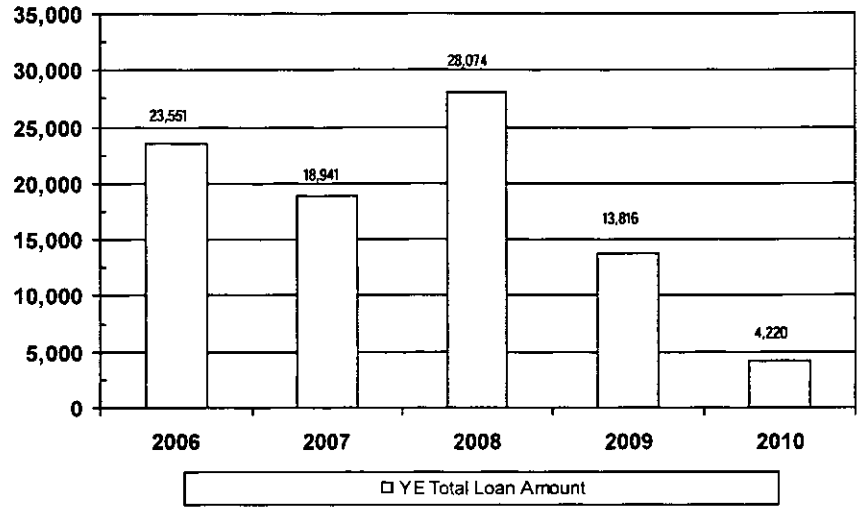
*5% of BND's Tier I Capital

BND issued 26 guarantees during 2010 in comparison to 31 during 2009.

PACE PROGRAM HIGHLIGHTS
2006 – 2010

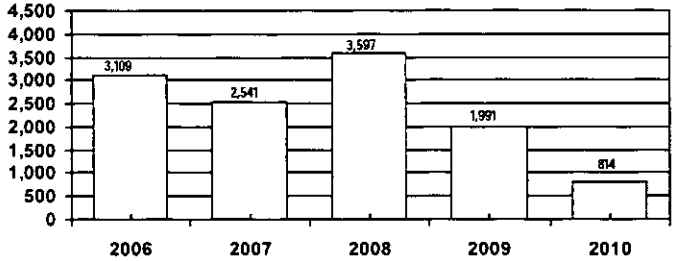
THOUSANDS

PACE LOAN PROGRAM



THOUSANDS

BUYDOWN FUNDS

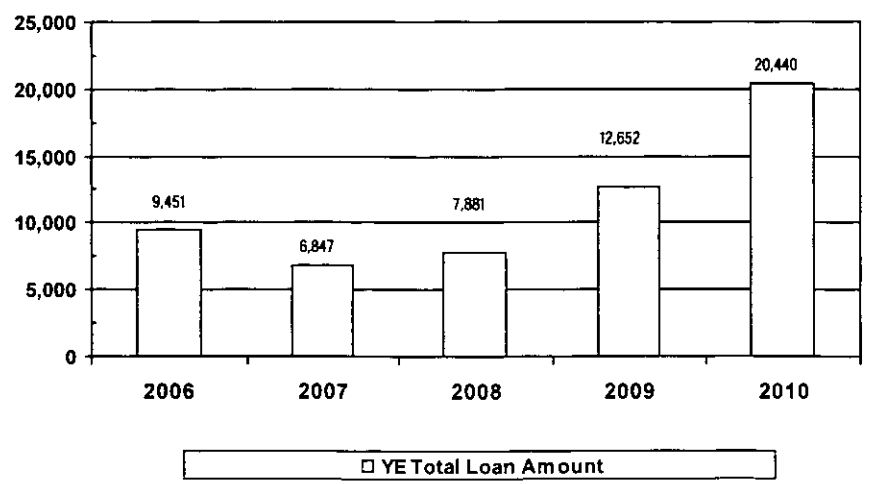


10 PACE loans were funded during 2010 in comparison to 19 during 2009. Demand for PACE funds has decreased with the national recession, job creation challenges, and low interest rate environment.

2009-2011 Biennium PACE Buydown Fund	
Total Available Funds ($8 Million Appropriation)	$ 5,868,579
PACE Buydown Funds - Funded/Committed Lns	$ 2,889,011
Remaining Buydown Funds	$ 2,979,568
Total Available FLEX ($6 Million Transferred from PACE)	$ 6,460,374
Flex Buydown Funds – Funded/Committed Lns	$ 5,739,777
Remaining Buydown Funds	$ 720,597

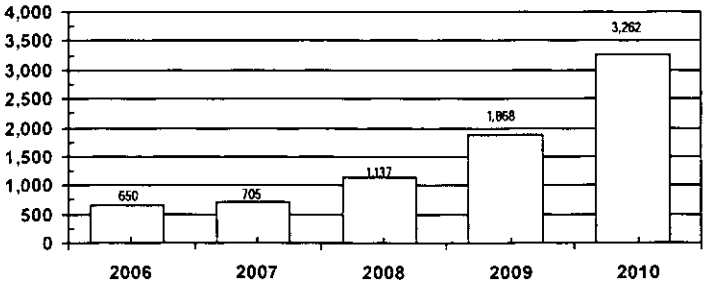
FLEX PACE LOAN PROGRAM

THOUSANDS



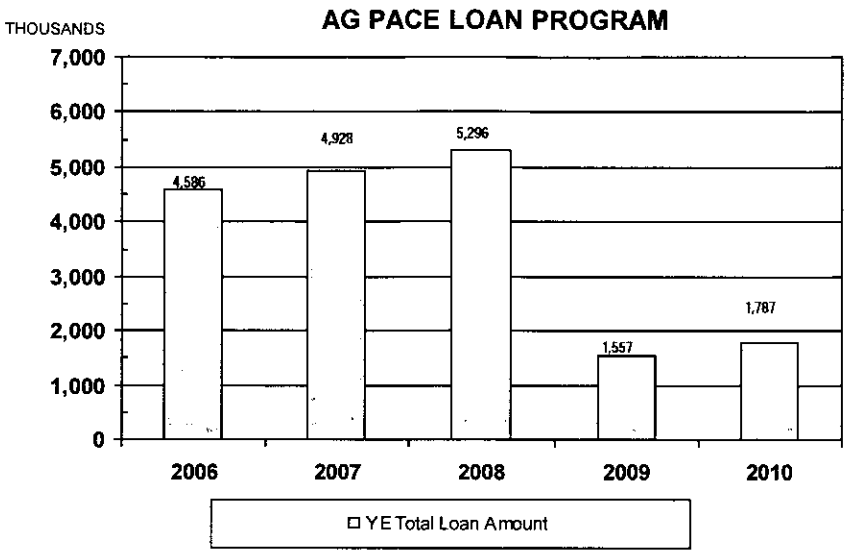
THOUSANDS

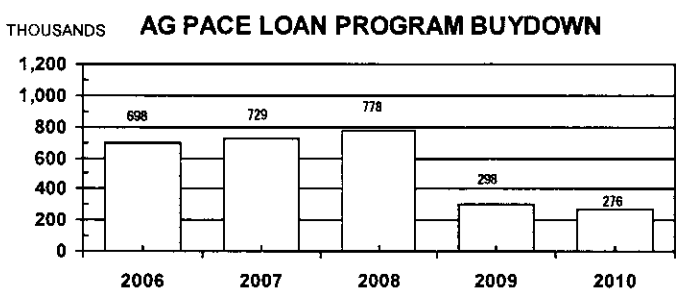
BUYDOWN FUNDS



A total of 53 Flex PACE Loans were funded during 2010 in comparison to 36 during 2009. Demand for Flex PACE funds remains strong in helping finance essential community services and with the energy development in western North Dakota.

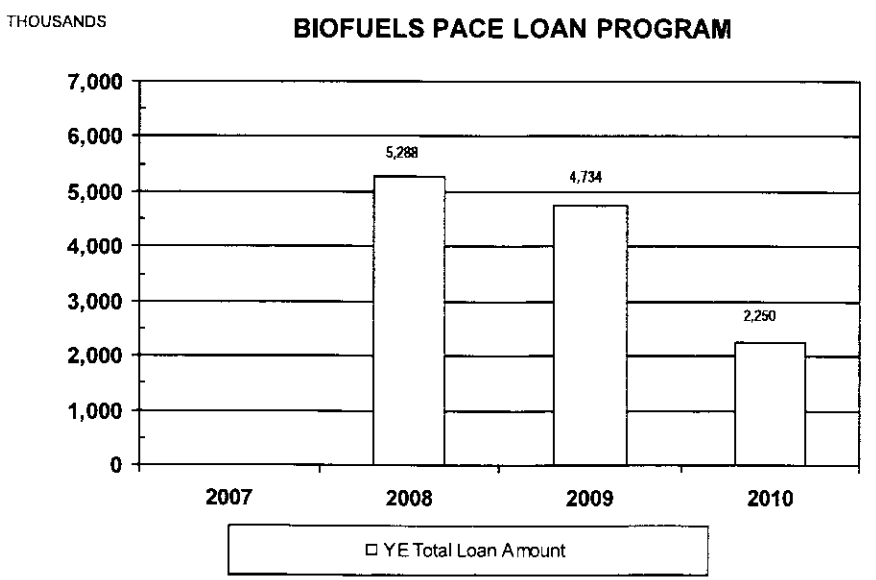
PACE PROGRAM HIGHLIGHTS
2006 – 2010

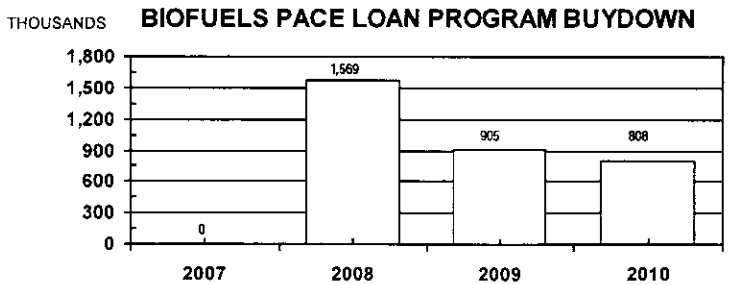




2009-2011 Biennium Ag PACE Buydown Fund	
Total Available Funds ($1.4 Million Appropriation)	$ 1,663,068
Buydown Funds - Funded/Committed Loans	$ 323,506
Remaining Buydown Funds	$ 1,339,562

A total of 18 Ag PACE loans were funded during 2010 of which 1 loan was Disaster AgPACE. This compares to 19 loans funded during 2009 with 2 as Disaster AgPACE. The majority of the loans funded in 2009 and year to date in 2010 were for irrigation purposes.





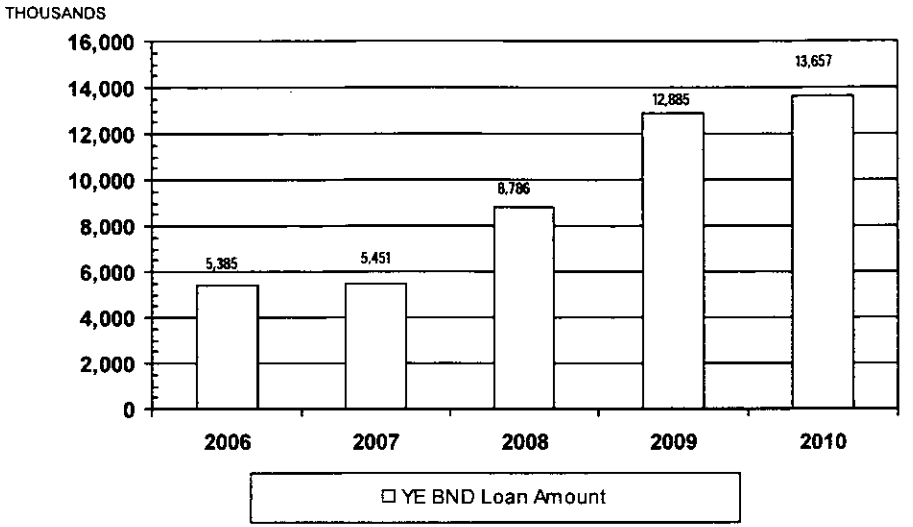
2009-2011 Biennium Biofuels PACE Buydown Fund	
Total Available Funds	$2,413,461*
Funded/Committed Loans	$1,143,315
Remaining Buydown Funds	$1,270,146

*A total of $700,000 was appropriated in 2009 with $1,687,960 carry over from previous bienniums .

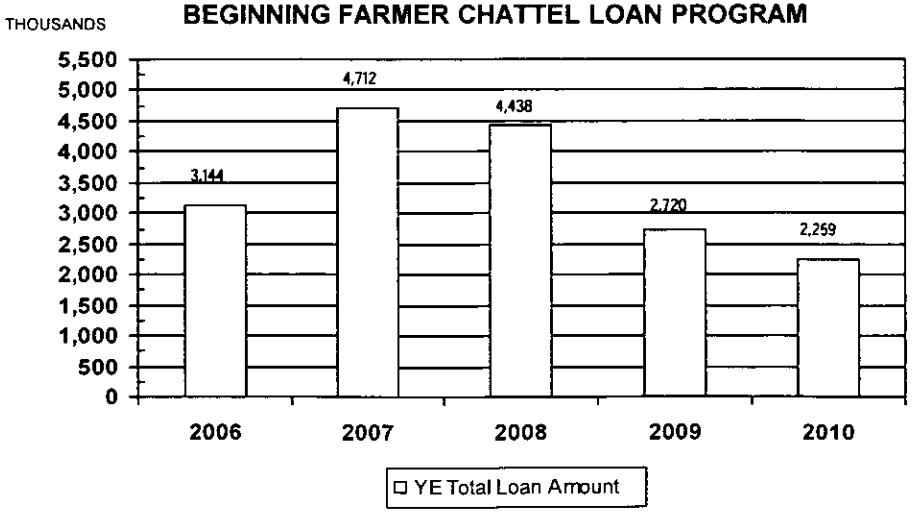
The demand for Biofuels PACE funds is with livestock operations with 28 loans funded and 3 pending. Four other loans were funded for retailer pumps with 2 pending.

FARM PROGRAM HIGHLIGHTS
2006 – 2010

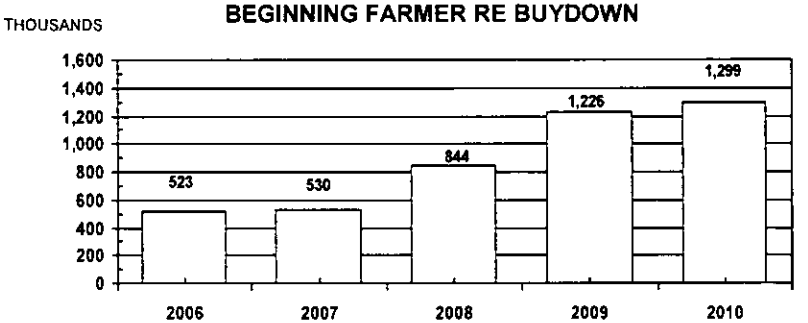
BEGINNING FARMER REAL ESTATE LOAN PROGRAM



BEGINNING FARMER CHATTEL LOAN PROGRAM



BEGINNING FARMER RE BUYDOWN



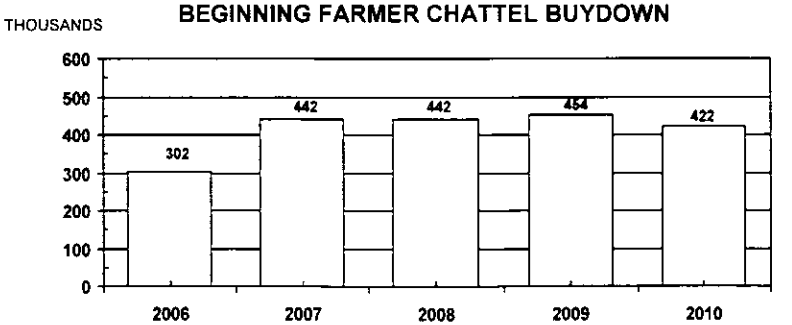
A total of 64 Beginning Farmer RE Loans were funded during 2010 in comparison to 71 during 2009. The large increase in loan amounts in the past three years is a result of the increase in land prices and higher loan limits.

2009 – 2011 Biennium Beginning Farmer Buydown Fund

Cash as of 7-1-2009	$4,368,929*
Cash Adjustment Due to Chattels	+104,999
RE Buydown – Funded and Pending	-2,295,156
Chattel Buydown – Funded and Pending	-783,560
Chattel Fundings Pending	-554,555
Remaining Funds	$840,657

*Cash balance could be reduced by possible draws of $1 million for Envest and $900,000 for PSC.

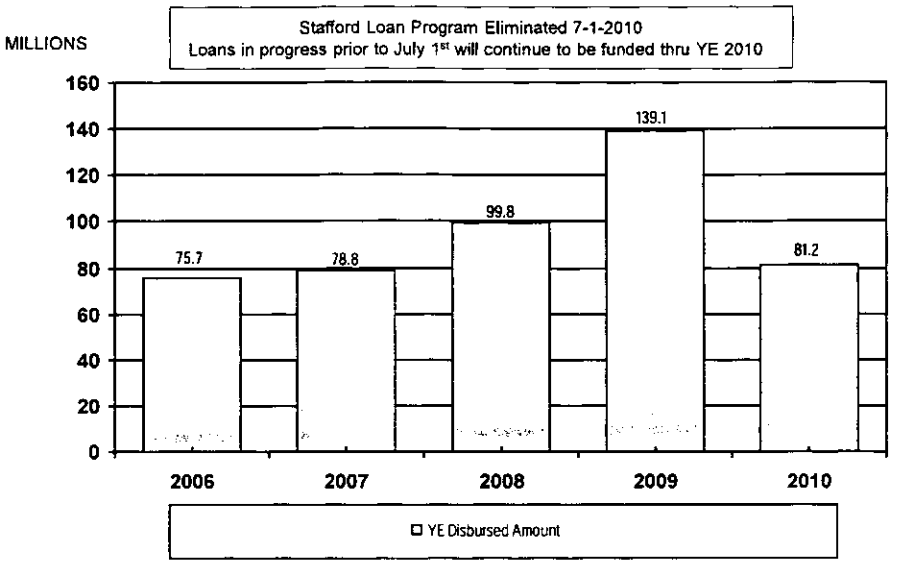
BEGINNING FARMER CHATTEL BUYDOWN



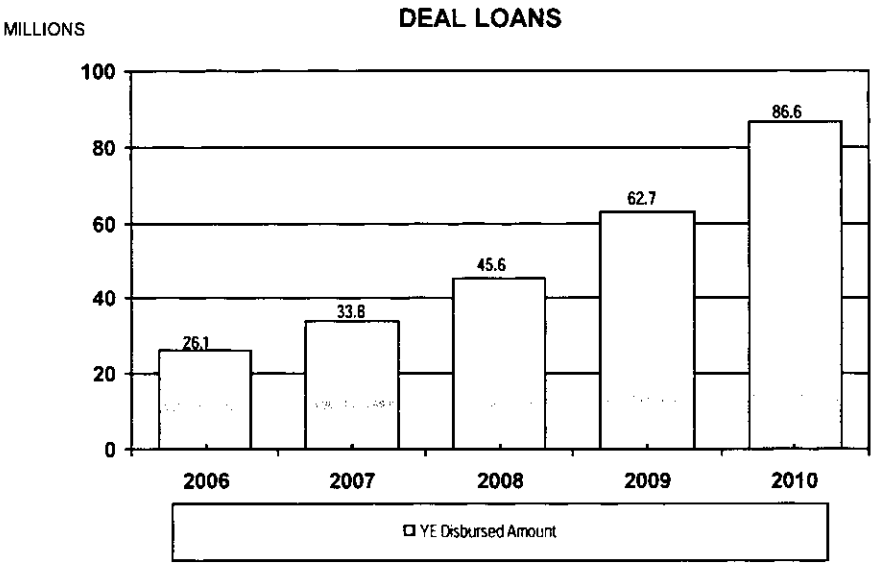
A total of 63 Beginning Farmer Chattel Loans were funded during 2010 in comparison to 63 during 2009.

STUDENT LOAN PROGRAM HIGHLIGHTS
2006 – 2010

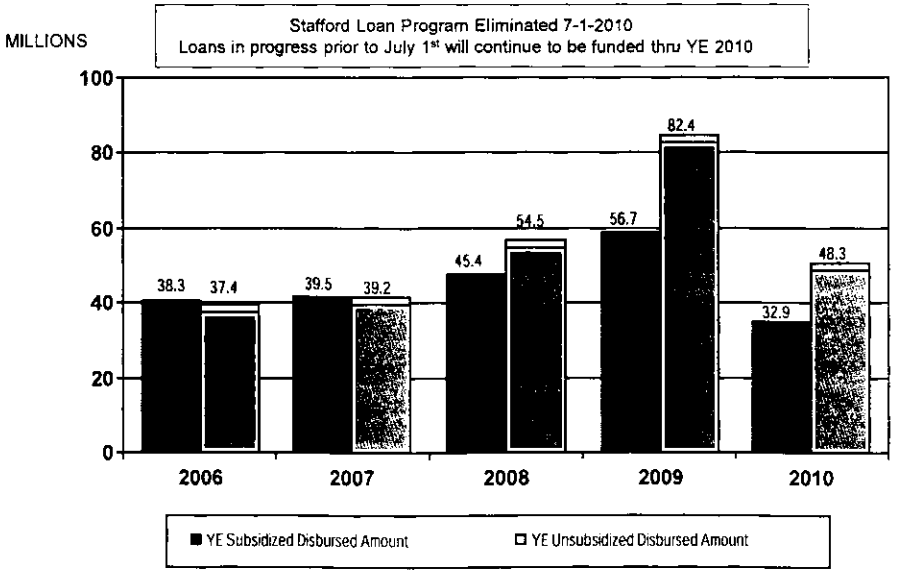
STAFFORD LOAN TOTALS



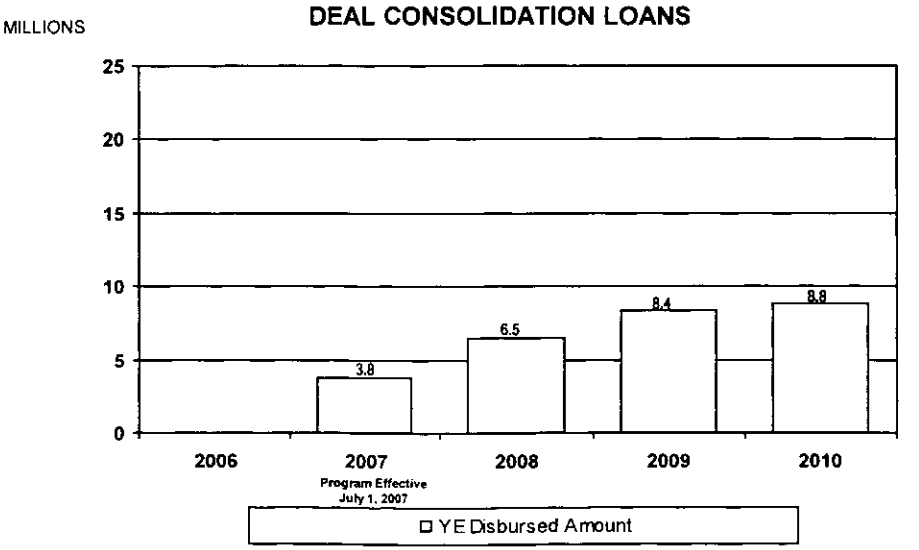
DEAL LOANS



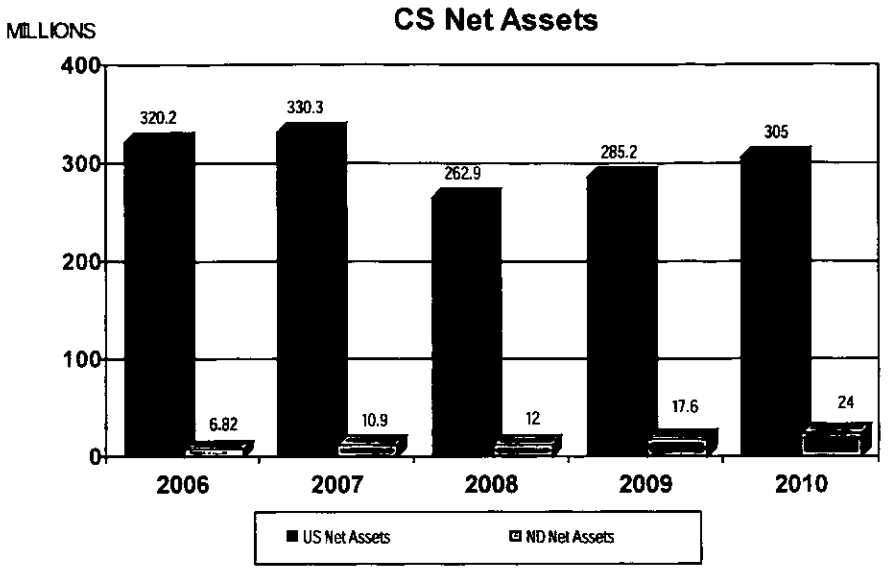
STAFFORD LOANS – SUBSIDIZED AND UNSUBSIDIZED

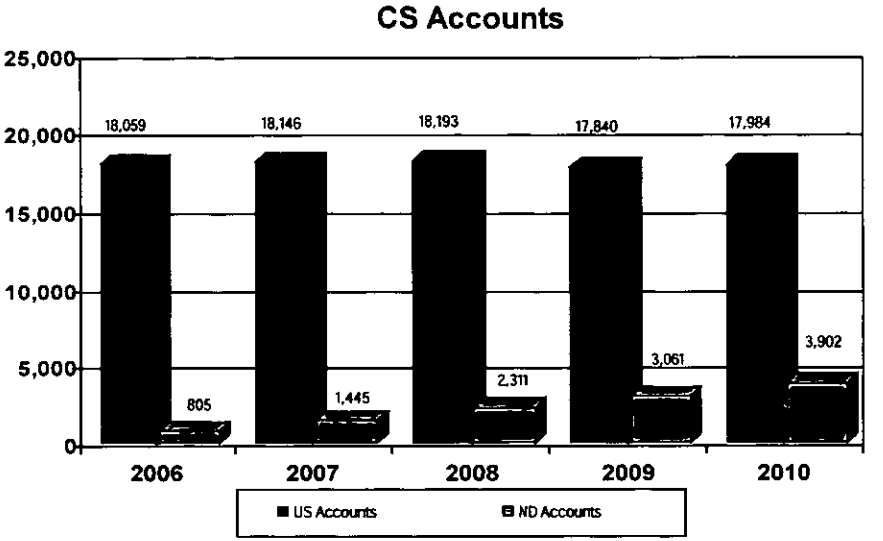


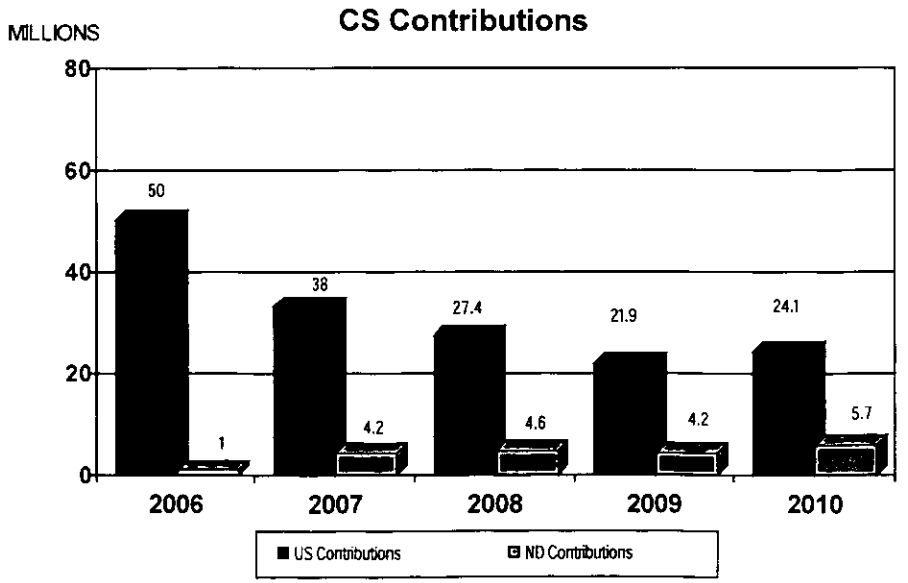
DEAL CONSOLIDATION LOANS

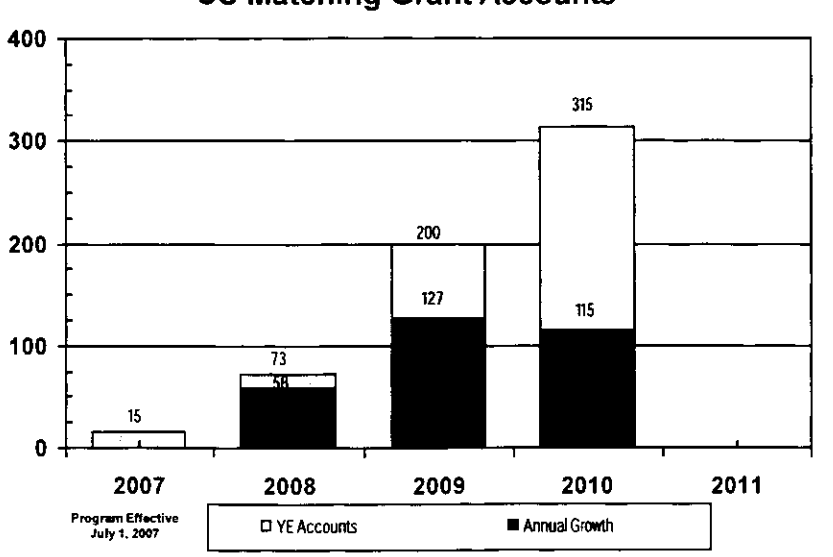


COLLEGE SAVE PROGRAM HIGHLIGHTS
2006 - 2010



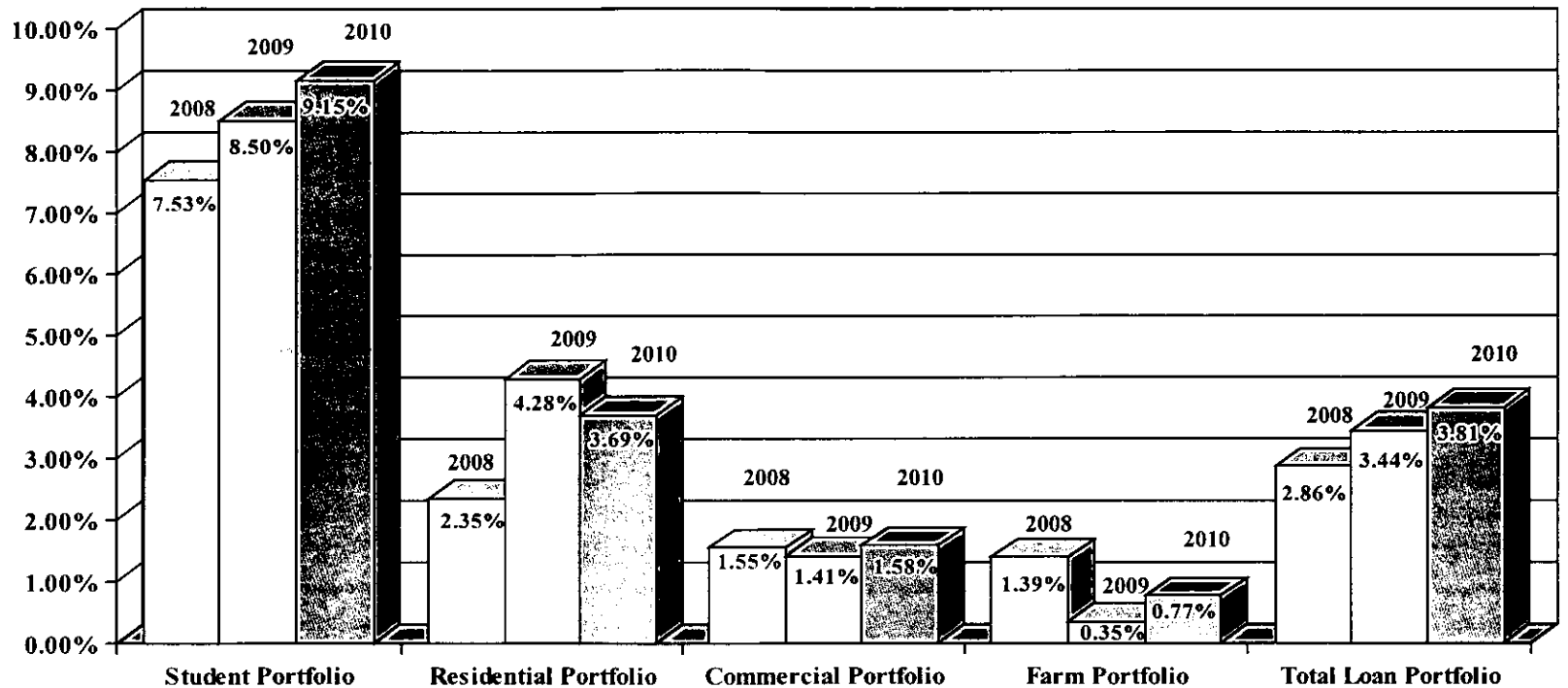






BND LOAN DELINQUENCY REPORT

FOURTH QUARTER 2008-2010

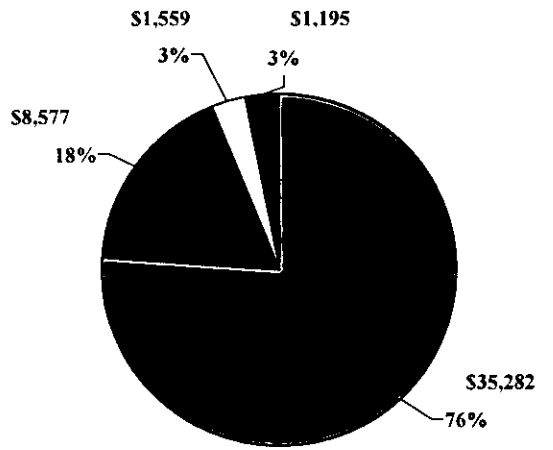


Commentary

Student Loan Portfolio: Student loan delinquencies were 9.15% of which 6.36% were delinquent over 90 days. Delinquency rates are higher than previous years based on overall economic conditions. Overall DEAL and DEAL Consolidation delinquency rates were 5.16% compared to 10.01% for all federally guaranteed student loan programs. *Residential Portfolio:* Residential delinquencies were 3.69% of which .94% were delinquent over 90 days. FHA delinquencies are lower than the North Dakota average of 4.55%. Nearly all residential delinquencies represent federally guaranteed loans. *Commercial Portfolio:* Commercial delinquencies were 1.58% of which 1.30% were delinquent over 90 days. Delinquencies are higher than previous years but still below the North Dakota average of 2.80%. *Farm Portfolio:* Farm delinquencies were .77% of which .24% were delinquent over 90 days. Delinquencies are lower than last year but are above the North Dakota average of .96%. *Total BND Owned Loan Portfolio:* December 31, 2010 overall delinquencies of 3.81% of which 2.37% which were delinquent over 90 days.

BND ALLOWANCE FOR LOAN LOSS
QUARTERLY RECAP AS OF DECEMBER 31, 2010
(IN THOUSANDS)

MONTH	YEAR	ALLOWANCE FOR LOAN LOSS	LOAN PORTFOLIO	% ALLOWANCE	NORTH DAKOTA AVERAGE
December	**2010**	$46,613	$2,814,548	1.66%	*TBD
September	**2010**	$50,813	$2,845,860	1.79%	1.54%
June	**2010**	$47,819	$2,802,842	1.71%	1.62%
March	**2010**	$45,850	$2,776,771	1.65%	1.60%
December	**2009**	$42,468	$2,713,611	1.56%	1.50%



Total Allowance = $46,613

■ Commercial ■ Farm □ Residential/Student ■ Other Factors

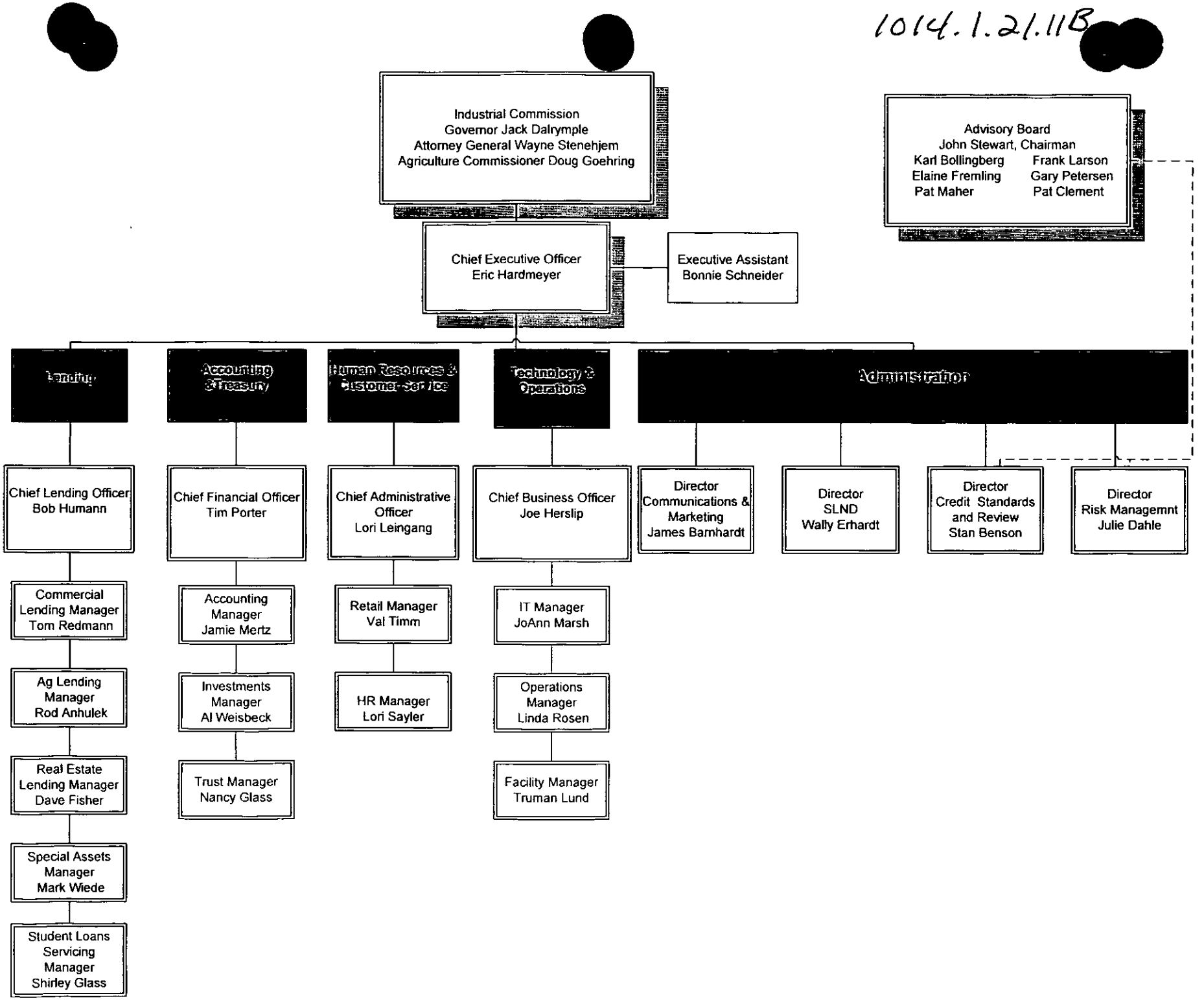
Commentary

The adequacy of the allowance for loan loss is based on management's evaluation of a number of factors, including recent loan loss experience, continuous evaluation of loan portfolio quality, current and anticipated economic conditions, and other pertinent factors. As of December 31, 2010, BND's total allowance as a percentage of total loans is 1.66% which is better than the most recently posted North Dakota average of 1.54%. BND's total allowance as a percentage of non-guaranteed loans ($1,336MM) is 3.49%; significantly better than the North Dakota average.

Commercial loans require 76% of overall allowance needs followed by Farm loans at 18%, and Residential and Student Loans at 3%. Other Factors, which include specific identified risks that could potentially impact loan loss trends in the future, comprised 3% or $1,195M. Loan loss provision totaled $12.1 million in 2010 compared to $10.3 million in 2009.

The North Dakota average is obtained from the Federal Financial Institutions Examination Council who tabulates input from over 100 insured banks in North Dakota. The December 31, 2010 average has not yet been determined as the Council tabulates and publishes this data approximately 60 days after the completion of each calendar quarter.

1014.1.21.11B


Industrial Commission
Governor Jack Dalrymple
Attorney General Wayne Stenehjem
Agriculture Commissioner Doug Goehring
Advisory Board
John Stewart, Chairman
Karl Bollingberg
Frank Larson
Elaine Fremling
Gary Petersen
Pat Maher
Pat Clement
Chief Executive Officer
Eric Hardmeyer
Executive Assistant
Bonnie Schneider
Lending
Accounting & Treasury
Human Resources & Customer Service
Technology & Operations
Administration
Chief Lending Officer
Bob Humann
Chief Financial Officer
Tim Porter
Chief Administrative Officer
Lori Leingang
Chief Business Officer
Joe Herslip
Director
Communications & Marketing
James Barnhardt
Director
SLND
Wally Erhardt
Director
Credit Standards and Review
Stan Benson
Director
Risk Managemnt
Julie Dahle
Commercial Lending Manager
Tom Redmann
Accounting Manager
Jamie Mertz
Retail Manager
Val Timm
IT Manager
JoAnn Marsh
Ag Lending Manager
Rod Anhulek
Investments Manager
Al Weisbeck
HR Manager
Lori Sayler
Operations Manager
Linda Rosen
Real Estate Lending Manager
Dave Fisher
Trust Manager
Nancy Glass
Facility Manager
Truman Lund
Special Assets Manager
Mark Wiede
Student Loans Servicing Manager
Shirley Glass

10 14.1.24.11A

Industrial Commission Abandoned Well Restoration Funds

We have a total of 5,950 wells capable of production.

619 wells were idle in November 2010 for various reasons

150 of those wells are in abandoned status – meaning they haven't produced or injected for 12 months

128 of those wells are backed by $100,000 bonds and operators in good standing

44 of those wells are in units and on unit bonds. State law strictly limits the NDIC's ability to terminate units

18 of those wells are backed by $50,000 bonds and operators in good Standing

4 of those wells are backed by $20,000 bonds and operators in good standing, but are likely to end up being plugged by the NDIC Oil and Gas Division

We have approximately $1.4 million in reserves for such plugging and reclamation as well as the authority to confiscate equipment and salable oil.

The Governor's budget recommendation adds numerous field inspectors for routine well inspection so the petroleum engineers can focus on drilling rigs, plugging wells, and spills.

Current statutes and rules allow operators to preserve well bores that are not endangering the environment unless surface or mineral owners submit a written objection to the NDIC.

Lynn D. Helms
Director
North Dakota Industrial Commission
Department of Mineral Resources
Phone (701) 328-8020
Fax (701) 328-8022

1014.1.24.11B

Good morning,

After the NDIC meeting Wayne Stenehjem called to make sure I understood his intent for the emergency clause. He re-emphasized that he intended for the emergency clause to apply to FTEs in the Executive Budget Recommendation, but it could also be applied to contingency positions if we hit the triggers before July 1, 2011.

It was moved by ___ and seconded by ____ to authorize the Department of Mineral Resources and Industrial Commission staff to work with the Legislature as outlined by Mr. Helms to obtain funding and authorization for up to five contingency positions if:

- **drilling activity should be in excess of 170 rigs; and/or**
- **the active well count should be in excess of 9,300**

and further to obtain funding and authorization for an employee to develop an application for Class VI injection well primacy with the funding to be placed in the Carbon Dioxide Storage Facility Administrative Fund and further to seek an emergency clause for this funding and additional staffing.

Following are the FTEs to which I would like to apply the emergency clause:
1 – Engineering Tech Measurement Specialist
$118,093 salary & fringes + $61,500 operating = $179,593 total
plus 2 additional months = $15,000.

1 – Petroleum Engineer in Dickinson District
$130,893 salary & fringes + $61,500 operating = $192,393 total
plus 2 additional months = $16,000.

3 – Engineering Tech Field Inspectors
$354,279 salary & fringes + $184,500 operating = $538,779 total
plus 2 additional months = $45,000

Transfer to **Carbon dioxide storage facility administrative fund** - $532,000

My opinion on the FTE count is +14 as follows:

+10 FTE included in the Executive Budget Recommendation

+4 FTE contingency to be funded from Permanent Oil Tax Trust Fund or other source as identified by Legislature

2 – Petroleum Engineers
$261,786 salary & fringes + $123,000 operating = $384,786 total

2 – Engineering Tech Field Inspectors
$236,186 salary & fringes + $123,000 operating = $359,186 total

2 FTE funding change from LMTF to General Fund – NOT NEW FTEs

1 FTE Carbon Storage Supervisor funded from Carbon dioxide storage facility administrative fund – NOT A NEW FTE this was approved by the 61st assembly

Cost of all changes from the Executive Budget Recommendation is as follows:
$15,000 + $16,000 + $45,000 + $532,000 = $608,000 General Fund
$384,786 + $359,186 = $743,972 contingency funds = $1,351,972 Total

Lynn D. Helms
Director
North Dakota Industrial Commission
Department of Mineral Resources
Phone (701) 328-8020
Fax (701) 328-8022

1014.1.24.11 D

House Appropriations Committee
Government Operations Division
House Bill No. 1014 Budget No. 475
North Dakota Mill & Elevator Association
January 24, 2011

It is important to note that we developed the following budget assumptions based on our intent to continue to grow the business over time. In fiscal year 2010 we had record production of over 10.8MM cwts. and are currently tracking to exceed that level in fiscal year 2011. We budgeted for production of 12MM cwts. in each year of the biennium, this is a 10% increase over the production and sales in fiscal year 2010. Below is a discussion on some expenses that had large increases.

1. Salaries. We are proposing the addition of four (4) positions for the next biennium, two additional employees for the plant and two in the office – a sales staff position and a lab tech position.
   A. Two railcar checker positions to staff another shift in order to ensure adequate number of railcars are cleaned and available to keep up with the increased production and sales.
   B. One lab technician to meet the increasing workload due to the increased production and sales. Quality control is very important in food products and we anticipate additional requirements that will need to be met in the next couple of years.
   C. One Sales Representative to promote continued sales growth. Currently we have three Sales Representatives and a Sales Manager producing more than $250,000,000 in total sales (FY 2010). This addition of one Sales Representative will allow our sales staff to efficiently increase sales to 12MM cwts. per year from the current 10.8MM cwts.

2. Miscellaneous Supplies. This item includes the cost of fumigations. We anticipate using heat treatment as an alternative method of fumigation so we only increased this approximately 5% over the costs incurred in fiscal year 2010. While the use of heat treatment will reduce the costs of fumigations, we anticipate we may still need to use methyl bromide part of the time. Over the past two years, the cost of our Fall fumigation using methyl bromide increased 18.8% and 27.8%.

P.O. Box 13078 / Grand Forks, ND 58208-3078
Telephone: (701) 795-7000 / Fax: (701) 795-7272

3. Utilities. Energy costs continue to increase at a significant rate. We budgeted for a 19% increase over the current biennium. WAPA continues to reduce our supply and it is unknown what rate increase may come in the new biennium. In the past three years WAPA has increased the rate charge by 13%, 19%, and 17%. NoDak Electric supplies slightly over 50% of our needs currently. They indicated to us that they will be looking to increase their rate charges to us by 10% to 15%. Last year the increase was 14%. In addition to the increase in our rates, our electrical usage will increase as we have projected an 11% increase in production and sales.

4. Insurance. Property insurance rates have been fairly stable; however food safety issues could drive up the cost of our supplemental liability insurance. That combined with an increase in valuation of inventory led us to budget for a 28% increase. Wheat prices have increased over the past year from $5.85 to $8.78, an increase of more than 50% while durum prices have increased from $5.41 to $9.65, an increase of 78%. In addition to these increases, we have completed several capital projects over the past few years resulting in additional insurance to cover these items.

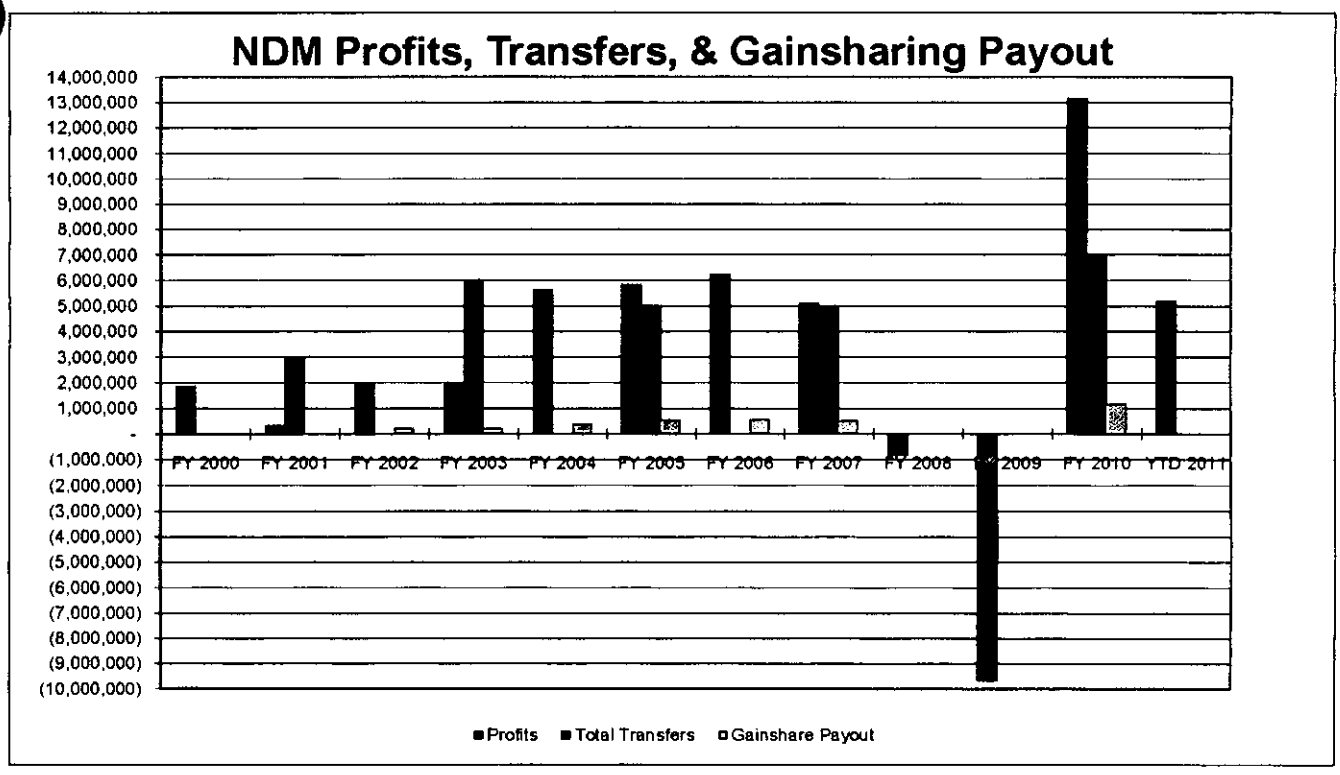
5. Repairs. As we continue to expand operations and grow, this cost will also grow at a rate above inflation. The equipment put into place during the $19.5MM upgrade and expansion project will be more than twelve years old in this biennium and will need an increasing amount of repair as the equipment ages. As we have grown and increased sales we have also increased the number of railcars we lease which require maintenance. The increase in flour production resulting in a heavier use of existing equipment, the aging of the milling equipment, and the increasing sales of flour drives this expense upward at a rate greater than the rate of inflation.

Agency: ND Mill and Elevator Association
Program: 100 Flour Mill and Grain Terminal Operations
Reporting Level: 00-475-100-00-00-00-00-00000000

1 Object/Revenue Description	Code	2 2007-09 Biennium Expenditures	3 2009-11 First Year Expenditures	4 2009-11 Biennium Balance	5 2009-11 Biennium Appropriation	6 2011-13 Total Changes	7 2011-13 Recommendation
EXPENDITURES							
Salaries - Permanent	511000	10,009,037	5,261,358	5,951,250	11,212,608	1,100,278	12,312,886
Salaries - Other	512000	0	1,468,887	1,297,295	2,766,182	880,618	3,646,800
Temporary Salaries	513000	70,398	66,458	306,542	373,000	83,000	456,000
Overtime	514000	1,823,101	1,346,684	1,680,936	3,027,620	650,380	3,678,000
Fringe Benefits	516000	4,040,666	2,573,893	2,646,021	5,219,914	673,067	5,892,981
Health Increase	599161	0	0	0	0	0	196,501
Retirement Increase	599162	0	0	0	0	0	128,056
EAP Increase	599163	0	0	0	0	0	392
Salaries and Wages	**10**	**15,943,202**	**10,717,280**	**11,882,044**	**22,599,324**	**3,387,343**	**26,311,616**
Travel	521000	368,143	177,696	423,804	601,500	0	601,500
Supplies - IT Software	531000	26,487	46,095	16,070	62,165	8,835	71,000
Supply/Material-Professional	532000	132,440	81,128	271,272	352,400	10,000	362,400
Miscellaneous Supplies	535000	1,585,471	892,264	872,492	1,764,756	210,000	1,974,756
Office Supplies	536000	123,009	55,482	118,918	174,400	40,600	215,000
Postage	541000	68,189	28,982	76,518	105,500	0	105,500
IT Equip Under $5,000	551000	72,399	13,935	87,113	101,048	18,452	119,500
Utilities	561000	3,813,607	2,266,919	3,948,617	6,215,536	1,200,000	7,415,536
Insurance	571000	1,270,875	808,421	882,579	1,691,000	480,000	2,171,000
Repairs	591000	4,156,014	2,050,908	2,942,756	4,993,664	750,000	5,743,664
IT - Communications	602000	145,879	75,940	128,810	204,750	34,000	238,750
IT Contractual Srvcs and Rprs	603000	118,987	44,348	87,302	131,650	35,000	166,650
Professional Development	611000	170,690	91,808	109,941	201,749	40,000	241,749
Operating Fees and Services	621000	4,364,228	75,873	110,677	186,550	35,000	221,550
Fees - Professional Services	623000	92,141	31,351	164,899	196,250	35,000	231,250
Operating Expenses	**30**	**16,508,559**	**6,741,150**	**10,241,768**	**16,982,918**	**2,896,887**	**19,879,805**
Special Line Other	709000	97,222	50,296	99,704	150,000	0	150,000
Agriculture Promotion	**70**	**97,222**	**50,296**	**99,704**	**150,000**	**0**	**150,000**
Special Line Other	709000	0	0	325,000	325,000	75,000	400,000
Contingency	**71**	**0**	**0**	**325,000**	**325,000**	**75,000**	**400,000**
EXPENDITURE TOTALS		**32,548,983**	**17,508,726**	**22,548,516**	**40,057,242**	**6,359,230**	**46,741,421**
MEANS OF FUNDING							
Mill and Elevator Fund	475	32,548,983	17,508,726	22,548,516	40,057,242	6,359,230	46,741,421
Special Funds	**SPEC**	**32,548,983**	**17,508,726**	**22,548,516**	**40,057,242**	**6,359,230**	**46,741,421**
TOTAL FUNDING		**32,548,983**	**17,508,726**	**22,548,516**	**40,057,242**	**6,359,230**	**46,741,421**
AUTHORIZED EMPLOYEES							

Agency: ND Mill and Elevator Association
Program: 100 Flour Mill and Grain Terminal Operations
Reporting Level: 00-475-100-00-00-00-00-00000000

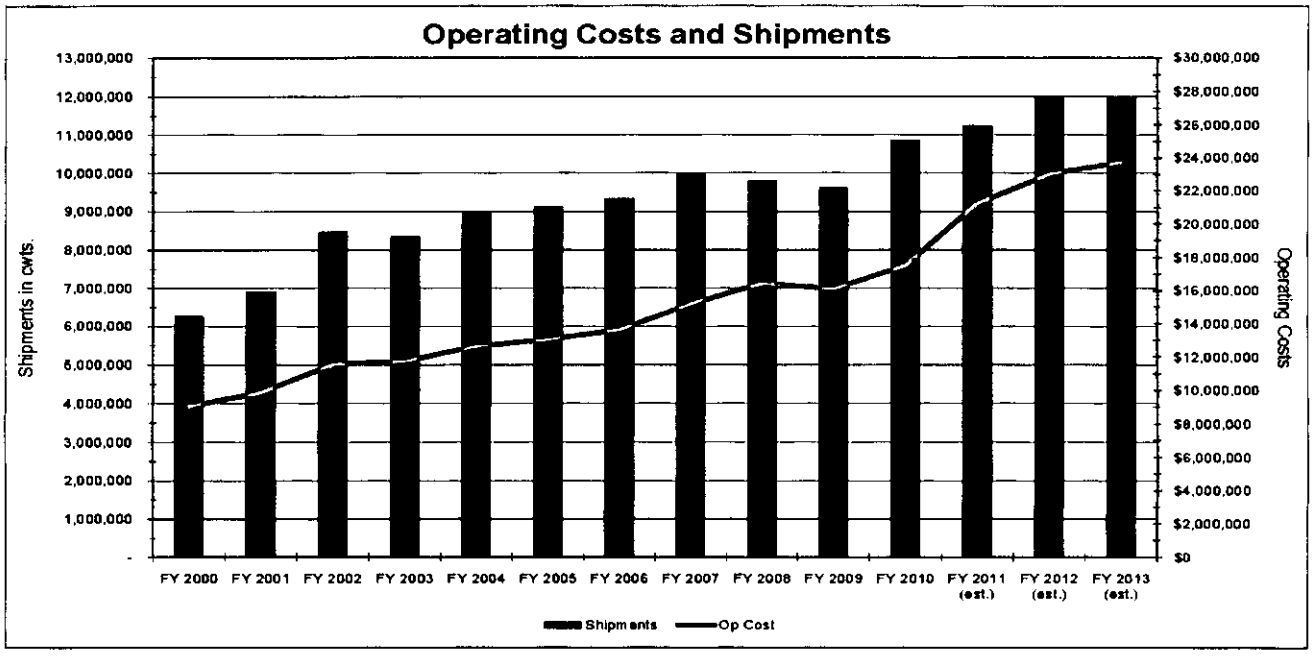
1 Object/Revenue Description / Code	2 2007-09 Biennium Expenditures	3 2009-11 First Year Expenditures	4 2009-11 Biennium Balance	5 2009-11 Biennium Appropriation	6 2011-13 Total Changes	7 2011-13 Recommendation
FTE	131.00	131.00	0.00	131.00	(1.00)	130.00
Vacant	0.00	0.00	0.00	0.00	5.00	5.00
TOTAL AUTHORIZED EMPLOYEES	131.00	131.00	0.00	131.00	4.00	135.00



North Dakota Mill

Profits, Transfers, and Gainsharing Payout

Year	Profits	Total Transfers	Gainshare Payout
FY 2000	$ 1,850,241	$ -	$ -
FY 2001	$ 330,083	$ 3,000,000	$ -
FY 2002	$ 1,924,595	$ -	$ 244,704
FY 2003	$ 2,003,460	$ 6,000,000	$ 245,555
FY 2004	$ 5,636,473	$ -	$ 390,376
FY 2005	$ 5,806,156	$ 5,000,000	$ 532,955
FY 2006	$ 6,225,560	$ -	$ 574,623
FY 2007	$ 5,114,465	$ 5,000,000	$ 549,349
FY 2008	$ (821,607)	$ -	$ -
FY 2009	$ (9,697,053)	$ -	$ -
FY 2010	$ 13,179,910	$ 6,919,453	$ 1,201,974
YTD 2011	$ 5,193,178		
Average FY 00-10	$ 2,868,389	$ 2,356,314	$ 339,958


Operating Costs and Shipments
Shipments in cwts.
Operating Costs
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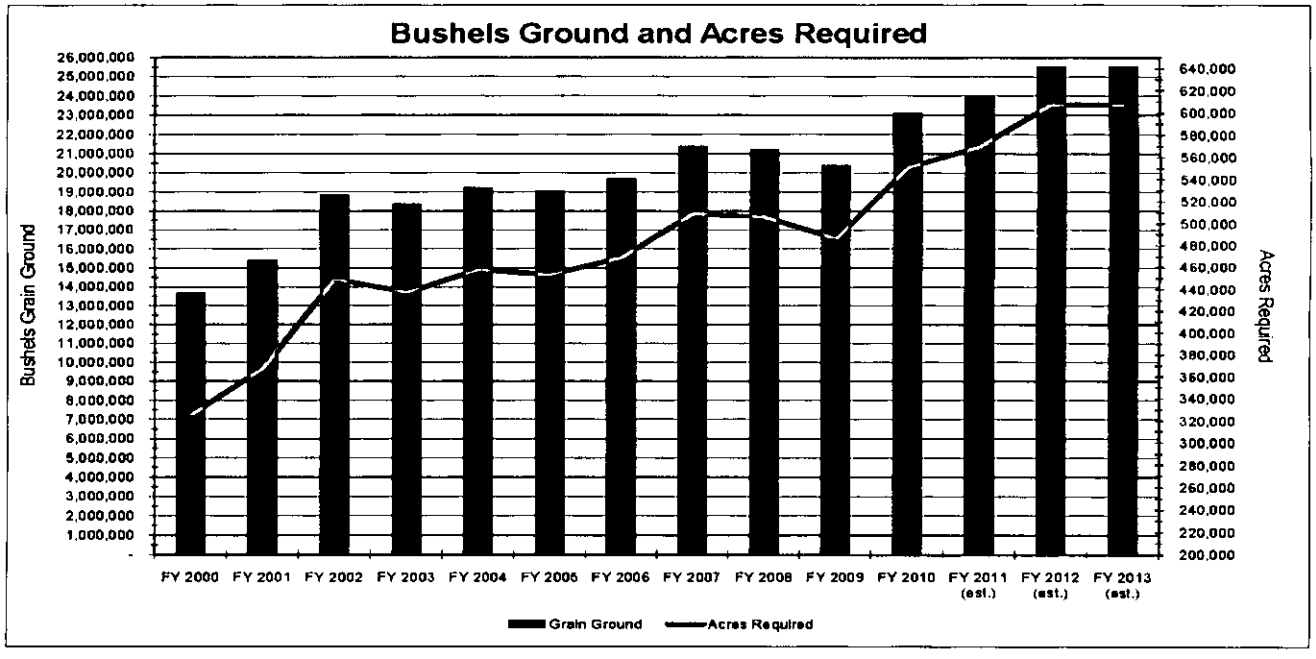
FY 2013 (est.)
Shipments
Op Cost


Bushels Ground and Acres Required
Bushels Grain Ground
Acres Required
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FY 2012 (est.)
FY 2013 (est.)
Grain Ground
Acres Required

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House Appropriations Committee
Government Operations Division
House Bill No. 1014 Budget No. 475
North Dakota Mill & Elevator Association
January 24, 2011

It is important to note that we developed the following budget assumptions based on our intent to continue to grow the business over time. In fiscal year 2010 we had record production of over 10.8MM cwts. and are currently tracking to exceed that level in fiscal year 2011. We budgeted for production of 12MM cwts. in each year of the biennium, this is a 10% increase over the production and sales in fiscal year 2010. Below is a discussion on some expenses that had large increases.

1. Salaries. We are proposing the addition of four (4) positions for the next biennium, two additional employees for the plant and two in the office – a sales staff position and a lab tech position.
   A. Two railcar checker positions to staff another shift in order to ensure adequate number of railcars are cleaned and available to keep up with the increased production and sales.
   B. One lab technician to meet the increasing workload due to the increased production and sales. Quality control is very important in food products and we anticipate additional requirements that will need to be met in the next couple of years.
   C. One Sales Representative to promote continued sales growth. Currently we have three Sales Representatives and a Sales Manager producing more than $250,000,000 in total sales (FY 2010). This addition of one Sales Representative will allow our sales staff to efficiently increase sales to 12MM cwts. per year from the current 10.8MM cwts.

2. Miscellaneous Supplies. This item includes the cost of fumigations. We anticipate using heat treatment as an alternative method of fumigation so we only increased this approximately 5% over the costs incurred in fiscal year 2010. While the use of heat treatment will reduce the costs of fumigations, we anticipate we may still need to use methyl bromide part of the time. Over the past two years, the cost of our Fall fumigation using methyl bromide increased 18.8% and 27.8%.

P.O. Box 13078 / Grand Forks, ND 58208-3078
Telephone: (701) 795-7000 / Fax: (701) 795-7272

3. Utilities. Energy costs continue to increase at a significant rate. We budgeted for a 19% increase over the current biennium. WAPA continues to reduce our supply and it is unknown what rate increase may come in the new biennium. In the past three years WAPA has increased the rate charge by 13%, 19%, and 17%. NoDak Electric supplies slightly over 50% of our needs currently. They indicated to us that they will be looking to increase their rate charges to us by 10% to 15%. Last year the increase was 14%. In addition to the increase in our rates, our electrical usage will increase as we have projected an 11% increase in production and sales.

4. Insurance. Property insurance rates have been fairly stable; however food safety issues could drive up the cost of our supplemental liability insurance. That combined with an increase in valuation of inventory led us to budget for a 28% increase. Wheat prices have increased over the past year from $5.85 to $8.78, an increase of more than 50% while durum prices have increased from $5.41 to $9.65, an increase of 78%. In addition to these increases, we have completed several capital projects over the past few years resulting in additional insurance to cover these items.

5. Repairs. As we continue to expand operations and grow, this cost will also grow at a rate above inflation. The equipment put into place during the $19.5MM upgrade and expansion project will be more than twelve years old in this biennium and will need an increasing amount of repair as the equipment ages. As we have grown and increased sales we have also increased the number of railcars we lease which require maintenance. The increase in flour production resulting in a heavier use of existing equipment, the aging of the milling equipment, and the increasing sales of flour drives this expense upward at a rate greater than the rate of inflation.

Agency: ND Mill and Elevator Association
Program: 100 Flour Mill and Grain Terminal Operations
Reporting Level: 00-475-100-00-00-00-00-00000000

1 Object/Revenue Description	Code	2 2007-09 Biennium Expenditures	3 2009-11 First Year Expenditures	4 2009-11 Biennium Balance	5 2009-11 Biennium Appropriation	6 2011-13 Total Changes	7 2011-13 Recommendation
EXPENDITURES							
Salaries - Permanent	511000	10,009,037	5,261,358	5,951,250	11,212,608	1,100,278	12,312,886
Salaries - Other	512000	0	1,468,887	1,297,295	2,766,182	880,618	3,646,800
Temporary Salaries	513000	70,398	66,458	306,542	373,000	83,000	456,000
Overtime	514000	1,823,101	1,346,684	1,680,936	3,027,620	650,380	3,678,000
Fringe Benefits	516000	4,040,666	2,573,893	2,646,021	5,219,914	673,067	5,892,981
Health Increase	599161	0	0	0	0	0	196,501
Retirement Increase	599162	0	0	0	0	0	128,056
EAP Increase	599163	0	0	0	0	0	392
Salaries and Wages	**10**	**15,943,202**	**10,717,280**	**11,882,044**	**22,599,324**	**3,387,343**	**26,311,616**
Travel	521000	368,143	177,696	423,804	601,500	0	601,500
Supplies - IT Software	531000	26,487	46,095	16,070	62,165	8,835	71,000
Supply/Material-Professional	532000	132,440	81,128	271,272	352,400	10,000	362,400
Miscellaneous Supplies	535000	1,585,471	892,264	872,492	1,764,756	210,000	1,974,756
Office Supplies	536000	123,009	55,482	118,918	174,400	40,600	215,000
Postage	541000	68,189	28,982	76,518	105,500	0	105,500
IT Equip Under $5,000	551000	72,399	13,935	87,113	101,048	18,452	119,500
Utilities	561000	3,813,607	2,266,919	3,948,617	6,215,536	1,200,000	7,415,536
Insurance	571000	1,270,875	808,421	882,579	1,691,000	480,000	2,171,000
Repairs	591000	4,156,014	2,050,908	2,942,756	4,993,664	750,000	5,743,664
IT - Communications	602000	145,879	75,940	128,810	204,750	34,000	238,750
IT Contractual Srvcs and Rprs	603000	118,987	44,348	87,302	131,650	35,000	166,650
Professional Development	611000	170,690	91,808	109,941	201,749	40,000	241,749
Operating Fees and Services	621000	4,364,228	75,873	110,677	186,550	35,000	221,550
Fees - Professional Services	623000	92,141	31,351	164,899	196,250	35,000	231,250
Operating Expenses	**30**	**16,508,559**	**6,741,150**	**10,241,768**	**16,982,918**	**2,896,887**	**19,879,805**
Special Line Other	709000	97,222	50,296	99,704	150,000	0	150,000
Agriculture Promotion	**70**	**97,222**	**50,296**	**99,704**	**150,000**	**0**	**150,000**
Special Line Other	709000	0	0	325,000	325,000	75,000	400,000
Contingency	**71**	**0**	**0**	**325,000**	**325,000**	**75,000**	**400,000**
EXPENDITURE TOTALS		**32,548,983**	**17,508,726**	**22,548,516**	**40,057,242**	**6,359,230**	**46,741,421**
MEANS OF FUNDING							
Mill and Elevator Fund	475	32,548,983	17,508,726	22,548,516	40,057,242	6,359,230	46,741,421
Special Funds	**SPEC**	**32,548,983**	**17,508,726**	**22,548,516**	**40,057,242**	**6,359,230**	**46,741,421**
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AUTHORIZED EMPLOYEES							

Agency: ND Mill and Elevator Association
Program: 100 Flour Mill and Grain Terminal Operations
Reporting Level: 00-475-100-00-00-00-00-00000000

1 Object/Revenue Description / Code	2 2007-09 Biennium Expenditures	3 2009-11 First Year Expenditures	4 2009-11 Biennium Balance	5 2009-11 Biennium Appropriation	6 2011-13 Total Changes	7 2011-13 Recommendation
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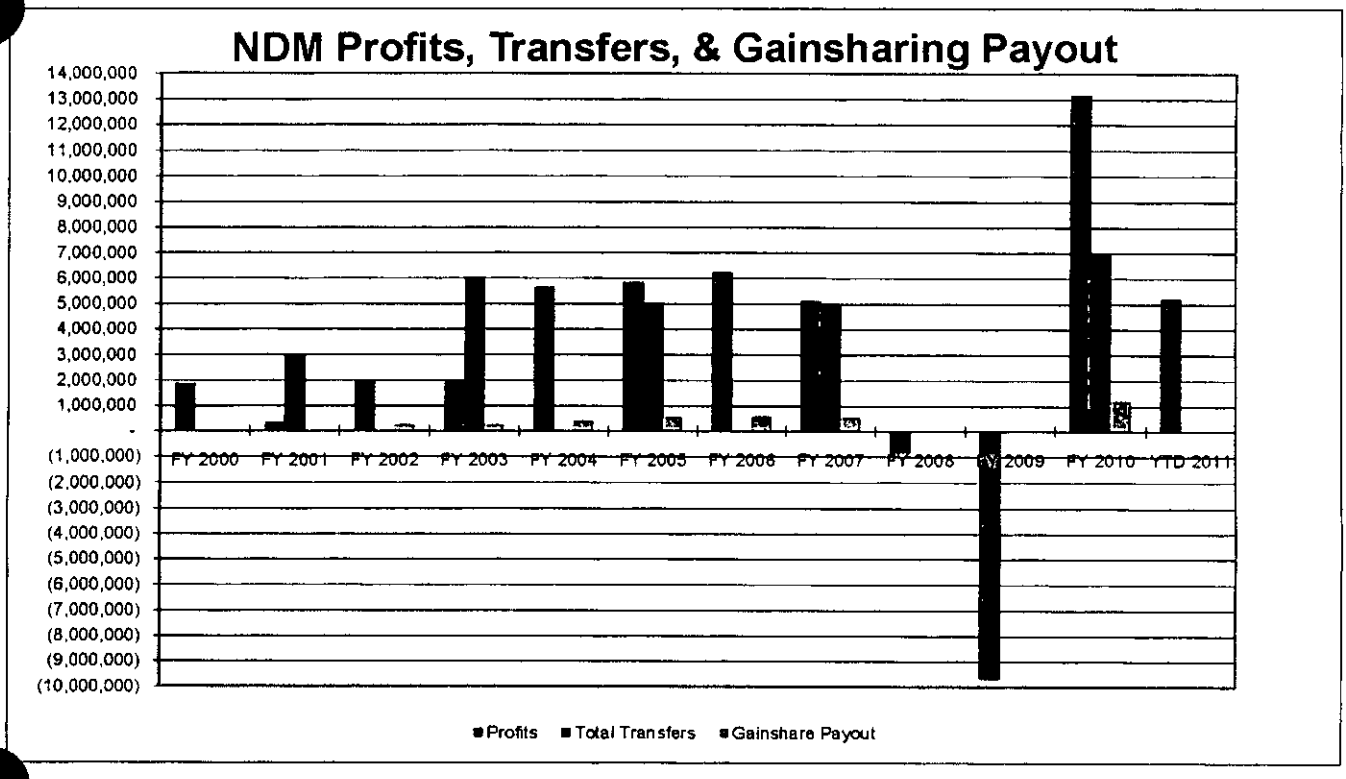
Vacant	0.00	0.00	0.00	0.00	5.00	5.00
TOTAL AUTHORIZED EMPLOYEES	131.00	131.00	0.00	131.00	4.00	135.00



North Dakota Mill

Profits, Transfers, and Gainsharing Payout

Year	Profits	Total Transfers	Gainshare Payout
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FY 2003	$ 2,003,460	$ 6,000,000	$ 245,555
FY 2004	$ 5,636,473	$ -	$ 390,376
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FY 2008	$ (821,607)	$ -	$ -
FY 2009	$ (9,697,053)	$ -	$ -
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YTD 2011	$ 5,193,178		
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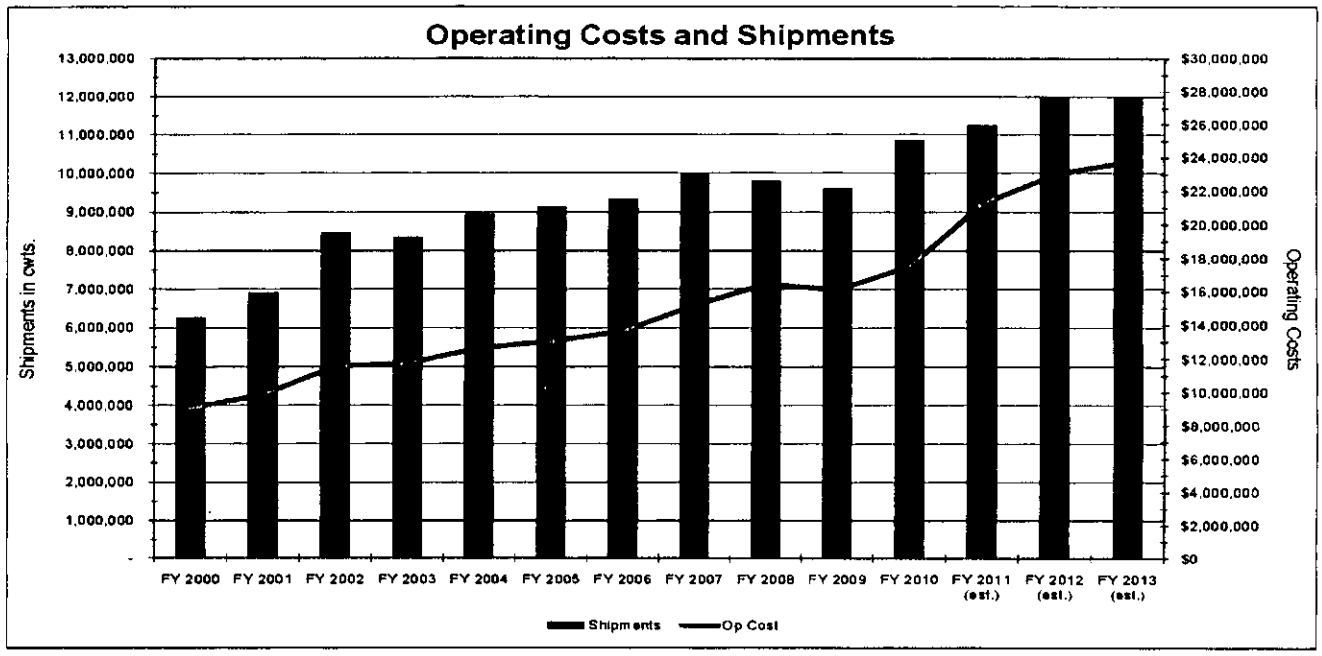
Operating Costs and Shipments
Shipments in cwts.
Operating Costs
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Shipments
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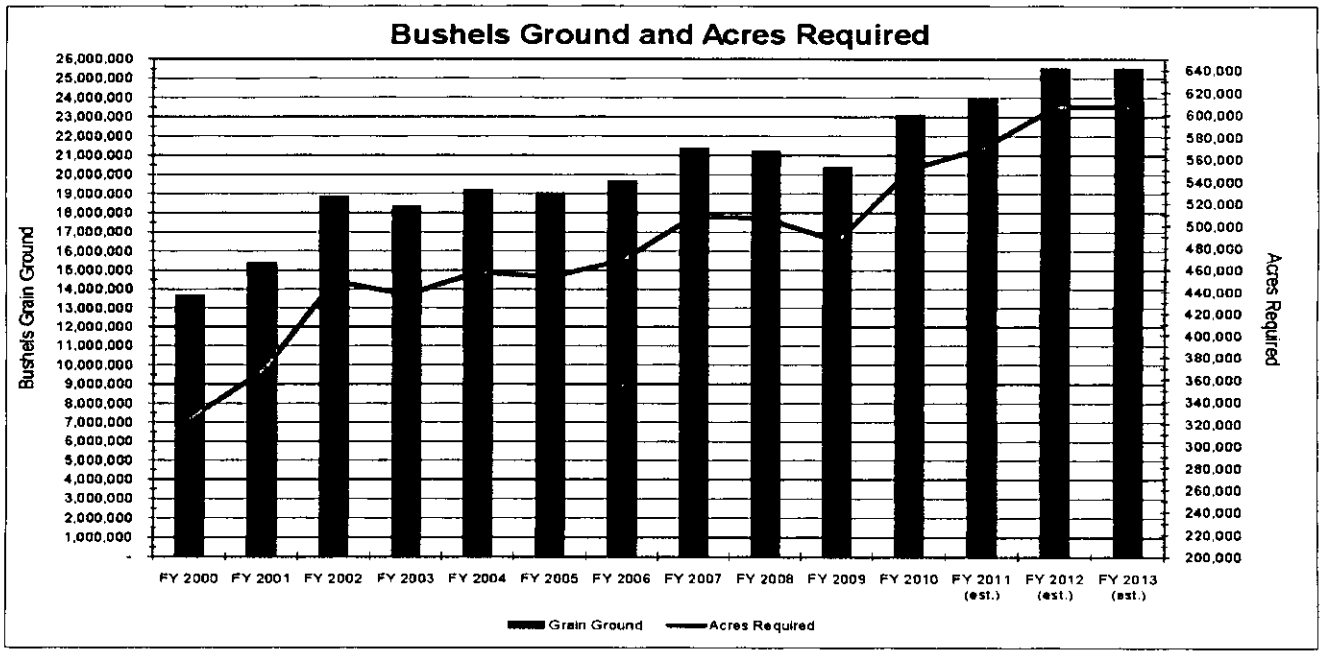
Bushels Ground and Acres Required
Bushels Grain Ground
Acres Required
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Grain Ground
Acres Required

1014. 2. 15

Prepared by the Legislative Council staff
for Representative Klein
February 15 , 2011

LISTING OF PROPOSED CHANGES TO HOUSE BILL NO. 1014

Proposed funding changes:		**General**	**Special**	
Industrial Commission	**FTE**	**Fund**	**Funds**	**Total**
Description				
1 Increase salaries and wages line item by $30,000 and the operating line item by $15,000 to fully fund 1 FTE engineering technician position		$45,000		$45,000
2 Remove funding provided for renewable energy program		($3,000,000)		($3,000,000)
Subtotal Industrial Commission		($2,955,000)	$0	($2,955,000)
Bank of North Dakota				
no changes				
Subtotal Bank of North Dakota		$0	$0	$0
Housing Finance Agency				
no changes				
Subtotal Housing Finance Agency		$0	$0	$0
Mill and Elevator				
1 Remove funding for the following positions:				
2 FTE carchecker positions			($231,322)	($231,322)
1 FTE sales representative position			($147,481)	($147,481)
1 FTE laboratory technician position			($114,802)	($114,802)
Subtotal Mill and elevator		$0	($262,283)	($262,283)
Total proposed funding changes to HB 1014		($2,955,000)	($493,605)	($3,448,605)

Other proposed changes:

1 Mill - provide language to cap the gain share - amount not determined at this time

2 BND - Legislative intent - land purchase - It is the intent of the sixty-second legislative assembly that to the best of its ability the Bank of North Dakota ensure that properties adjacent to Bank of North Dakota property northwest of west street are developed for uses that are consistent with the mission and purpose of the Bank of North Dakota.

1014, 2.15.11B

Prepared by the Legislative Council staff
for Representative Thoreson
February 15 , 2011

LISTING OF PROPOSED CHANGES TO HOUSE BILL NO. 1014

Proposed funding changes:

Industrial Commission Description	FTE	General Fund	Special Funds	Total
1 Increase salaries and wages line item by $30,000 and the operating line item by $15,000 to fully fund 1 FTE engineering technician position for the 2011-13 biennium		$45,000		$45,000
2 Add funding for carbon dioxide storage facility administrative fund	1.00	$532,000		$532,000
3 Decrease general fund and increase other funds for bond payments to reflect the veterans home federal subsidy of $116,475 and decreases for the Health Department ($34,085) and Job Service ($31,783)		($11,930)	$62,537	$50,607
Subtotal Industrial Commission		$565,070	$62,537	$627,607
Bank of North Dakota				
no changes				
Subtotal Bank of North Dakota		$0	$0	$0
Housing Finance Agency				
no changes				
Subtotal Housing Finance Agency		$0	$0	$0
Mill and Elevator				
1 Provide grant from agriculture promotion line item to Rural Leadership North Dakota			$60,000	$60,000
Subtotal Mill and elevator		$0	$60,000	$60,000
Total proposed funding changes for HB 1014	1.00	$565,070	$122,537	$687,607

Other proposed changes:

1 BND - Legislative intent - land purchase - It is the intent of the sixty-second legislative assembly that to the best of its ability the Bank of North Dakota ensure that properties adjacent to Bank of North Dakota property northwest of west street are developed for uses that are consistent with the mission and purpose of the Bank of North Dakota.

2 Contingent Appropriation - Of the funds appropriated in the salaries and wages and operating expense line items in subdivision 1 of section 1 of this Act, $743,972 is from the [General Fund] [Permanent Oil Trust Fund]. If funds are required due to the drilling rig count exceeding 180 for 30 consecutive days, the oil and gas division may spend $192,393 of these funds and hire one full-time equivalent position, upon emergency commission approval, and further if funds are required due to the drilling rig count exceeding 190 for 30 consecutive days, the oil and gas division may spend $192,393 of these funds and hire one full-time equivalent position, upon emergency commission approval. If funds are required due to the total number of oil wells in the state exceeding 9,300, the oil and gas division may spend the $359,186 and hire two full-time equivalent positions, upon emergency commission approval.

3

Application. The carbon dioxide storage facility administrative fund line item in subdivision 1 of section 1 of this Act includes $532,000 from the general fund for the purpose of hiring one full-time equivalent position for the next three years until fee income is sufficient to administer the provisions of NDCC 38-22, to provide funding in order for the state to provide a timely response to the Environmental Protection Agency's rules relating to carbon dioxide sequestration and to develop a coordinated response from state agencies with the goal of the State of North Dakota having Class VI primacy for carbon dioxide storage in North Dakota

4 Emergency clause for carbon dioxide storage facility administrative fund section

5 Legislative Management study - During the 2011-2012 interim, the legislative management shall consider studying primacy in the administration of federal Environmental Protection Agency regulations.

6 Page 4, line 11, change amount to $25,389,733 to reflect changes in bond amounts
Page 4, line 19, change amount to $672,898 to reflect change in Health Department bond amount
Page 4, line 20, change amount to $710,735 to reflect change in Job Service bond amount
Page 4, line 28, change amount to $520,475 to reflect change in veterans home bond amount
Page 4, line 29, change amount to $25,389,733 to reflect changes in bond amounts

1014, 2, 15, 11 C

11.8157.01004
Title.

Prepared by the Legislative Council staff for
Representative Glassheim
February 14, 2011

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1014

Page 1, line 2, after the semicolon insert "to create and enact two new sections to chapter 54-17 and a new subdivision to subsection 2 of section 54-60.1-01 of the North Dakota Century Code, relating to a housing incentive fund;"

Page 1, line 3, after the second semicolon insert "to provide a continuing appropriation; to provide a transfer;"

Page 3, replace lines 18 and 19 with:

"Grand total special funds	174,516,769	8,384,002	182,900,771
Grand total all funds	$194,038,871	$15,179,528	$209,218,399"

Page 6, after line 7, insert:

"**SECTION 9.** A new section to chapter 54-17 of the North Dakota Century Code is created and enacted as follows:

Housing incentive fund - Continuing appropriation.

1. The housing incentive fund is created as a special revolving fund in the state treasury. The purpose of the fund is to provide incentives to spur private investors to expand housing, including affordable housing, in developing areas with housing shortages or unmet housing needs. After a public hearing, the housing finance agency shall create an annual allocation plan for the distribution of the fund. The agency may collect a reasonable administrative fee from the fund.

2. The agency shall adopt guidelines for the fund to address the unmet housing needs through loans, forgivable loans, grants, subsidies, guarantees, and credit enhancements. These forms of assistance may be used solely for:

   a. New construction, rehabilitation, or acquisition of a multifamily residence; or

   b. Gap assistance, matching funds, and accessibility improvements.

3. Eligible recipients include units of local, state, and tribal government; local and tribal housing authorities; community action agencies; regional planning councils; and nonprofit organizations and for-profit housing developers. Individuals may not receive direct assistance from the fund.

4. Any assistance that is repaid or returned must be deposited in the fund and is appropriated on a continuing basis for the purpose of this section. Housing incentive funds may be recaptured in whole or in part upon resale of the property.

SECTION 10. A new section to chapter 54-17 of the North Dakota Century Code is created and enacted as follows:

Report.

The state housing finance agency shall report annually to the industrial commission on the activities of the housing incentive fund.

SECTION 11. A new subdivision to subsection 2 of section 54-60.1-01 of the North Dakota Century Code is created and enacted as follows:

Assistance from the state housing finance agency through housing incentive funds.

SECTION 12. TRANSFER TO HOUSING INCENTIVE FUND FROM PERMANENT OIL TAX TRUST FUND. During the biennium beginning July 1, 2011, and ending June 30, 2013, the director of the office of management and budget shall transfer $4,000,000 from the permanent oil tax trust fund to the housing incentive fund.

SECTION 13. APPROPRIATION. There is appropriated out of any moneys in the housing incentive fund in the state treasury, not otherwise appropriated, the sum of $4,000,000, or so much of the sum as may be necessary, to the housing finance agency for the purpose of funding housing needs as provided in section 9 of this Act, for the biennium beginning July 1, 2011, and ending June 30, 2013."

Renumber accordingly

1014.2.15.11B

North Dakota Housing Finance Agency
Rural Housing Investment Incentive Program
Pilot Program Activity Review

INTRODUCTION

During the past legislative session, the Agency introduced HB 1177 that proposed the creation of a state housing tax credit. The purpose was to provide an incentive for private or local investment in housing development in difficult to develop areas of the state. The bill did not succeed. However, by amendment to the its budget bill, Section 14 of SB 2014, the Agency was directed to use its reserves to conduct a pilot program to demonstrate that such an incentive could spur private investment and, thus, housing development in difficult to develop areas. The Agency committed up to $400,000 of its reserves for this pilot program.

AWARD SUMMARY

Requests for Proposals (RFP) were issued in December 2009 and July 2010 for interested parties to be considered for funding under this pilot program, named the Rural Housing Investment Incentive Program (RHIIP). Twelve applications for fourteen activities requesting a total of $1,063,000 RHIIP funds were received in response to the RFPs. A synopsis of each RHIIP application can be found in an appendix to this document.

Applicant	Activity Location	Amount Request	Award Amount
Underwood Economic Development	Underwood	$20,000 (1 unit)	$18,000
LSS Housing, Inc.	Maddock	$50,000	$50,000
Eddy County Housing Authority	New Rockford	$100,000	$50,000
LSS Housing, Inc	Parshall	$100,000	$100,000
Whitetail Properties	Velva	$70,000	$38,366
LSS Housing, Inc.	Stanley	$100,000	$100,000
LSS Housing, Inc.*	Beach*	$43,000*	$43,000*
Wishek Home for the Aged*	Wishek*	$100,000*	$0*
Hazen Community Development	Hazen	$100,000	$0
Underwood Economic Development	Underwood	$40,000 (4 unit)	$0
City of Buffalo	Buffalo	$100,000	$0
Fort Berthold Housing Authority	Parshall	$100,000	$0
3-Mile High LLC	Garrison	$100,000	$0
Underwood Economic Development	Underwood	$40,000 (2 unit)	$0
	Totals	*$1,063,000*	*$399,366*

**The Wishek project received a conditional award approval of $96,634 based on their initial application packet. However the award was rescinded when, upon review of significant changes contained within the final application, the selection committee determined the project no longer required RHIIP funding in order to be feasible. Of these rescinded funds $53,000 was distributed to other qualified projects requiring additional funding (Parshall and Underwood). An RFP was reissued and, as a result, an award of $43,000 is being considered for a project in Beach.*

1014.2.15.11A

NORTH DAKOTA MILL
GAIN SHARING PROGRAM
FY 2011

- Eligibility – all full-time employees on June 30, 2011 that worked a minimum of 1,000 hours during the program year are eligible.
- No pay out of any bonuses if profit before gain sharing expense accrual does not exceed 1.0 million dollars.
- No payout on the profit part of the plan if profit before gain sharing expense accrual does not exceed 2.0 million dollars.
- Payout will be calculated as a percent of earnings from July 1, 2010 to June 30, 2011.
- Goal numbers were set to reflect current realities for the new plan year.
- Goal numbers were set by the General Manager and the Union Negotiating Committee and are attainable with effort.

The plan consists of two independent parts. 4% potential payout is from exceeding gain sharing goals and an uncapped potential payout is from profits.

For the year ending June 30, 2011 the goals are as follows:

Gain Sharing 1st Part - 4% Bonus Potential*

Goals	
Cwt./man-hour (includes all hours)	30.0
Cost per cwt. (before gain sharing exp.)	$1.80
Yield	76.5%
Safety Record	150 Points

*4% bonus potential if all numbers are met or exceeded. Each goal is worth 1% of the 4%.

Gain Sharing 2nd Part - Uncapped Bonus Potential

Profits (before gain sharing expense accrual):

2.0 million	= 2.0% bonus pay out
4.5 million	= 4.5% bonus pay out

Each additional 1.0 million in profits = 1.0% additional bonus payout.

NOTE: The 1st Part of the gain sharing goals begin to payout at a profit (before gain sharing expense accrual) level greater than $1.0 million. The 2nd Part of the Gain sharing Goals begin to payout at a profit (before gain sharing expense accrual) level greater than $2.0 million.

EXAMPLE #1:
The Mill makes $1.5 million profit (before gain sharing expense accrual) and we exceed the goal for cwt./man-hour and cost/cwt. but not the safety record or yield. The total bonus received would be 2% for goals + 0% for profit = 2.0%.

EXAMPLE #2:
The Mill makes $2.5 million profit (before gain sharing expense accrual) and we exceed the goal for cwt. /man-hour, cost/cwt., and the safety record but not the yield. The total bonus received would be 3% for goals + 2.5% for profit = 5.5%.

HB 1014
Feb. 18, 2011
Attachment 1

North Dakota Housing Finance Agency
Rural Housing Investment Incentive Program
Pilot Program Activity Review

INTRODUCTION

During the past legislative session, the Agency introduced HB 1177 that proposed the creation of a state housing tax credit. The purpose was to provide an incentive for private or local investment in housing development in difficult to develop areas of the state. The bill did not succeed. However by amendment to the its budget bill, Section 14 of SB 2014, the Agency was directed to use its reserves to conduct a pilot program to demonstrate that such an incentive could spur private investment and, thus, housing development in difficult to develop areas. The Agency committed up to $400,000 of its reserves for this pilot program.

AWARD SUMMARY

Requests for Proposals (RFP) were issued in December 2009 and July 2010 for interested parties to be considered for funding under this pilot program, named the Rural Housing Investment Incentive Program (RHIIP). Twelve applications for fourteen activities requesting a total of $1,063,000 RHIIP funds were received in response to the RFPs. A synopsis of each RHIIP application can be found in an appendix to this document.

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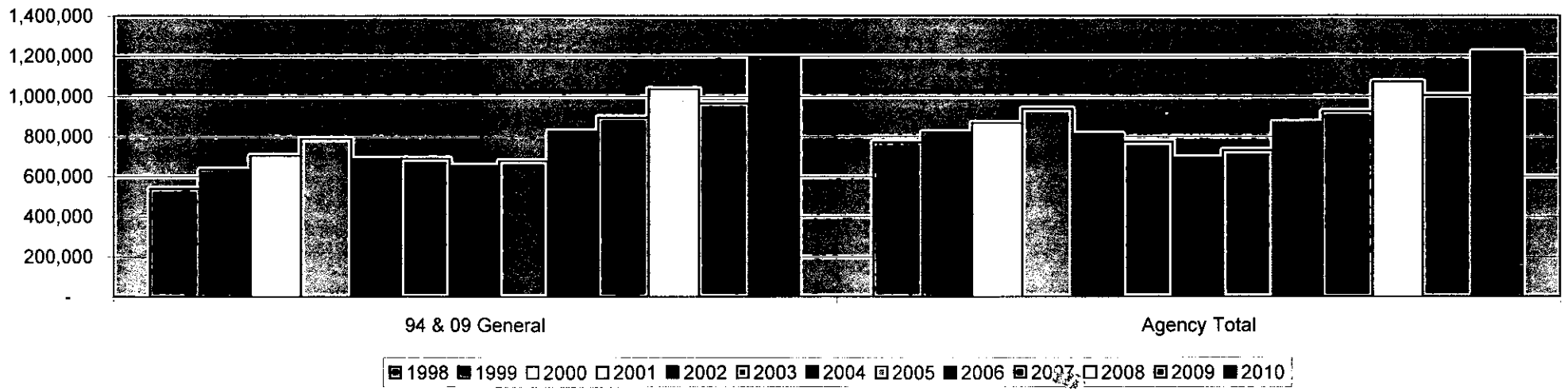
HB 1014

Industrial Commission

Administration	Karlene Fine
North Dakota Bond Debt Service	Karlene Fine
Renewable Energy Program	Karlene Fine
Student Loan Trust	Karlene Fine
Oil and Gas Research	Brent Brannan
Pipeline Authority	Justin Kringsted
Transmission Authority	Sandi Tabor
North Dakota Finance Authority	DeAnn Ament
Lignite R+D Program	John Dwyer
Department of Mineral Resources	Lynn Helms
North Dakota Housing Authority	Mike Anderson
Bank of North Dakota	Eric Hardmeyer
North Dakota Mill and Elevator	Vance Taylor

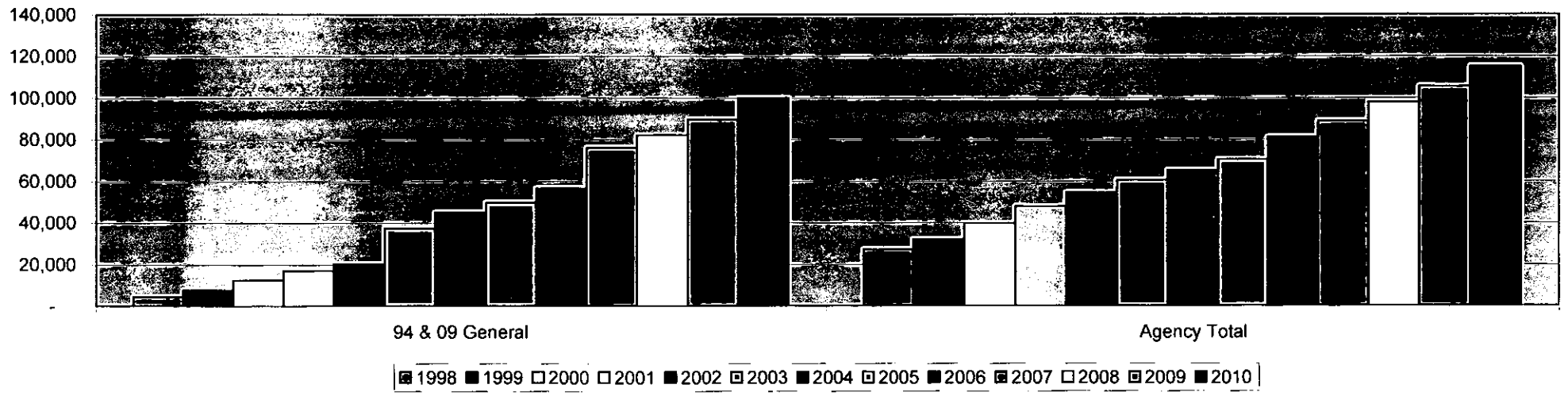
HB 1014 - Subcomm 3-21-11

North Dakota Housing Finance Agency
Total Assets as of June 30 each year



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
94 & 09 General	539,222	633,123	702,651	787,737	686,533	689,243	654,166	676,271	824,914	893,931	1,035,021	965,149	1,191,886
Agency Total	770,155	818,541	866,692	936,751	810,892	771,847	693,280	729,695	869,128	922,579	1,071,476	1,002,851	1,219,858

North Dakota Housing Finance Agency
Fund Balance as of June 30 each year



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
94 & 09 General	4,456	7,682	12,470	17,017	20,170	37,393	45,010	49,730	56,636	76,037	82,081	89,748	99,937
Agency Total	27,074	31,928	39,628	47,777	54,445	60,478	65,136	70,355	81,135	88,789	97,769	105,398	115,131

Capital Analysis

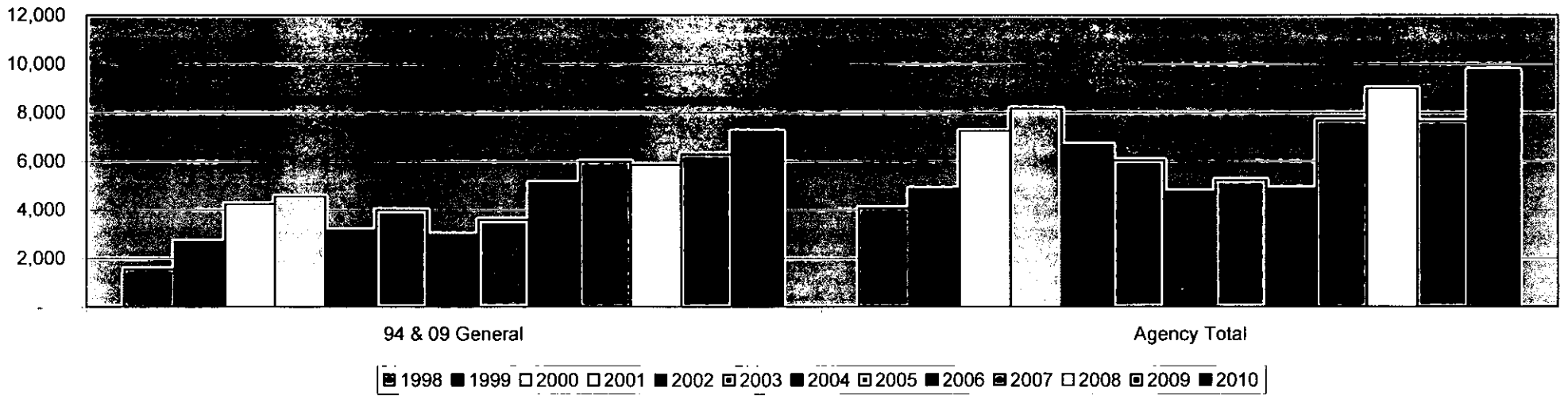
Assets	1994 General Resolution	2009 General Resolution
Cash & Investments	133,393,984.86	129,504,101.51
Mortgages Receivable	772,337,285.51	133,159,442.02
Interest Receivable	3,421,790.28	434,582.74
Accounts Receivable	61,367.77	0.00
Due From Other Funds	989,448.27	43,753.13
Total Assets	**910,203,876.69**	**263,141,879.40**
Liabilities		
Bonds Payable	809,408,981.58	257,100,000.00
Interest Payable	16,665,664.46	1,808,327.79
Accounts Payable	3,607,492.01	70,436.08
Due To Other Funds	531,381.72	
Rebate Due To Federal Govt	1,522,642.31	
Loan Loss	***13,581,916.00***	***3,459,574.00***
Total Liabilities	**845,318,078.08**	**262,438,337.87**
Moody's Rating	**Aa1**	**Aa3**
Parity	**107.68%**	**100.27%**
Fund Balance	**92,825,259.55**	**7,111,680.62**
Minimum Adjusted Parity Plus Loan Loss	104.00%	100.00%
Moody's Loan Loss Exposure Ration	2.72%	
Minimum Parity for Rating	**106.72%**	**100.00%**

Additional Collateral may has been required upon further review of cash flows.

	Agency
Undesignated Fund Balance	15,650,561.64
Servicing Release Premium	(3,826,162.34)
Admin Fee Due from Indenture	(3,634,009.25)
Required Additional Pledge to 94 General	(3,500,000.00)
Adjusted Fund Balance	**4,690,390.05**

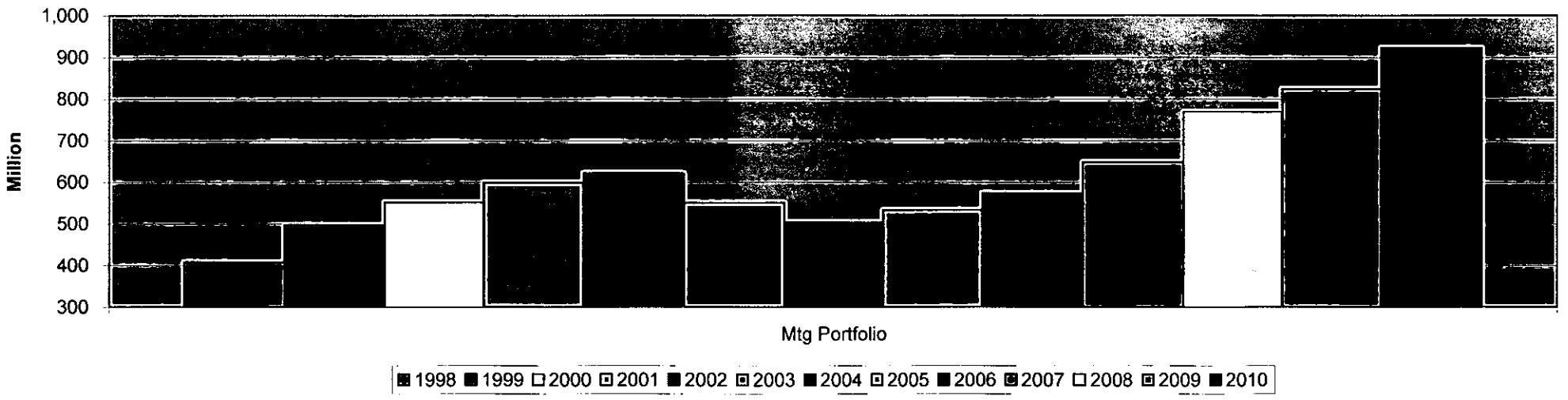
Mortgage Loans Receivable	7,176,784.30
Required Additional Pledge to 94 General	(3,500,000.00)
Balance of Unpledged Mortgage Loans	**3,676,784.30**

North Dakota Housing Finance Agency
Net Income as of June 30 each year



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
94 & 09 General	1,556	2,690	4,235	4,547	3,153	3,983	2,976	3,592	5,111	5,985	5,836	6,278	7,221
Agency Total	4,069	4,855	7,237	8,151	6,668	6,040	4,749	5,219	4,870	7,655	8,980	7,630	9,732

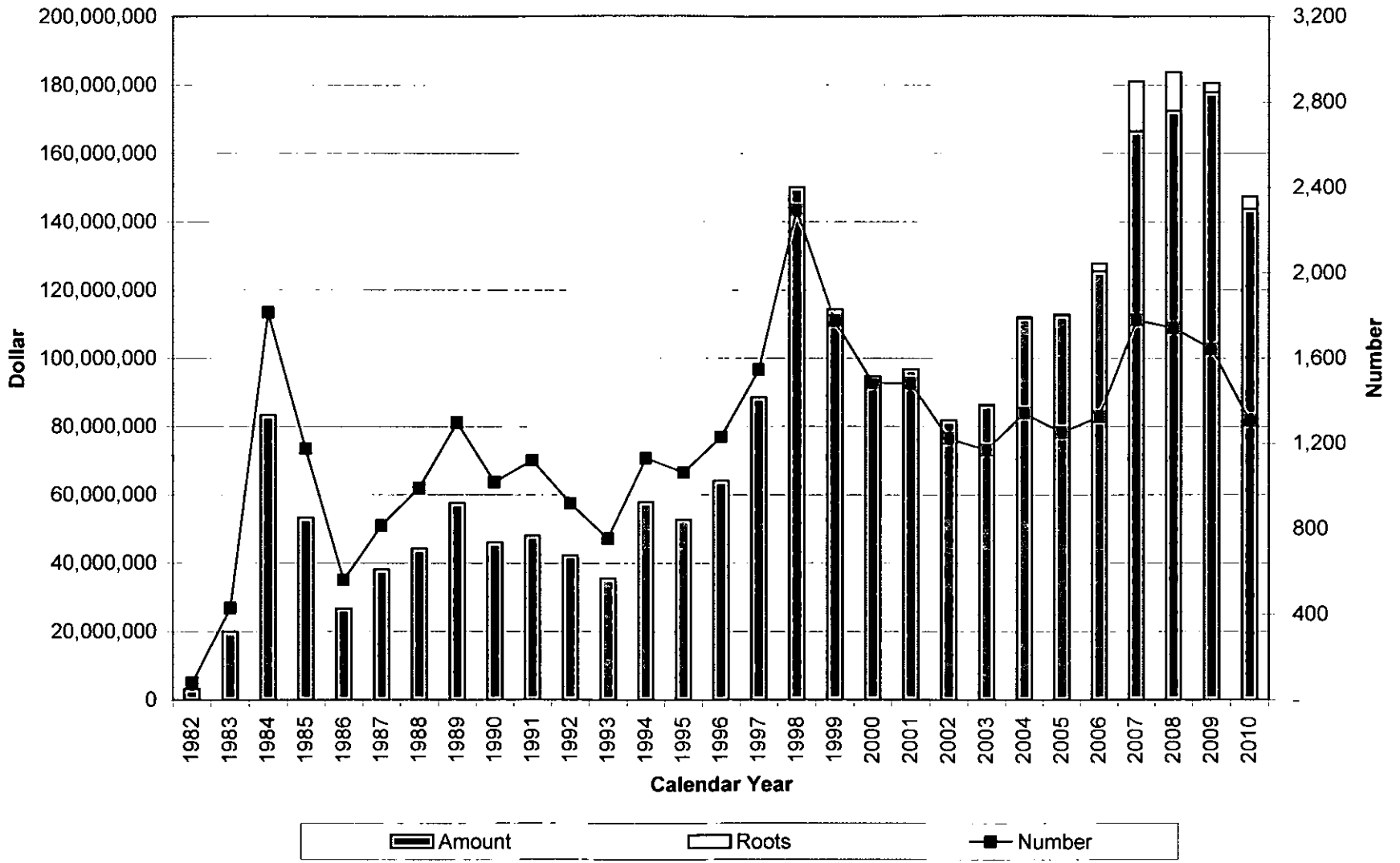
North Dakota Housing Finance Agency
Mortgage Portfolio as of June 30 each year



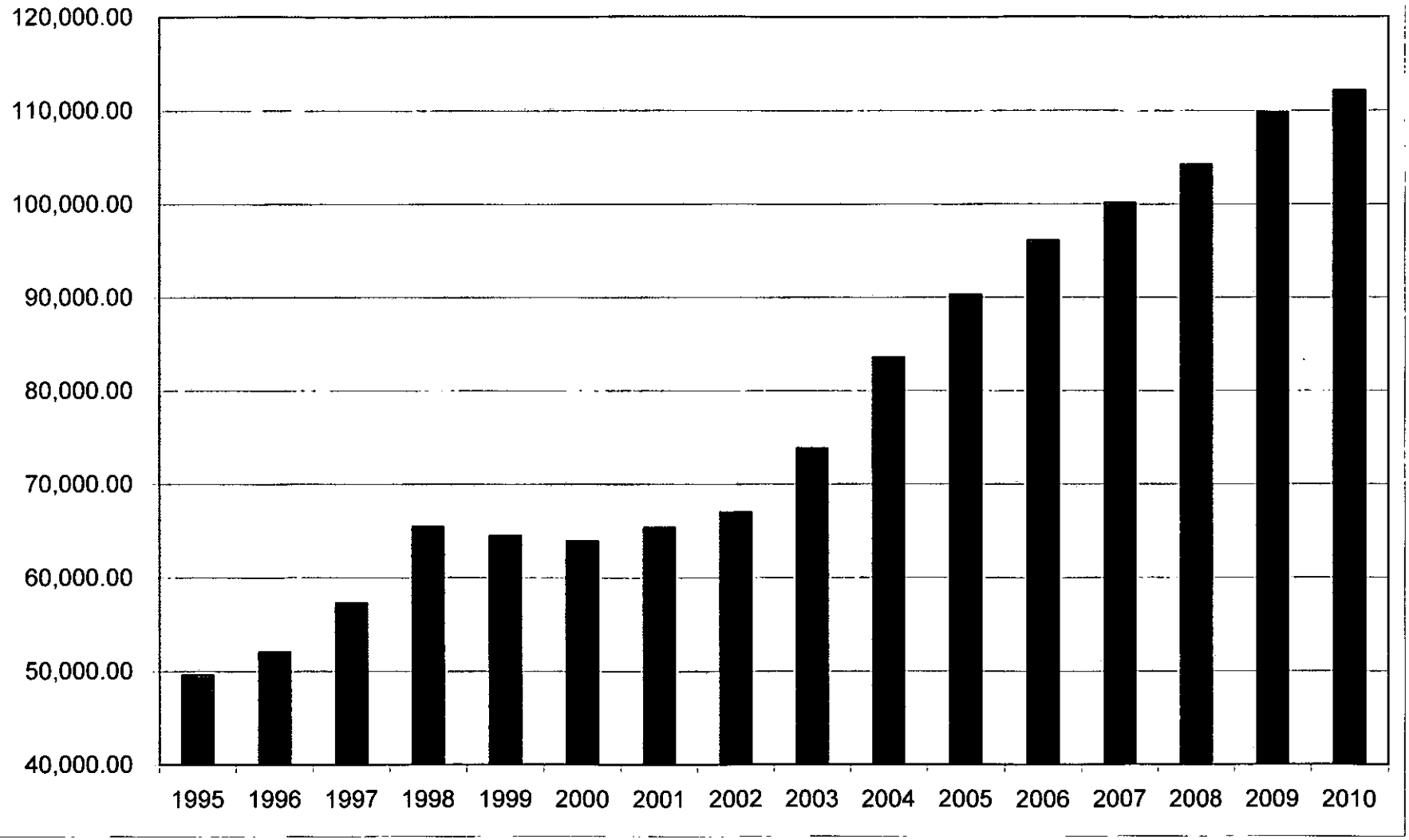
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Mtg Portfolio	408	497	552	598	622	550	503	533	574	648	769	824	922

North Dakota Housing Finance Agency

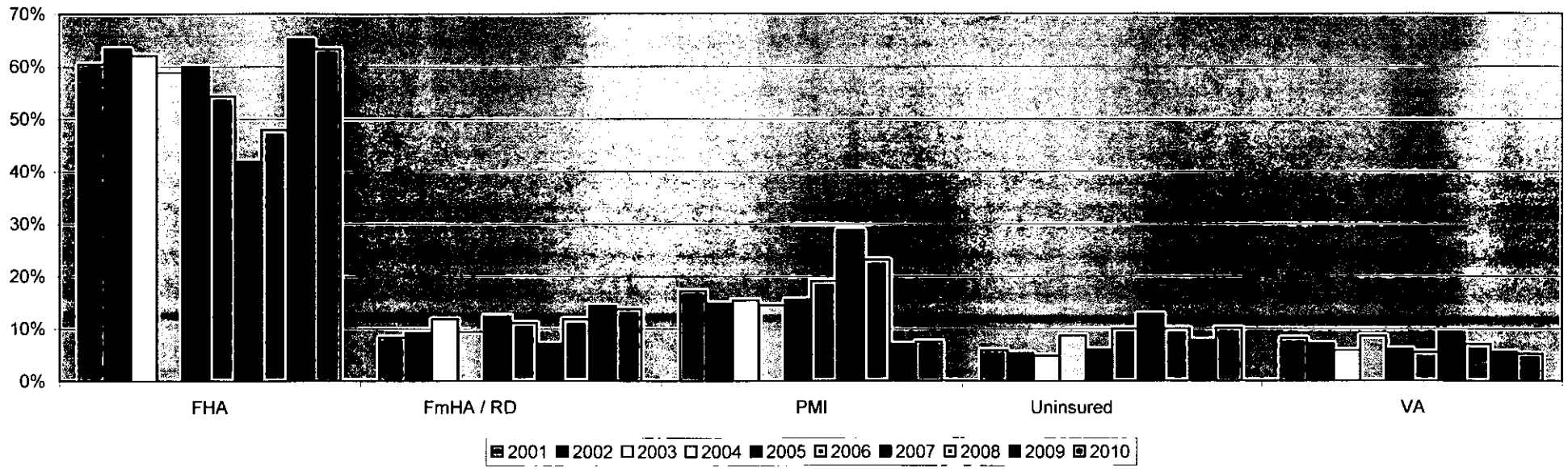
Annual Loan Purchases



North Dakota Housing Finance Agency
Average Loan Amount

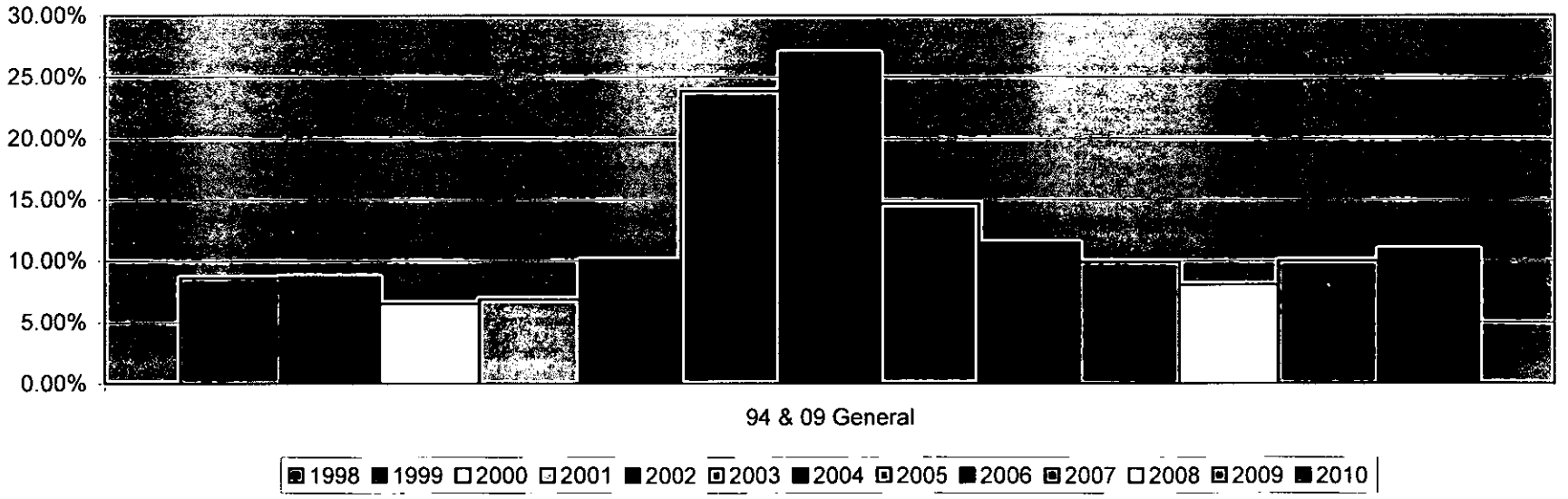


North Dakota Housing Finance Agency
New Loans by Loan Type



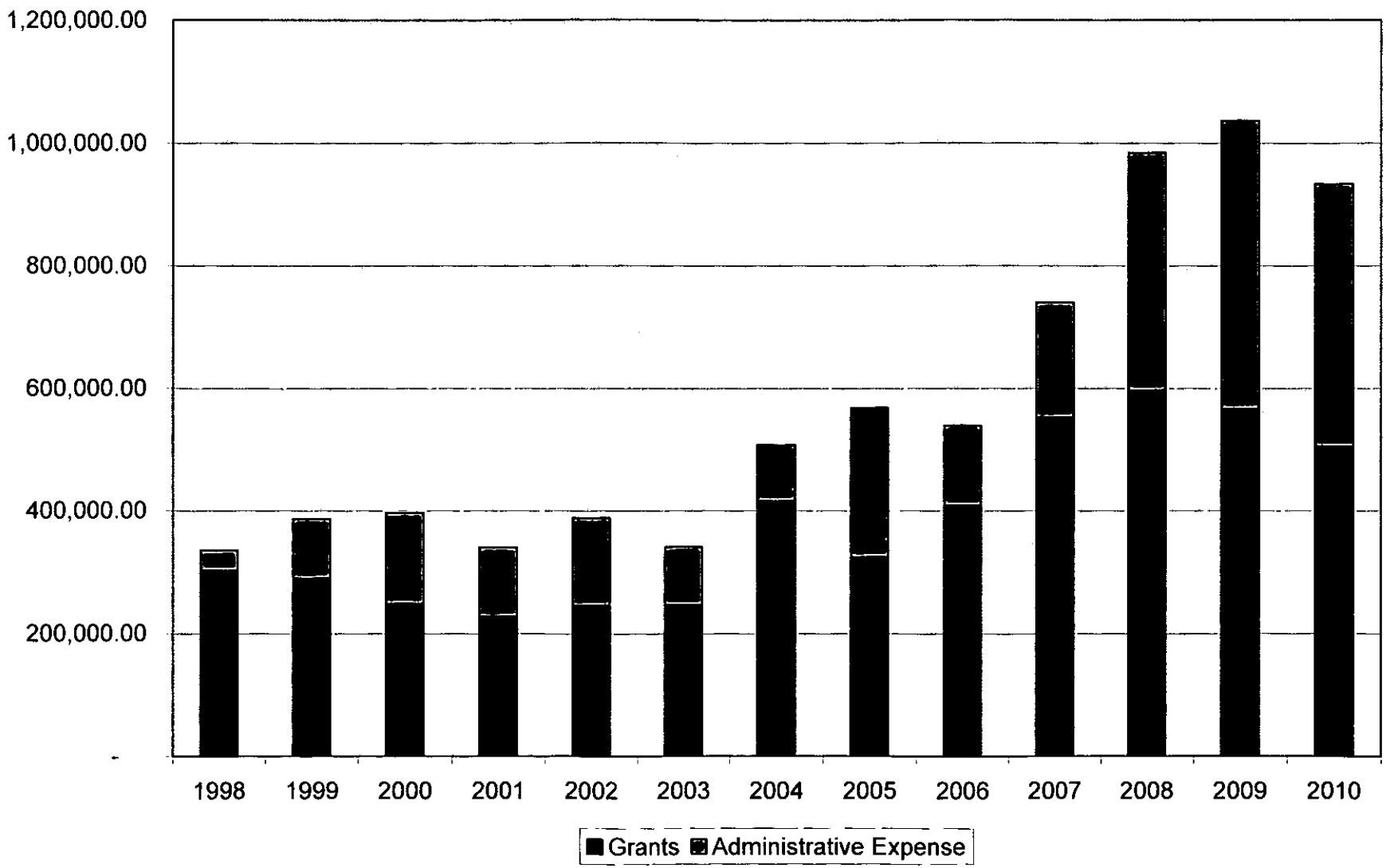
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
FHA	60%	63%	62%	59%	60%	54%	42%	48%	65%	63%
FmHA / RD	8%	9%	12%	9%	12%	11%	7%	12%	14%	14%
PMI	17%	15%	15%	14%	16%	19%	29%	23%	7%	8%
Uninsured	6%	5%	5%	9%	6%	10%	13%	10%	8%	10%
VA	8%	7%	6%	9%	6%	6%	9%	7%	6%	5%
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

North Dakota Housing Finance Agency
Prepayments as % of Mortgage Portfolio



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
94 & 09 General	8.61%	8.70%	6.51%	6.84%	10.09%	23.87%	26.96%	14.65%	11.47%	9.92%	8.07%	10.00%	10.93%

Program Development Expenditures



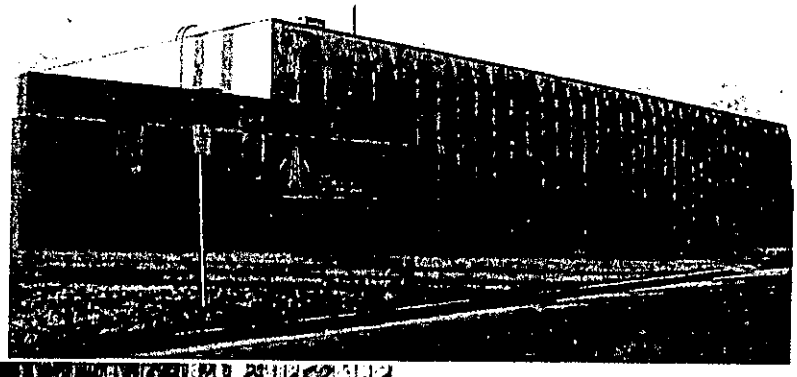
HB 1014
Sub Comm
3-21-11

Name	Service Dt	Yrs Svc			Job Service Data 2010		Target Annual
Industrial Commission		**13.5**					
Trudi Hogue	11/1/2007	2.2	Typical	98%	33,333	Administrative Assistants, p 96	30,000
Tracy Heilman	9/1/1983	26.8	Exp'd	102%	40,644	Administrative Assistants, p 96	48,773
Bethany Schmidt	8/16/2010	-0.1		100%	42,139		42,139
Karen Gutenkunst	12/1/1975	34.5	Exp'd	88%	73,358	Business Operations Specialist p14	91,698
Kyle Joersz	4/1/2000	10.2	Typical	73%	66,574	Database Administrators, p19	66,574
James Martel	12/1/2001	8.5	Exp'd	83%	57,877	Computer Programmers p 17	54,983
Rodney Genrich	6/1/2008	1.9	Typical	82%	49,744	Engineering Techs, except drafters p 25	44,770
David Tabor	3/21/2007	0.2	Entry	76%	44,600	Engineering Techs, except drafters p 25	40,140
Ryan Ellis		0.7	Entry	92%	44,600	Engineering Techs, except drafters p 25	40,140
Nathaniel Kirby	3/1/2005	5.3	Exp'd	84%	54,308	Engineering Techs, except drafters p 25	51,593
David Hvinden	3/1/1983	27.3	Exp'd	95%	76,194	Administrative Services Managers, p4	87,623
Elroy Kadrmas	9/2/1997	12.8	Exp'd	99%	49,070	Surveying and Mapping Tech, p 26	53,977
Kenneth Urlacher	3/1/2000	10.3	Typical	103%	33,807	Surveying and Mapping Tech, p 26	33,807
Steve Kranich	5/1/1984	26.2	Typical	112%	33,807	Surveying and Mapping Tech, p 26	35,497
Tim Neshiem		0.0	Entry	124%	43,035	Geoscientists, p. 28	38,732
Rebecca Gould	5/1/2008	2.1	Typical	85%	51,286	Geoscientists, p. 28	46,157
Jeffrey Person	2/1/2008	2.4	Exp'd	76%	72,998	Geoscientists, p. 28	65,698
Stephan Nordeng	10/1/2006	3.7	Exp'd	92%	72,998	Geoscientists, p. 28	69,348
Fred Anderson	1/1/2004	6.5	Exp'd	92%	72,998	Geoscientists, p. 28	69,348
Lorraine Manz	10/1/2001	8.7	Exp'd	80%	72,998	Geoscientists, p. 28	69,348
Julie LeFever	10/1/1984	29.8	Typical	81%	88,443	Natural Sciences Managers, p 9	106,132
John Hoganson	3/1/1981	29.4	Exp'd	90%	94,618	Natural Sciences Managers, p 9	113,542
Rich Suggs	9/1/1980	1.7	Entry	82%	57,283	Mining & Geological Engineers, p 23	51,555
Edward Murphy	7/1/1980	32.1	Exp'd	96%	98,268	Natural Sciences Managers, p 9	117,922
James Lindholm	12/1/1981	28.6	Exp'd	107%	67,532	Network & Computer Systems Administrators p 19	81,038
Russell Prange	3/1/1985	25.3	Typical	81%	42,816	Life, Physical & Social Science Techs, p 31	47,098
Kent Hollands	7/1/1991	19.6	Exp'd	91%	44,311	Life, Physical & Social Science Techs, p 31	48,742
Lisa Peterson	11/1/1990	0.7	Entry	97%	25,979	Office & Admin Support Workers p 99	23,381
Jeanette Bean	12/1/2007	2.6	Typical	79%	35,907	Office & Admin Support Workers p 99	32,316
Karla Lorentzen	9/1/1989	20.8	Typical	74%	35,907	Office & Admin Support Workers p 99	39,498
Donna Bauer	10/1/1986	23.8	Typical	81%	35,907	Office & Admin Support Workers p 99	41,293
Evelyn Roberson	8/1/1984	26.1	Exp'd	84%	40,644	Administrative Assistants, p 96	46,741
Daryl Gronfur	9/1/1985	24.8	Exp'd	93%	54,308	Engineering Techs, except drafters p 25	59,739
Annette Fetzer	1/1/1984	26.5	Exp'd	86%	54,308	Engineering Techs, except drafters p 25	62,454
Tomas Torstenson	5/1/2002	8.1	Entry	87%	53,732	Geoscientists, p. 28	51,045
Kevin Conners	10/4/2010	-0.3	Entry	82%	57,283	Mining & Geological Engineers, p 23	51,555
Jennifer Bickler		0.1	Entry	82%	57,283	Mining & Geological Engineers, p 23	51,555
Vacant		0.9	Entry	84%	57,283	Mining & Geological Engineers, p 23	51,555
Nicole Nelson		0.8	Entry	84%	57,283	Mining & Geological Engineers, p 23	51,555
Jessica Stalker		0.7	Entry	84%	57,283	Mining & Geological Engineers, p 23	51,555
Jim Potts	7/21/2008	1.9	Entry	86%	57,283	Mining & Geological Engineers, p 23	51,555
Jason Hicks	8/1/2007	2.8	Entry	88%	57,283	Mining & Geological Engineers, p 23	51,555
Richard Dunn	8/1/2006	3.8	Average	67%	77,024	Mining & Geological Engineers, p 23	73,173
Thomas Schumacher	8/1/2006	3.9	Average	78%	77,024	Mining & Geological Engineers, p 23	73,173
Cody VanderBusch	5/1/2006	4.1	Average	72%	77,024	Mining & Geological Engineers, p 23	73,173
Nathaniel Erbele	8/1/2005	4.9	Entry	98%	57,283	Mining & Geological Engineers, p 23	54,419
Scott Ladner	4/1/2001	9.2	Average	73%	77,024	Mining & Geological Engineers, p 23	73,173
Scott Dihle	1/1/2001	9.5	Average	73%	77,024	Mining & Geological Engineers, p 23	73,173
Thomas Delling	7/1/1981	29.0	Average	87%	77,024	Mining & Geological Engineers, p 23	88,578
Todd Holweger	9/1/1996	13.8	Typical	91%	81,297	Mining & Geological Engineers, p 23	81,297
Richard Hutchens	11/1/1981	28.7	Typical	94%	81,297	Mining & Geological Engineers, p 23	93,492
John Axtman	8/1/1981	28.9	Typical	93%	81,297	Mining & Geological Engineers, p 23	93,492
Robert Garbe	7/1/1979	31.0	Typical	100%	81,297	Mining & Geological Engineers, p 23	97,556
David McCusker	6/1/1991	19.1	Exp'd	79%	87,750	Mining & Geological Engineers, p 23	92,138
Mark Bohrer	4/1/1986	24.3	Exp'd	101%	87,750	Mining & Geological Engineers, p 23	100,913
Glenn Wollan	6/1/1979	31.1	Exp'd	105%	87,750	Mining & Geological Engineers, p 23	105,300
Bruce Hicks	7/1/1980	30.0	Exp'd	108%	106,793	Engineering Managers, p 8	133,491
					3,531,970		3,670,260
					404,585	**Needed = Target - Current**	**542,875**

The Wilson M. Laird Core and Sample Library

Located on the campus of the University of North Dakota
Contains over 157,000 boxes:

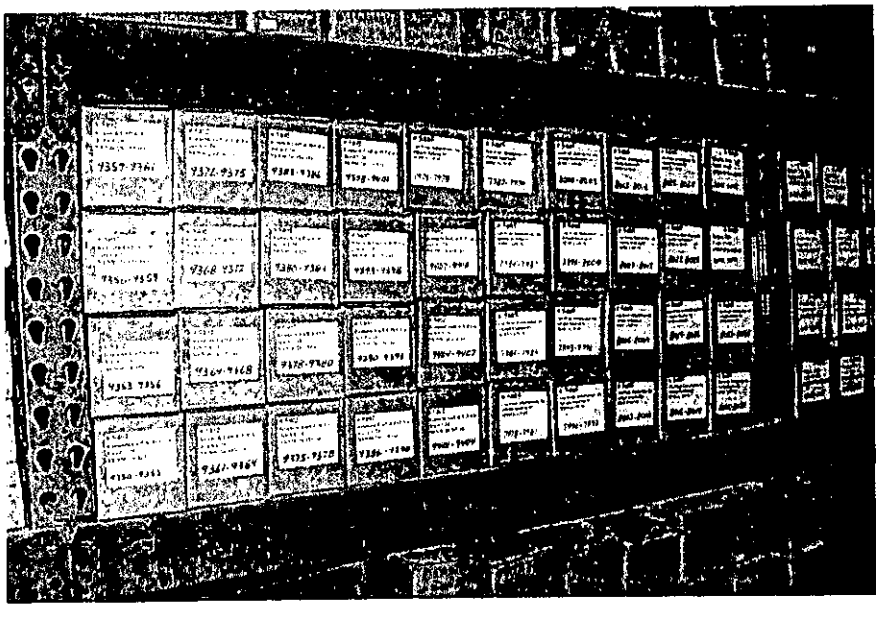
120,000 core boxes = 380,000 feet of core
37,000 sample boxes



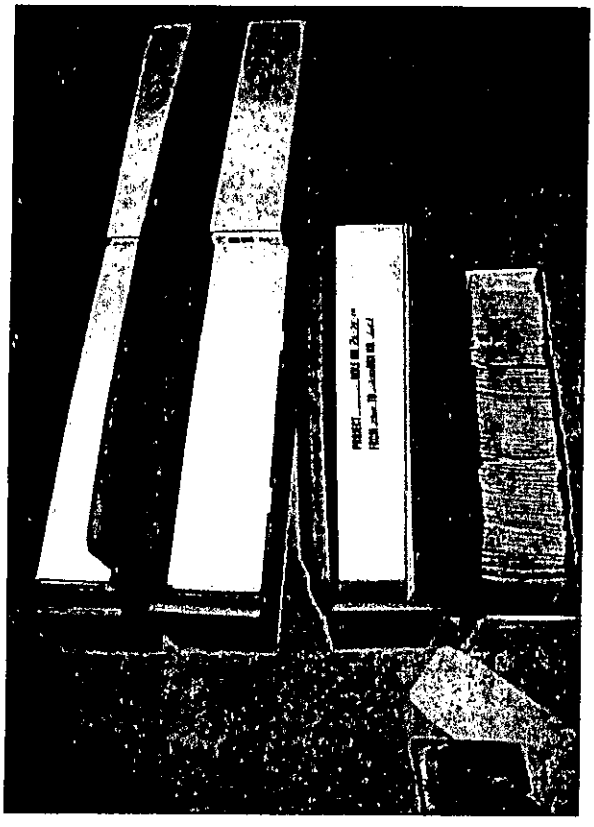
3

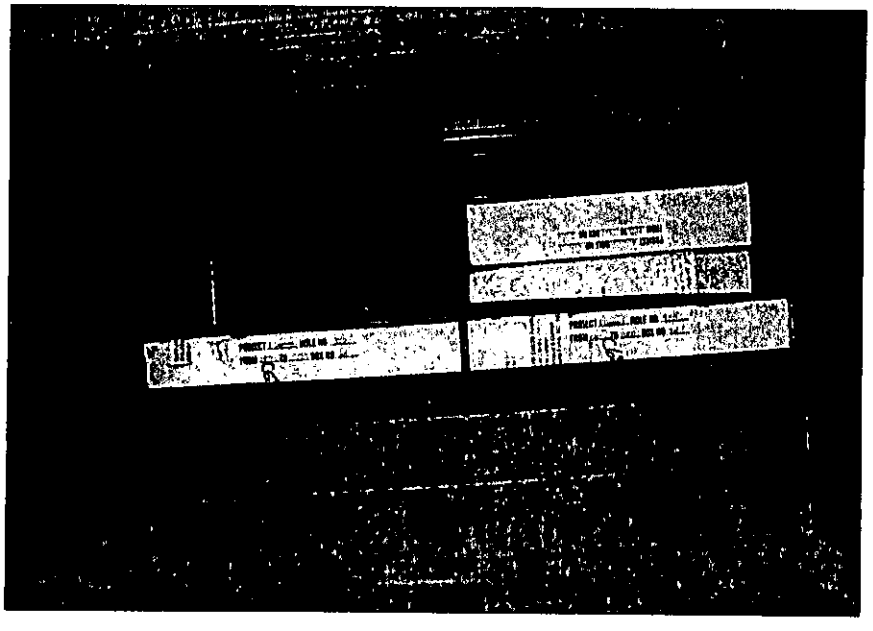
Roughly 2/3s (2,043) of the 3,224 bins containing core boxes could be reboxed to save space (20-35%)

From 2004-2010, 560 of the 2,043 bins were reboxed
That opened up 128 bins

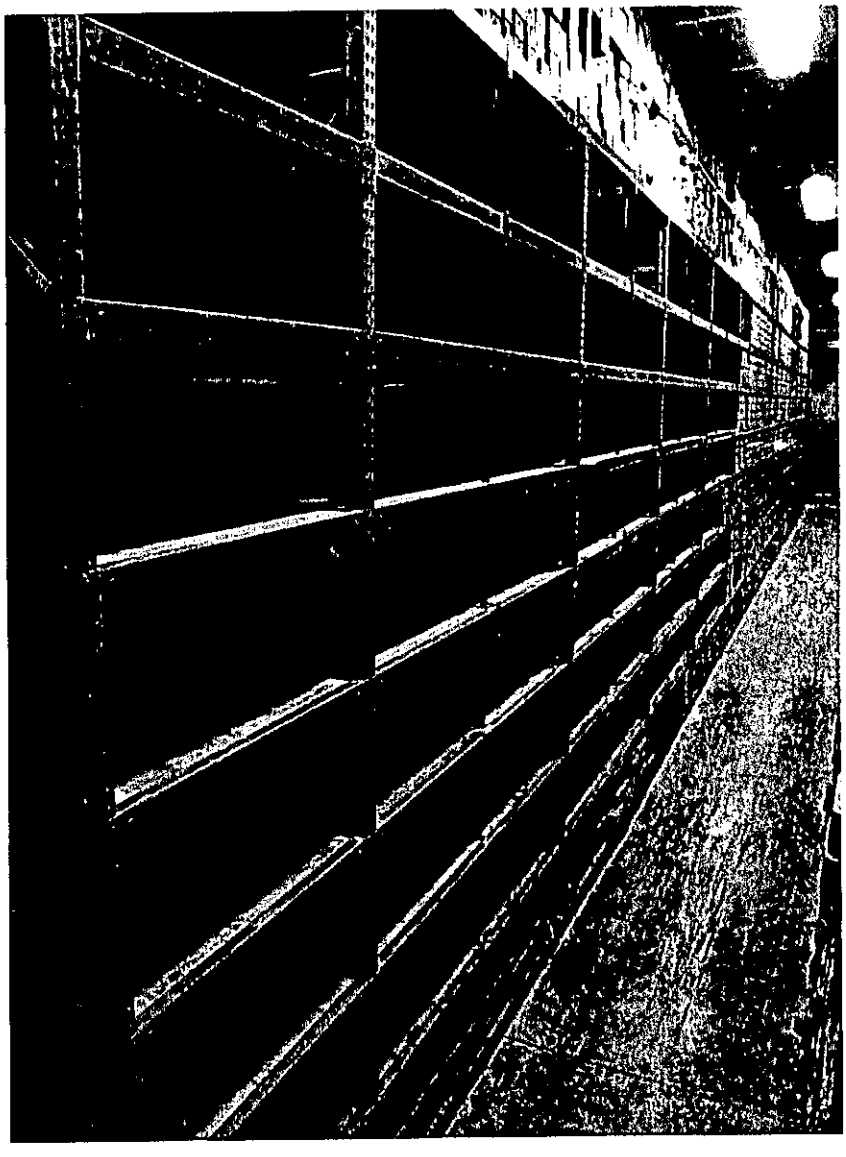


In 2008 and 2009 we reboxed 296 of the 806 sample bins, creating 148 open sample bins.

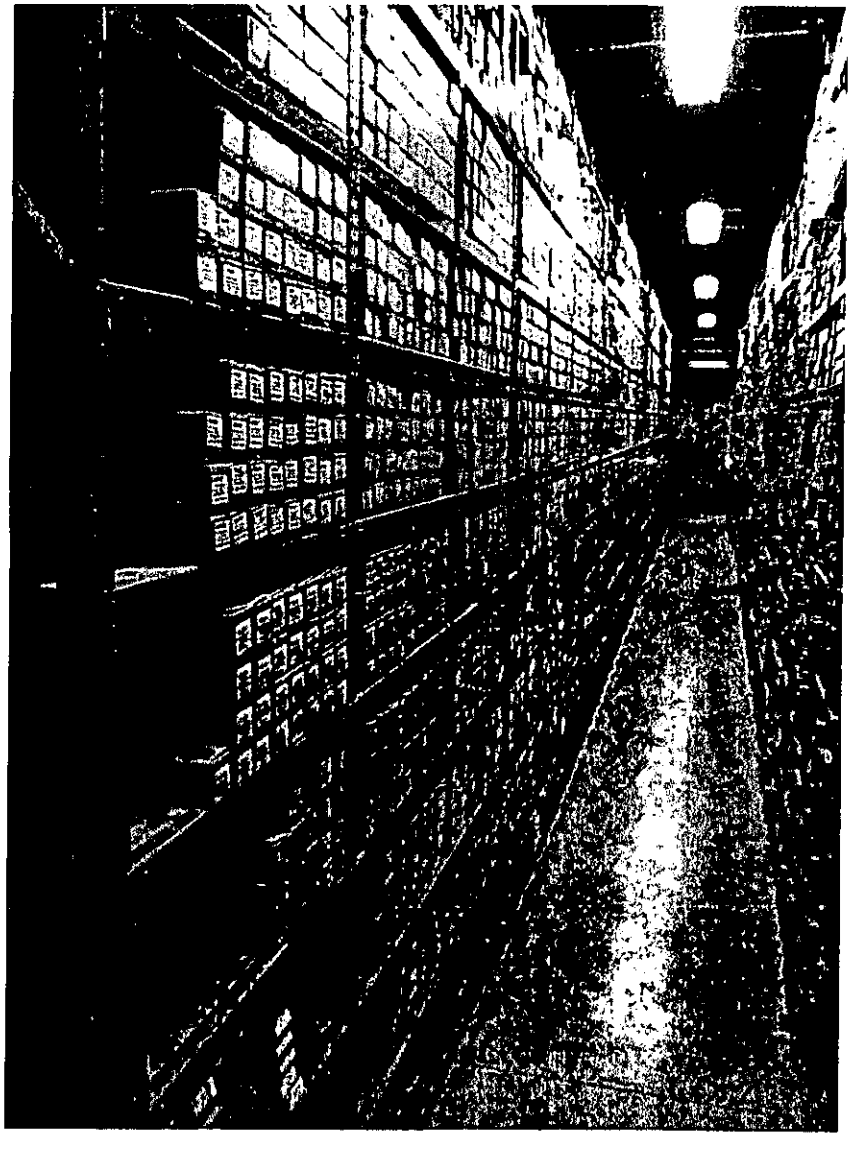




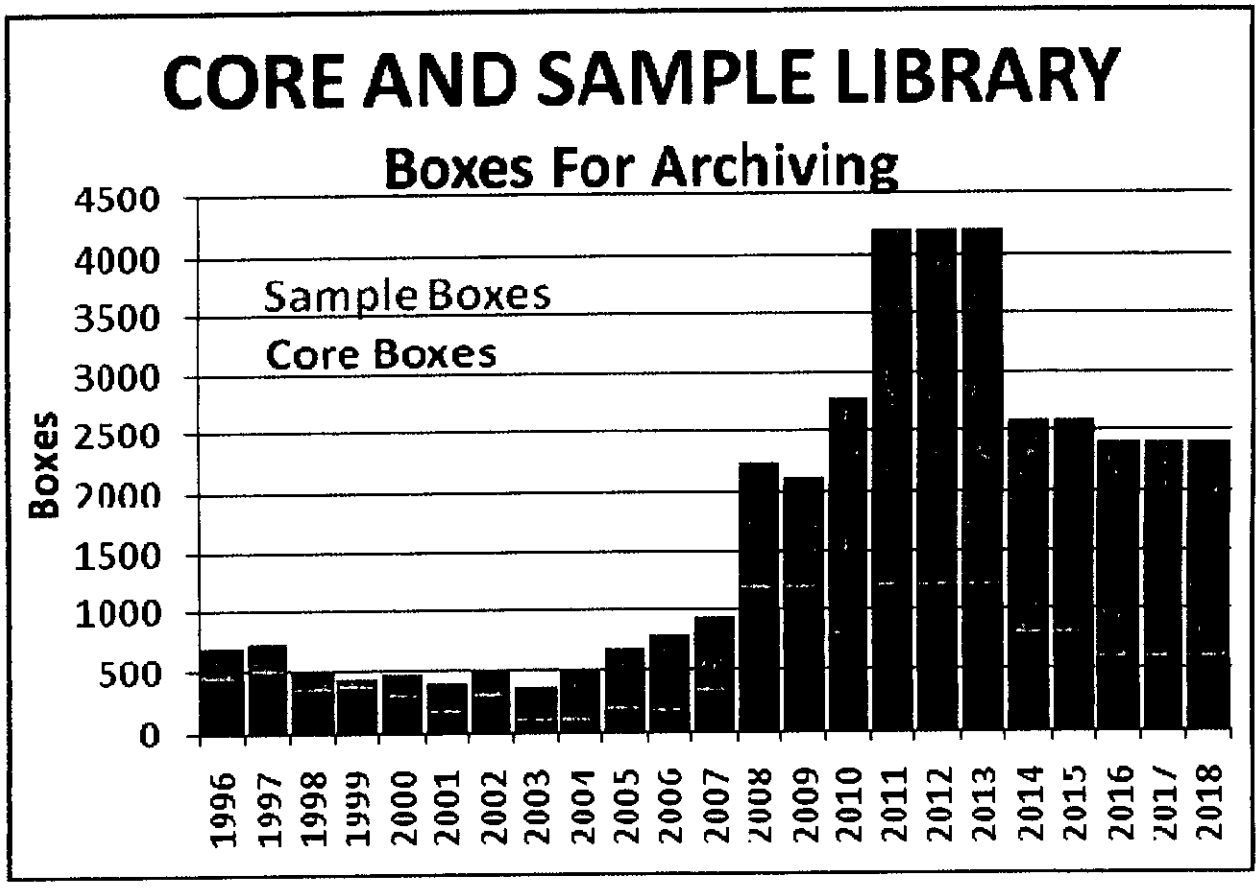
In 2010, the reboxing of 200 core bins on the north side of aisle 2 opened up these 60 bins.



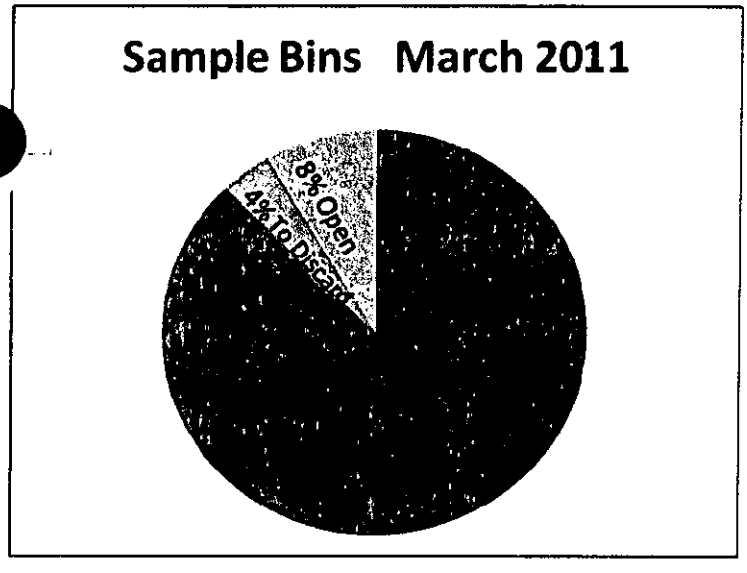
As of March1, those 60 bins on the north side of aisle 2 are already full with core boxes that were moved from the south wall to make room for the 60 bins worth of cuttings that have come in from the 2010 drilling program.

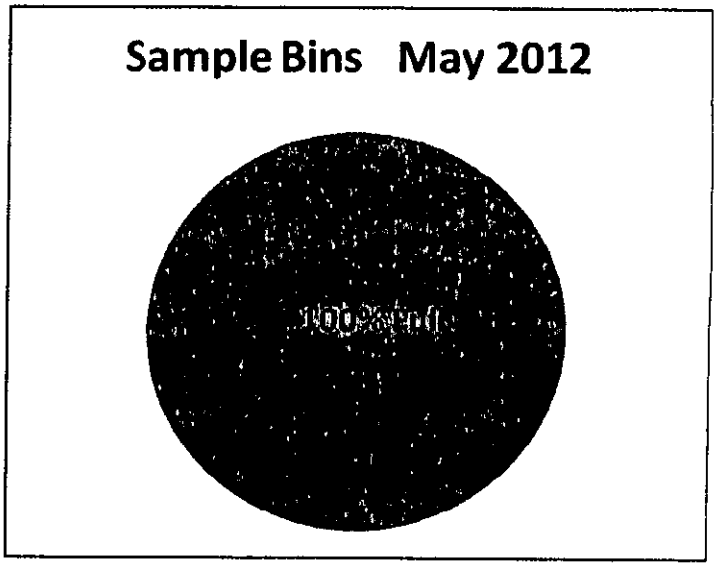


In the past three years (2008-2010), we have received more boxes in the core library than in the previous 12 years (1996-2007).

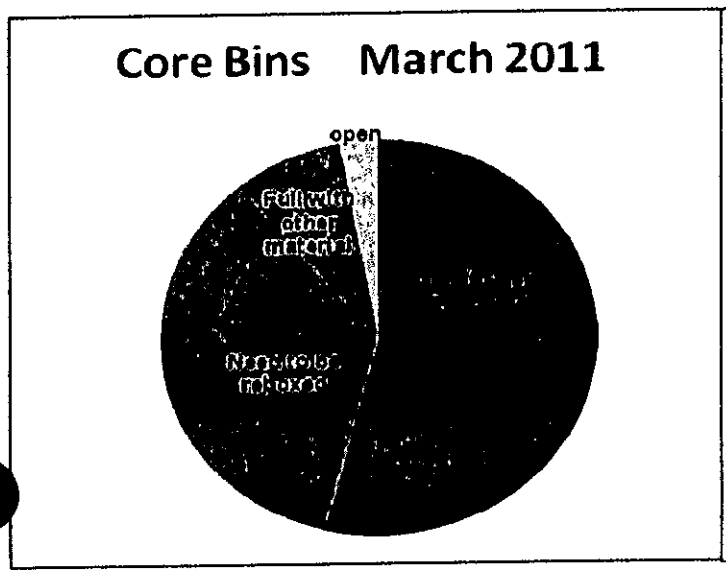


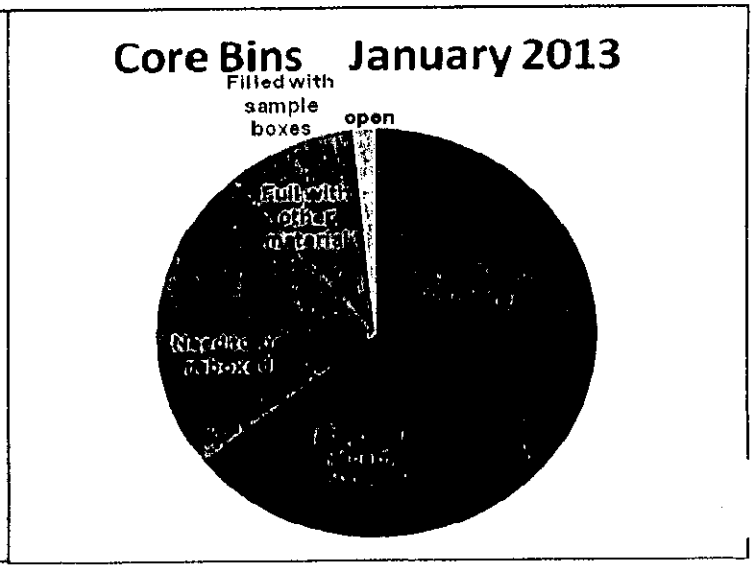
All of the sample bins in the core library will be full by May 2012

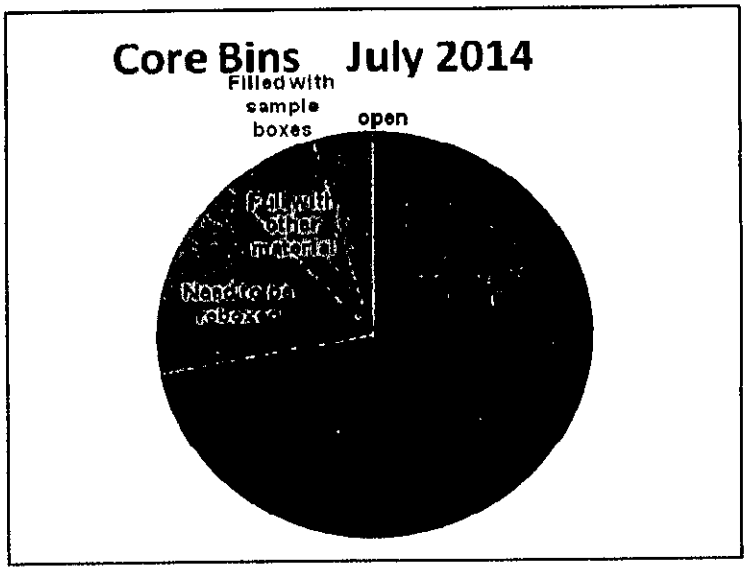




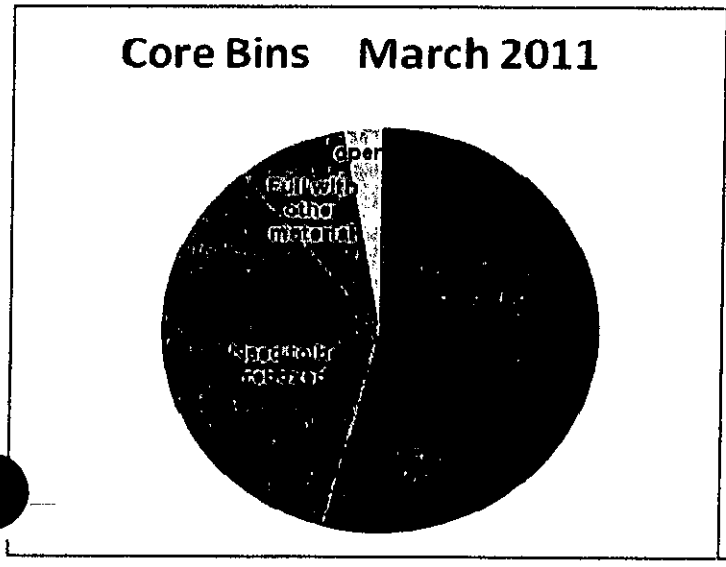
With the present workforce, the core library will be full by July 2014

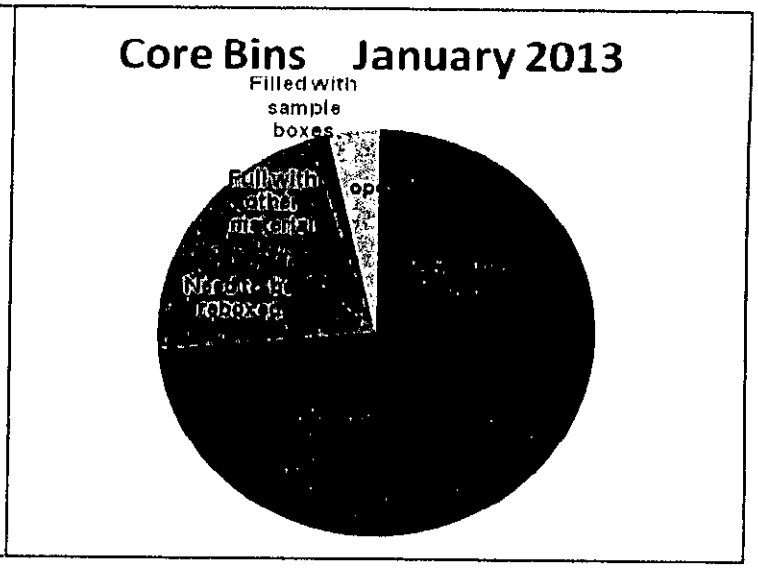


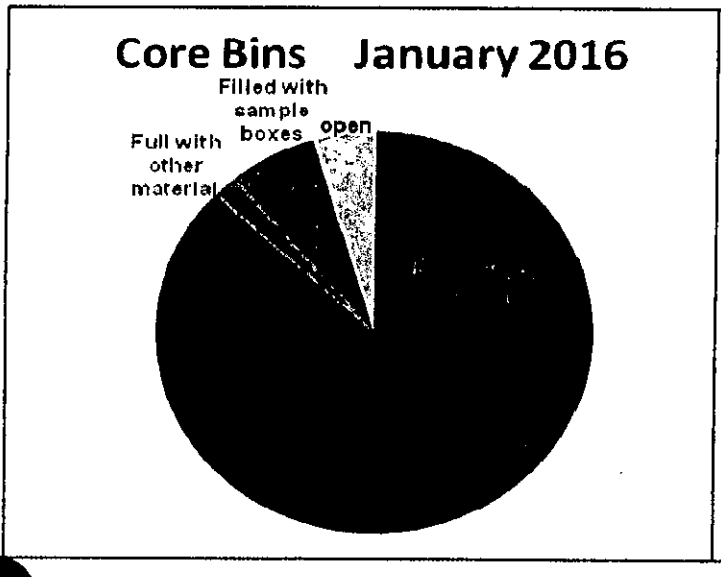


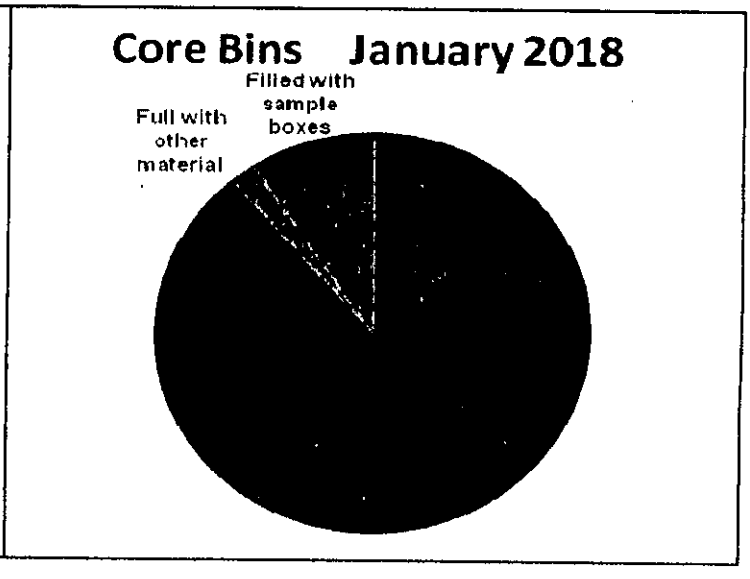


The existing core library can be extended to January 2018 with the addition of one fte









Wardner, Rich P.

From: Fine, Karlene K.
Sent: Tuesday, March 22, 2011 3:06 PM
To: Wardner, Rich P.
Subject: #'s for 1014

Senator Wardner – I visited with Lynn to make sure I was understanding his handout correctly. It is the number on the far right hand side that you need to double to get to the number that Lynn had requested of OMB. The number he requested in his budget for equity/retention was $1,283,569. Of that amount the Executive Budget provided $255,819. That leaves a balance of $1,027,750. The other item that was discussed was the staffing for the core library. The dollar amount for that position is $152,893. An alternative to that FTE was additional temporary dollars. The Geological Survey did not get all the temporary dollars they requested. The Executive Budget did not include $90,000+ for temporary dollars.

For **DMR** the priority would be:

- Keep all the amendments made by the House
- Some additional dollars for retention
- Additional person at the core library - $152,893
- Or as an alternative some temporary dollars in the range of $90,000.

As to the rest of the appropriation bill the Industrial Commission has authorized that I request the following:

- $2,000,000 for the Renewable Energy Program
- $564,064 to the Operating line item for the Mill because of the unanticipated costs for energy
- $262,286 in the Mill's Salary line item and the authorization for 4 FTE positions.

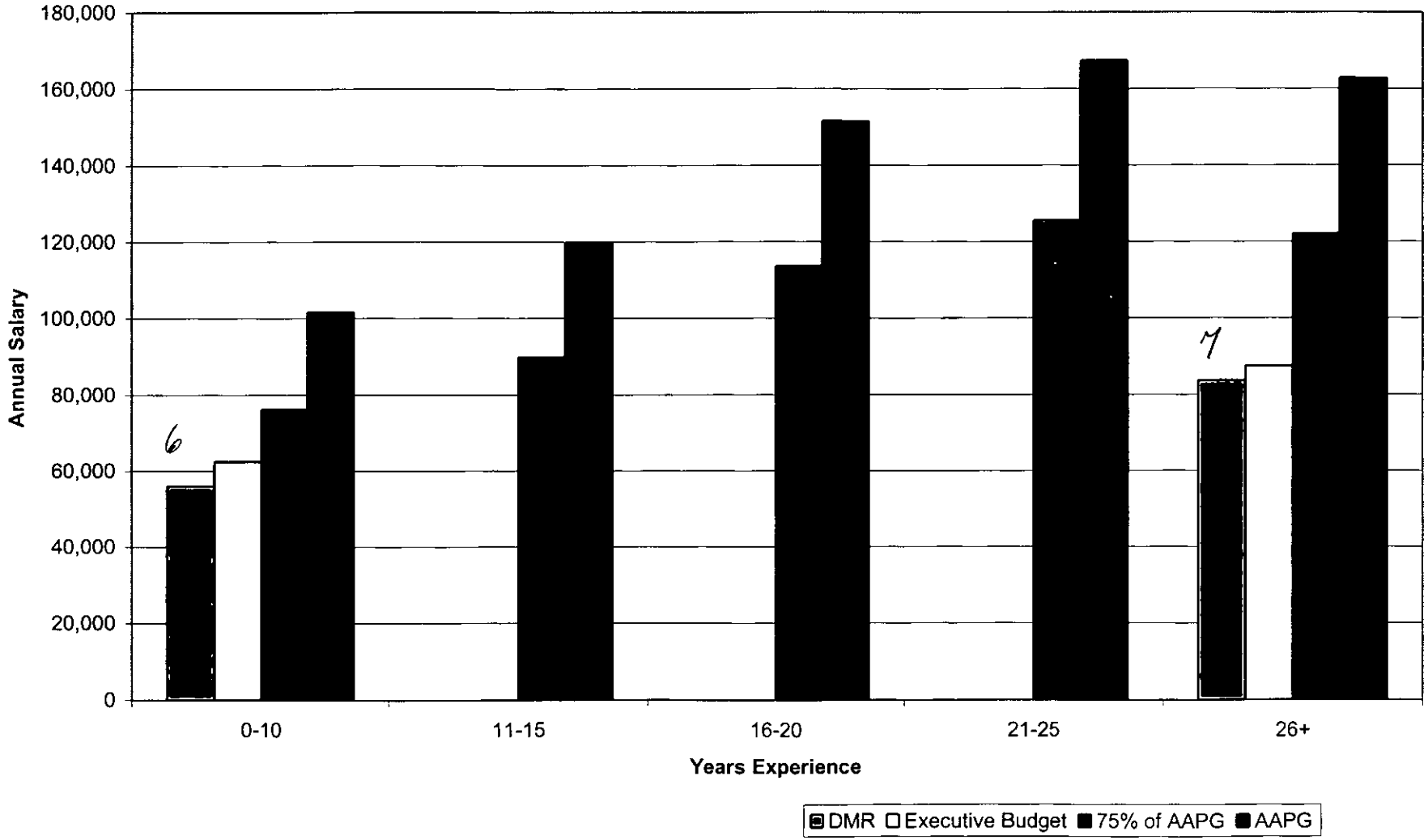
Senator, if you have questions, please give me a call. Let me know when you would like to meet. Karlene

Karlene Fine
Executive Director & Secretary
ND Industrial Commission
State Capitol, 14th Floor
600 E Blvd Ave Dept 405
Bismarck ND 58505
701-328-3722

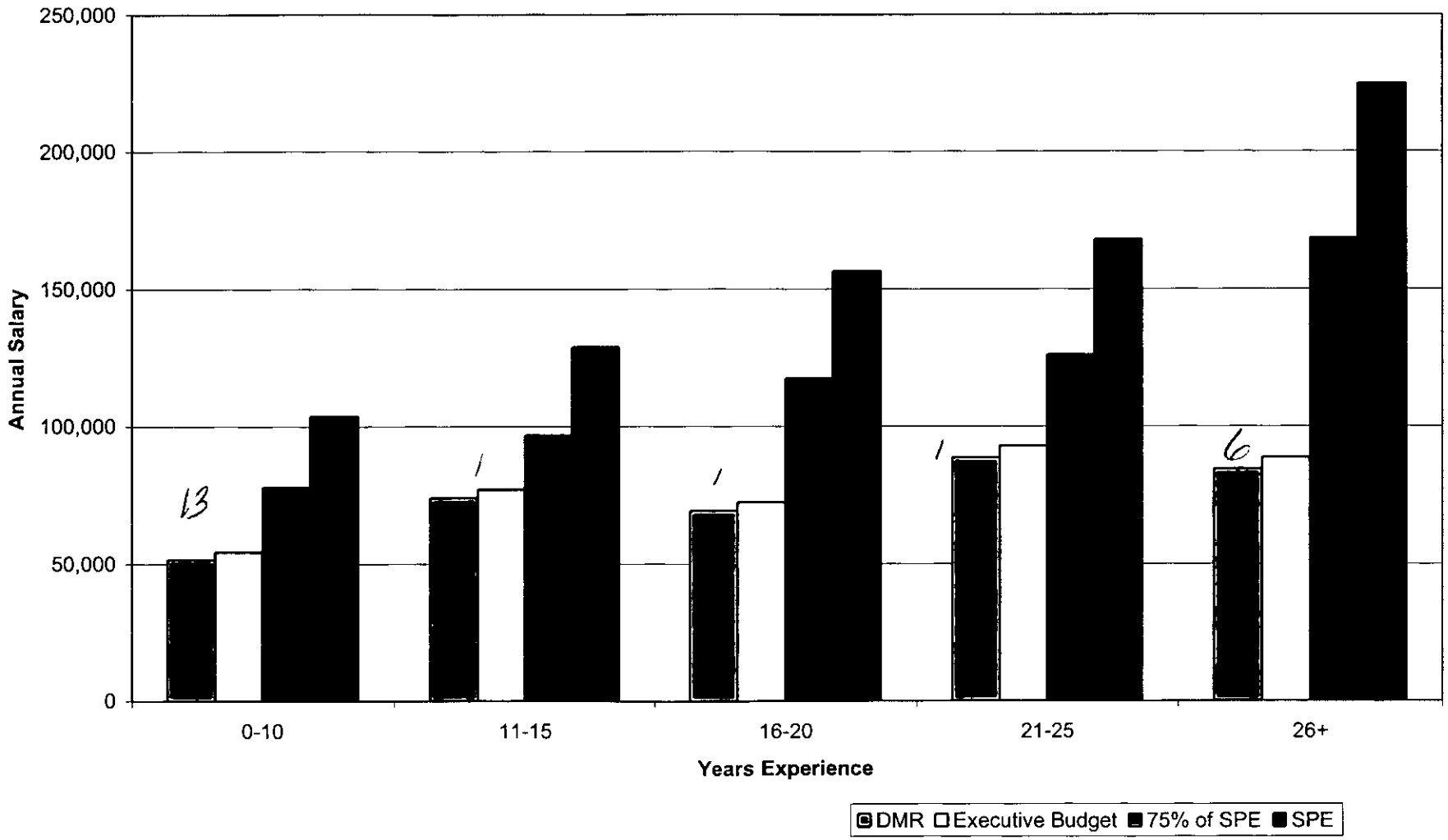
HB 1014
Sub Comm
3-25-11

Name	Service Dt	Yrs Svc			Job Service Data 2010		Target Annual
Industrial Commission		13.6					
Trudi Hogue	11/1/2007	2.2	Typical	98%	33,333	Administrative Assistants, p 96	30,000
Tracy Heilman	9/1/1983	26.8	Exp'd	102%	40,644	Administrative Assistants, p 96	48,773
Bethany Schmidt	8/16/2010	-0.1		100%	42,139		42,139
Karen Gutenkunst	12/1/1975	34.5	Exp'd	88%	73,358	Business Operations Specialist p14	91,698
Kyle Joersz	4/1/2000	10.2	Typical	73%	66,574	Database Administrators, p19	66,574
James Martel	12/1/2001	8.5	Exp'd	83%	57,877	Computer Programmers p 17	54,983
Rodney Genrich	6/1/2008	1.9	Typical	82%	49,744	Engineering Techs, except drafters p 25	44,770
David Tabor	3/21/2007	0.2	Entry	76%	44,600	Engineering Techs, except drafters p 25	40,140
Ryan Ellis		0.7	Entry	92%	44,600	Engineering Techs, except drafters p 25	40,140
Nathaniel Kirby	3/1/2005	5.3	Exp'd	84%	54,308	Engineering Techs, except drafters p 25	51,593
David Hvinden	3/1/1983	27.3	Exp'd	95%	76,194	Administrative Services Managers, p4	87,623
Elroy Kadrmas	9/2/1997	12.8	Exp'd	99%	49,070	Surveying and Mapping Tech, p 26	53,977
Kenneth Urlacher	3/1/2000	10.3	Typical	103%	33,807	Surveying and Mapping Tech, p 26	33,807
Steve Kranich	5/1/1984	26.2	Typical	112%	33,807	Surveying and Mapping Tech, p 26	35,497
Tim Neshiem		0.0	Entry	124%	43,035	Geoscientists, p. 28	38,732
Rebecca Gould	5/1/2008	2.1	Typical	85%	51,286	Geoscientists, p. 28	46,157
Jeffrey Person	2/1/2008	2.4	Exp'd	76%	72,998	Geoscientists, p. 28	65,698
Stephan Nordeng	10/1/2006	3.7	Exp'd	92%	72,998	Geoscientists, p. 28	69,348
Fred Anderson	1/1/2004	6.5	Exp'd	92%	72,998	Geoscientists, p. 28	69,348
Lorraine Manz	10/1/2001	8.7	Exp'd	80%	72,998	Geoscientists, p. 28	69,348
Julie LeFever	10/1/1984	29.8	Typical	81%	88,443	Natural Sciences Managers, p 9	106,132
John Hoganson	3/1/1981	29.4	Exp'd	90%	94,618	Natural Sciences Managers, p 9	113,542
Rich Suggs	9/1/1980	1.7	Entry	82%	57,283	Mining & Geological Engineers, p 23	51,555
Edward Murphy	7/1/1980	32.1	Exp'd	96%	98,268	Natural Sciences Managers, p 9	117,922
James Lindholm	12/1/1981	28.6	Exp'd	107%	67,532	Network & Computer Systems Administrators p 19	81,038
Russell Prange	3/1/1985	25.3	Typical	81%	42,816	Life, Physical & Social Science Techs, p 31	47,098
Kent Hollands	7/1/1991	19.6	Exp'd	91%	44,311	Life, Physical & Social Science Techs, p 31	48,742
Lisa Peterson	11/1/1990	0.7	Entry	97%	25,979	Office & Admin Support Workers p 99	23,381
Jeanette Bean	12/1/2007	2.6	Typical	79%	35,907	Office & Admin Support Workers p 99	32,316
Karla Lorentzen	9/1/1989	20.8	Typical	74%	35,907	Office & Admin Support Workers p 99	39,498
Donna Bauer	10/1/1986	23.8	Typical	81%	35,907	Office & Admin Support Workers p 99	41,293
Evelyn Roberson	8/1/1984	26.1	Exp'd	84%	40,644	Administrative Assistants, p 96	46,741
Daryl Gronfur	9/1/1985	24.8	Exp'd	93%	54,308	Engineering Techs, except drafters p 25	59,739
Annette Fetzer	1/1/1984	26.5	Exp'd	86%	54,308	Engineering Techs, except drafters p 25	62,454
Tomas Torstenson	5/1/2002	8.1	Entry	87%	53,732	Geoscientists, p. 28	51,045
Kevin Conners	10/4/2010	-0.3	Entry	82%	57,283	Mining & Geological Engineers, p 23	51,555
Jennifer Bickler		0.1	Entry	82%	57,283	Mining & Geological Engineers, p 23	51,555
Vacant		0.9	Entry	84%	57,283	Mining & Geological Engineers, p 23	51,555
Nicole Nelson		0.8	Entry	84%	57,283	Mining & Geological Engineers, p 23	51,555
Jessica Stalker		0.7	Entry	84%	57,283	Mining & Geological Engineers, p 23	51,555
Jim Potts	7/21/2008	1.9	Entry	86%	57,283	Mining & Geological Engineers, p 23	51,555
Jason Hicks	8/1/2007	2.8	Entry	88%	57,283	Mining & Geological Engineers, p 23	51,555
Richard Dunn	8/1/2006	3.8	Average	67%	77,024	Mining & Geological Engineers, p 23	73,173
Thomas Schumacher	8/1/2006	3.9	Average	78%	77,024	Mining & Geological Engineers, p 23	73,173
Cody VanderBusch	5/1/2006	4.1	Average	72%	77,024	Mining & Geological Engineers, p 23	73,173
Nathaniel Erbele	8/1/2005	4.9	Entry	98%	57,283	Mining & Geological Engineers, p 23	54,419
Scott Ladner	4/1/2001	9.2	Average	73%	77,024	Mining & Geological Engineers, p 23	73,173
Scott Dihle	1/1/2001	9.5	Average	73%	77,024	Mining & Geological Engineers, p 23	73,173
Thomas Delling	7/1/1981	29.0	Average	87%	77,024	Mining & Geological Engineers, p 23	88,578
Todd Holweger	9/1/1996	13.8	Typical	91%	81,297	Mining & Geological Engineers, p 23	81,297
Richard Hutchens	11/1/1981	28.7	Typical	94%	81,297	Mining & Geological Engineers, p 23	93,492
John Axtman	8/1/1981	28.9	Typical	93%	81,297	Mining & Geological Engineers, p 23	93,492
Robert Garbe	7/1/1979	31.0	Typical	100%	81,297	Mining & Geological Engineers, p 23	97,556
David McCusker	6/1/1991	19.1	Exp'd	79%	87,750	Mining & Geological Engineers, p 23	92,138
Mark Bohrer	4/1/1986	24.3	Exp'd	101%	87,750	Mining & Geological Engineers, p 23	100,913
Glenn Wollan	6/1/1979	31.1	Exp'd	105%	87,750	Mining & Geological Engineers, p 23	105,300
Bruce Hicks	7/1/1980	30.0	Exp'd	108%	106,793	Engineering Managers, p 8	133,491
					3,531,970		3,670,260
					404,585	**Needed = Target - Current**	542,875

DMR Geologists vs Market - American Association of Petroleum Geologists (AAPG) 2008



DMR Engineers vs Market - Society of Petroleum Engineers (SPE) 2008



5

Senate Appropriations Subcommittee **March 17, 2011**
State Mill FTE Budget Request

We are proposing the addition of four (4) positions for the next biennium, two additional employees for the plant and two in the office – a sales staff position and a lab tech position.

- Two railcar checker positions to staff another shift in order to ensure adequate number of railcars are cleaned and available to keep up with the increased production and sales.
  - It is likely that our bulk rail flour business will exceed the level that can be accomplished by our five employees on first shift and the 3 employees on second shift that currently clean and load bulk rail cars.
  - As our business grows, it may be necessary to add the two railcar checker positions on a third shift to handle the additional rail car cleaning and loading work.
- One lab technician to meet the increasing workload due to the increased production and sales. Quality control is very important in food products and we anticipate additional requirements that will need to be met in the next couple of years.
  - As our business grows it is likely that the required product quality testing work will exceed the level that can be accomplished by our six current lab technicians on first shift.
  - It may be necessary to add one lab technician position on second shift to handle the additional work load.
- One Sales Representative to promote continued sales growth. Currently we have three Sales Representatives and a Sales Manager producing more than $250,000,000 in total sales (FY 2010). This addition of one Sales Representative will allow our sales staff to efficiently increase sales to 12MM cwts. per year from the current 10.8 MM cwts.
  - With continued business growth an additional sales representative position may be necessary to provide an adequate level of service to our customers.

As always we intend to operate the State Mill with as few employees as possible. None of the above positions will be filled unless it is necessary due to production requirements or to maintain our current high levels of product quality and customer service.

The consequence of not adding the requested FTE's may result in significant additional overtime for existing employees or it may limit the growth potential at the mill.

	Service Dt	Yrs Svc	Current Salary % of JSND		Job Service Data 2010	90% JSND Market Salary Target Annual	90% JSND Market Salary Increase	95% JSND Market Salary Target Annual	95% JSND Market Salary Increase	100% JSND Mark Target Annual	100% JSND Mark Increase
Industrial Commission		**13.5**									
Trudi Hogue	11/1/2007	2.2	Typical	98%	33,333 Administrative Assistants, p 96						
Tracy Heilman	9/1/1983	26.8	Exp'd	102%	40,644 Administrative Assistants, p 96						
Bethany Schmidt	8/16/2010	-0.1		100%	42,139						
Karen Gutenkunst	12/1/1975	34.5	Exp'd	88%	73,358 Business Operations Specialist p14						
Kyle Joersz	4/1/2000	10.2	Typical	73%	66,574 Database Administrators, p19						
James Martel	12/1/2001	8.5	Exp'd	83%	57,877 Computer Programmers p 17						
Rodney Genrich	6/1/2008	1.9	Typical	82%	49,744 Engineering Techs, except drafters p 25						
David Tabor	3/21/2007	0.2	Entry	76%	44,600 Engineering Techs, except drafters p 25						
Ryan Ellis		0.7	Entry	92%	44,600 Engineering Techs, except drafters p 25						
Nathaniel Kirby	3/1/2005	5.3	Exp'd	84%	54,308 Engineering Techs, except drafters p 25						
David Hvinden	3/1/1983	27.3	Exp'd	95%	76,194 Administrative Services Managers, p4						
Elroy Kadrmas	9/2/1997	12.8	Exp'd	99%	49,070 Surveying and Mapping Tech, p 26						
Kenneth Urlacher	3/1/2000	10.3	Typical	103%	33,807 Surveying and Mapping Tech, p 26						
Steve Kranich	5/1/1984	26.2	Typical	112%	33,807 Surveying and Mapping Tech, p 26						
Tim Neshiem		0.0	Entry	124%	43,035 Geoscientists, p. 28						
Rebecca Gould	5/1/2008	2.1	Typical	85%	51,286 Geoscientists, p. 28	46,157	2,357	48,722	4,922	51,286	7,486
Jeffrey Person	2/1/2008	2.4	Exp'd	76%	72,998 Geoscientists, p. 28	65,698	9,898	69,348	13,548	72,998	17,198
Stephan Nordeng	10/1/2006	3.7	Exp'd	92%	72,998 Geoscientists, p. 28			69,348	2,348	72,998	5,998
Fred Anderson	1/1/2004	6.5	Exp'd	92%	72,998 Geoscientists, p. 28			69,348	2,348	72,998	5,998
Lorraine Manz	10/1/2001	8.7	Exp'd	80%	72,998 Geoscientists, p. 28	65,698	7,198	69,348	10,848	72,998	14,498
Julie LeFever	10/1/1984	29.8	Typical	81%	88,443 Natural Sciences Managers, p 9	79,599	7,799	84,021	12,221	88,443	16,643
John Hoganson	3/1/1981	29.4	Exp'd	90%	94,618 Natural Sciences Managers, p 9			89,887	5,087	94,618	9,818
Rich Suggs	9/1/1980	1.7	Entry	82%	57,283 Mining & Geological Engineers, p 23	51,555	4,655	54,419	7,519	57,283	10,383
Edward Murphy	7/1/1980	32.1	Exp'd	96%	98,268 Natural Sciences Managers, p 9					98,268	3,668
James Lindholm	12/1/1981	28.6	Exp'd	107%	67,532 Network & Computer Systems Administrators p 19						
Russell Prange	3/1/1985	25.3	Typical	81%	42,816 Life, Physical & Social Science Techs, p 31						
Kent Hollands	7/1/1991	19.6	Exp'd	91%	44,311 Life, Physical & Social Science Techs, p 31						
Lisa Peterson	11/1/1990	0.7	Entry	97%	25,979 Office & Admin Support Workers p 99						
Jeanette Bean	12/1/2007	2.6	Typical	79%	35,907 Office & Admin Support Workers p 99						
Karla Lorentzen	9/1/1989	20.8	Typical	74%	35,907 Office & Admin Support Workers p 99						
Donna Bauer	10/1/1986	23.8	Typical	81%	35,907 Office & Admin Support Workers p 99						
Evelyn Roberson	8/1/1984	26.1	Exp'd	84%	40,644 Administrative Assistants, p 96						
Daryl Gronfur	9/1/1985	24.8	Exp'd	93%	54,308 Engineering Techs, except drafters p 25						
Annette Fetzer	1/1/1984	26.5	Exp'd	86%	54,308 Engineering Techs, except drafters p 25						
Tomas Torstenson	5/1/2002	8.1	Entry	87%	53,732 Geoscientists, p. 28						
Kevin Conners	10/4/2010	-0.3	Entry	82%	57,283 Mining & Geological Engineers, p 23	51,555	4,555	54,419	7,419	57,283	10,283
Jennifer Bickler		0.1	Entry	82%	57,283 Mining & Geological Engineers, p 23	51,555	4,555	54,419	7,419	57,283	10,283
Vacant		0.9	Entry	84%	57,283 Mining & Geological Engineers, p 23	51,555	3,255	54,419	6,119	57,283	8,983
Nicole Nelson		0.8	Entry	84%	57,283 Mining & Geological Engineers, p 23	51,555	3,255	54,419	6,119	57,283	8,983
Jessica Stalker		0.7	Entry	84%	57,283 Mining & Geological Engineers, p 23	51,555	3,255	54,419	6,119	57,283	8,983
Jim Potts	7/21/2008	1.9	Entry	86%	57,283 Mining & Geological Engineers, p 23	51,555	2,355	54,419	5,219	57,283	8,083
Jason Hicks	8/1/2007	2.8	Entry	88%	57,283 Mining & Geological Engineers, p 23	51,555	1,355	54,419	4,219	57,283	7,083
Richard Dunn	8/1/2006	3.8	Average	67%	77,024 Mining & Geological Engineers, p 23	69,322	17,422	73,173	21,273	77,024	25,124
Thomas Schumacher	8/1/2006	3.9	Average	78%	77,024 Mining & Geological Engineers, p 23	69,322	9,622	73,173	13,473	77,024	17,324
Cody VanderBusch	5/1/2006	4.1	Average	72%	77,024 Mining & Geological Engineers, p 23	69,322	13,822	73,173	17,673	77,024	21,524
Nathaniel Erbele	8/1/2005	4.9	Entry	98%	57,283 Mining & Geological Engineers, p 23					57,283	883
Scott Ladner	4/1/2001	9.2	Average	73%	77,024 Mining & Geological Engineers, p 23	69,322	12,822	73,173	16,673	77,024	20,524
Scott Dihle	1/1/2001	9.5	Average	73%	77,024 Mining & Geological Engineers, p 23	69,322	12,722	73,173	16,573	77,024	20,424
Thomas Delling	7/1/1981	29.0	Average	87%	77,024 Mining & Geological Engineers, p 23	69,322	2,322	73,173	6,173	77,024	10,024
Todd Holweger	9/1/1996	13.8	Typical	91%	81,297 Mining & Geological Engineers, p 23			77,232	3,432	81,297	7,497
Richard Hutchens	11/1/1981	28.7	Typical	94%	81,297 Mining & Geological Engineers, p 23			77,232	432	81,297	4,497
John Axtman	8/1/1981	28.9	Typical	93%	81,297 Mining & Geological Engineers, p 23			77,232	1,432	81,297	5,497
Robert Garbe	7/1/1979	31.0	Typical	100%	81,297 Mining & Geological Engineers, p 23						
David McCusker	6/1/1991	19.1	Exp'd	79%	87,750 Mining & Geological Engineers, p 23	78,975	9,675	83,363	14,063	87,750	18,450
Mark Bohrer	4/1/1986	24.3	Exp'd	101%	87,750 Mining & Geological Engineers, p 23						
Glenn Wollan	6/1/1979	31.1	Exp'd	105%	87,750 Mining & Geological Engineers, p 23						
Bruce Hicks	7/1/1980	30.0	Exp'd	108%	106,793 Engineering Managers, p 8						
					3,531,970 Annual salary		132,895		212,669		306,139
					Biennium Salary = 90% of JSND Current		**$265,789**		**$425,337**		**$612,278**
					Benefits multiplier		118.2%		118.2%		118.2%
							$314,215		$502,832		$723,832

INDUSTRIAL COMMISSION OF NORTH DAKOTA

Administration-Karlene Fine
State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-328-3722 Fax: 701-328-2820 www.nd.gov/ndic/

Bank of North Dakota – Eric Hardmeyer
Inside Mailing Address: State Capitol, 600 E Boulevard Avenue, Bismarck, ND 58505
Physical Address: 1200 Memorial Highway, Bismarck, ND 58506
Phone: 701-328-5700 Fax: 701-328-5632 www.banknd.nd.gov/bndhome.jsp

Department of Mineral Resources – Lynn Helms
Inside Mailing Address: State Capitol, 600 E Boulevard Avenue, Bismarck, ND 58505
Physical Address: 1016 E Calgary, Bismarck, ND 58501
Geological Survey
Phone: 701-328-8000 Fax: 701-328-8010 www.dmr.nd.gov/ndgs/
Oil and Gas Division
Phone: 701-328-8020 Fax: 701-328-8022 www.dmr.nd.gov/oilgas/

Housing Finance Agency – Mike Anderson
Inside Mailing Address: State Capitol, 600 E Boulevard Avenue Bismarck, ND 58505
Physical Address: 2624 Vermont Ave, Bismarck, ND 58504 – PO Box 1535, 58502
Phone: 701-328-8080 Fax: 701-328-8090 www.ndhfa.state.nd.us/

Lignite Research, Development & Marketing Program – John Dwyer
State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-258-7117 Fax: 701-328-2080 www.nd.gov/ndic/lrc-infopage.htm

Mill – Vance Taylor
PO Box 13078, Grand Forks ND 58208-3078
Phone: 701-795-7000 Fax: 701-795-7272 www.ndmill.com/

Oil and Gas Research Program – Brent Brannan
State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-425-1237 Fax: 701-328-2820 www.dmr.nd.gov/ogr/

Pipeline Authority – Justin Kringstad
State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-220-6227 Fax: 701-328-2820 www.dmr.nd.gov/pipeline/

Public Finance Authority – DeAnn Ament
Inside Mailing Address: State Capitol, 600 E Boulevard Avenue, Bismarck, ND 58505
Physical Address: 1200 Memorial Highway, Bismarck, ND 58506
Phone: 701-426-5723 Fax: 701-328-7130 www.nd.gov/pfa/

Renewable Energy Program – Karlene Fine and Andrea Holl-Pfennig, Dept. of Commerce
State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-328-3722 Fax: 701-328-2820 www.nd.gov/ndic/renew-infopage.htm

Transmission Authority – Sandi Tabor
State Capitol 14th Floor, 600 E Boulevard Avenue Dept 405, Bismarck, ND 58505-0840
Phone: 701-258-7117 Fax: 701-328-2820

INDUSTRIAL COMMISSION OF NORTH DAKOTA

Jack Dalrymple
Governor

Wayne Stenehjem
Attorney General

Doug Goehring
Agriculture Commissioner

Schedule
Engrossed House Bill 1014*
Senate Appropriations Committee
Harvest Room
Monday, March 14, 2011

8:30 a.m. - Administrative Office – Karlene Fine, Executive Director and Secretary
Includes Renewable Energy Research Program, Oil and Gas Research Program, Pipeline Authority and Transmission Authority

8:40 a.m. - Bank of North Dakota – Eric Hardmeyer, President

9:20 a.m. - Housing Finance Agency – Mike Anderson, Executive Director

9:35 a.m. - Public Finance Authority – DeAnn Ament, Executive Director

9:45 a.m. - Lignite Research, Development and Marketing Program - John Dwyer, Chairman, Lignite Research Council

10:05 a.m. Mill and Elevator – Vance Taylor, President and General Manager

10:25 a.m. - Department of Mineral Resources - Lynn Helms, Director

*11:00 a.m. - House Bill 1343 – Lynn Helms, Director, Department of Mineral Resources

*House Bill 1343 is scheduled to follow the hearing on HB 1014.

Karlene K. Fine, Executive Director and Secretary
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INDUSTRIAL COMMISSION OF NORTH DAKOTA

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Testimony for Engrossed House Bill No. 1014
Senate Appropriations Committee
Karlene Fine, Executive Director and Secretary
of the Industrial Commission
March 14, 2011

Mr. Chairman and members of the Senate Appropriations Committee, my name is Karlene Fine and I am Executive Director and Secretary for the Industrial Commission of North Dakota. Engrossed House Bill 1014 includes the appropriations for the Industrial Commission administrative office and those agencies and programs that report to the Industrial Commission.

The Industrial Commission is made up of the Governor, as Chairman, the Attorney General and the Agriculture Commissioner. The Industrial Commission is responsible for overseeing the State's industries—the Bank of North Dakota and State Mill. In the area of finance the Commission also oversees the Public Finance Authority, the Student Loan Trust, the North Dakota Building Authority and the Housing Finance Agency. In the area of natural resources and regulation the Commission oversees the Department of Mineral Resources which includes the oil and gas, geophysical exploration, subsurface mineral and CO_2 geological storage regulation in addition to other programs through its Oil and Gas Division and the Geological Survey. The Commission is also involved in research through the Lignite Research, Development and Marketing Program, the Oil and Gas Research Program and the Renewable Energy Program. In addition the Industrial Commission is the North Dakota Transmission Authority and the North Dakota Pipeline Authority.

This morning I will primarily be focusing on Subdivision 1 of Section 1, and Sections 2, 3, 5, and 6 of Engrossed House Bill 1014 or Budget No. 405. Subdivision 1 includes the appropriations for the administrative office of the Industrial Commission as well as the Department of Mineral Resources (Oil and Gas Division and Geological Survey), Public Finance Authority, Lignite Research, Development and Marketing Program, the lease (bond) payments for projects financed by the Building Authority and the Renewable Energy Program.

The administrative office for the Industrial Commission consists of two and .31 full-time employees. The .31 position is currently vacant. The administrative budget also includes the funding for the state's participation in the Interstate Oil and Gas Compact Commission. This Commission is a multi-state organization which speaks on behalf of the oil and gas producing states before Congress and other national groups regarding legislation and regulation of the oil and gas industry. North Dakota will be hosting the summer meeting of this organization in June.

The administrative office budget request is $488,211 for the office and then a total of $46,849,244 when you include the Lignite Research Program, lease (bond) payments and Renewable Energy

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Program. The administrative office request reflects an increase of $22,878 or 4.69% from the prior biennium. The administrative budget is funded by the agencies that report to the Industrial Commission. You will see this funding source noted in Section 6 where authority is being requested for these agencies to transfer funds to the Industrial Commission.

Section 5 includes language that would allow the Industrial Commission to utilize funds that may become available from bonds issued by the Commission upon the approval of the Emergency Commission. This authority would allow reimbursement from the bond issues for extra costs incurred in preparation of the financing.

Subdivision 1 of Section 1 includes the lease payments (bond payments) for the North Dakota Building Authority in the amount of $25,389,733 – see line 21 on page 1. This is a decrease from the prior biennium of $2,052,132. Since 1985, the Industrial Commission has issued several series of bonds as directed by the Legislature. Projects financed have been located at the State Penitentiary, Developmental Center located in Grafton, State Hospital, Youth Correctional Center, International Peace Garden, various buildings on the University System campuses, Southeast Human Services Center in Fargo, Health Department, James River Correctional Center in Jamestown, Historical Society projects, Crime Lab, Parks and Recreation, Extension Service, Job Service in Bismarck and Grand Forks and the Veterans Home. This past December we completed the financing for the Veterans Home project and refunded the Series 2002A bonds.

Attached for your information is the Debt Service Schedules (Exhibit A) for all the outstanding bond issues except the bonds for ConnectND. The proposed Executive Budget does not include any bonding by the North Dakota Building Authority. If there was bonding proposed Exhibit A shows that there is available debt service under the 10% of 1¢ statutory limitation in the amount of $17.2 million. Also attached is Exhibit B which shows the debt service schedule for those bond issues that are not under the statutory limitation—energy conservation projects and ConnectND.

Section 3 provides the breakdown on the source of funding for the $25+ million of lease (bond) payments for the upcoming biennium. The following non-General Fund sources or energy conservation savings* will be utilized to pay a portion of these payments:

*University System – UND (02A)	$ 356,123
*University System – NDSU (02A)	$ 82,364
*University System – UND (05A)	$ 491,303
*Missouri River Correctional Center (03B)	$ 18,604
University System other funds	$ 417,250
Job Service North Dakota (10B)	$ 430,548
Job Service North Dakota (93B/02C)	$ 280,187
Historical Society (05A)	$ 33,333
Veterans Home (10A/B)	$ 520,475
Dept. of Health (10B) (federal funds)	$ 327,608
	$2,957,795

In addition the ConnectND bond costs for the 2011-2013 biennium total $5,406,666. Seventy-one percent of these costs are paid by the University System.

In Sections 1 and 2 there are references to the Renewable Energy Program. In the two previous biennia the Legislature has appropriated $3,000,000 in each biennium from the General Fund for this Program. In 2009 the Legislature authorized the transfer of funds from the Biomass Incentive Research Fund to the Renewable Energy Fund. (The funding source for the Biomass Fund was two special funds at the Bank of North Dakota.) The Executive Budget included $3,000,000 from the General Fund. The House of Representatives reduced this appropriation down to $1,000,000. **The Industrial Commission requests that HB 1014 be amended to provide the $3,000,000 requested in the Executive Budget.** Additional information about the Renewable Energy Program is behind the tab titled Renewable.

Within this bill there is no appropriation for the Oil and Gas Research Program. This Program is funded from oil and gas gross production and oil extraction tax revenues currently up to the $4 million level. Additional information about the Oil and Gas Research Fund/Program is behind the tab titled Oil and Gas.

A portion of the Oil and Gas Research Fund is utilized to fund the North Dakota Pipeline Authority. Justin Kringstad, a consultant, is the Director of the Pipeline Authority. The Commission transferred $300,000 from the Oil and Gas Research Fund for the Authority during the 2009-2011 biennium. These funds are utilized to compensate the Director of the Authority and for studies conducted by the Authority. More information about the Pipeline Authority is available under the tab titled Pipeline.

In 2005 the Legislature established the North Dakota Transmission Authority. Sandi Tabor serves as the Director of the Transmission Authority. The funding for the Transmission Authority comes from the Lignite Research Fund. This funding is part of the Lignite Vision 21 Program. More information about the Transmission Authority is available under the tab titled Transmission.

In 2009 the Legislature appropriated one-time funding of $400,000 for a State Facility Lignite Feasibility Demonstration Project. That project is close to finishing their work. A draft summary report is included in the back pocket of the binder. The draft report includes information about what would be needed for this project to proceed into the next phase.

Thank you for the opportunity to present testimony on the Industrial Commission budget and to briefly comment on a number of the programs that the Industrial Commission oversees.

NORTH DAKOTA BUILDING AUTHORITY DEBT SERVICE

01.30.11														
							2006A							
	2002C	2002D	2006B	2010B			1998A			Other	Energy	Total	10% of $.01	Available
Biennium	1993B	1995A	2001A	2002A	2003B	2005A	2000A	2010A/B	Totals	Source	Conser.	Gen. Fund	Sales Tax*	Debt Ser
2011-13	2,380,520	2,996,490	2,073,025	1,373,047	2,067,145	6,572,563	1,999,800	520,475	19,983,065	2,009,402	948,396	17,025,267	34,236,400	17,211,133
2013-15	1,077,650	2,993,925	2,085,494	932,532	2,062,918	6,573,831	2,002,200	525,525	18,254,075	1,435,219	518,945	16,299,911	35,605,856	19,305,945
2015-17	0	1,473,923	2,110,338	917,956	2,066,525	6,570,669	2,004,000	460,544	15,603,955	1,240,044	509,761	13,854,150	37,030,090	23,175,940
2017-19	0	0	2,126,363	917,144	2,065,750	6,575,206	1,377,800	504,531	13,566,794	1,283,843	510,093	11,772,858	38,511,294	26,738,436
2019-21	0	0	1,865,172	928,088	2,063,925	6,574,469	0	490,888	11,922,542	1,278,967	510,020	10,133,555	40,051,746	29,918,191
2021-23	0	0	812,924	492,700	1,034,300	6,573,256	0	481,056	9,394,236	914,480	500,662	7,979,094	41,653,815	33,674,721
2023-25	0	0	0	0	0	3,285,650	0	465,981	3,751,631	499,317	245,604	3,006,710	43,319,968	40,313,258
2025-27	0	0	0	0	0	0	0	448,181	448,181	448,182	0	0	45,052,767	45,052,767
2027-29	0	0	0	0	0	0	0	425,469	425,469	425,468	0	0	46,854,877	46,854,877
2029-31	0	0	0	0	0	0	0	174,031	174,031	174,031	0	0	48,729,073	48,729,073
Totals	3,458,170	7,464,338	11,073,316	5,561,467	11,360,563	42,725,644	7,383,800	4,496,681	93,523,979	9,708,953	3,743,481	80,071,545		
	4.01%	4.17%	4.15%	3.24%	4.11%	4.23%	4.13%	3.33%						

*The December 2010 forecast is used with a 4% increase each subsequent biennium.

Exhibit A

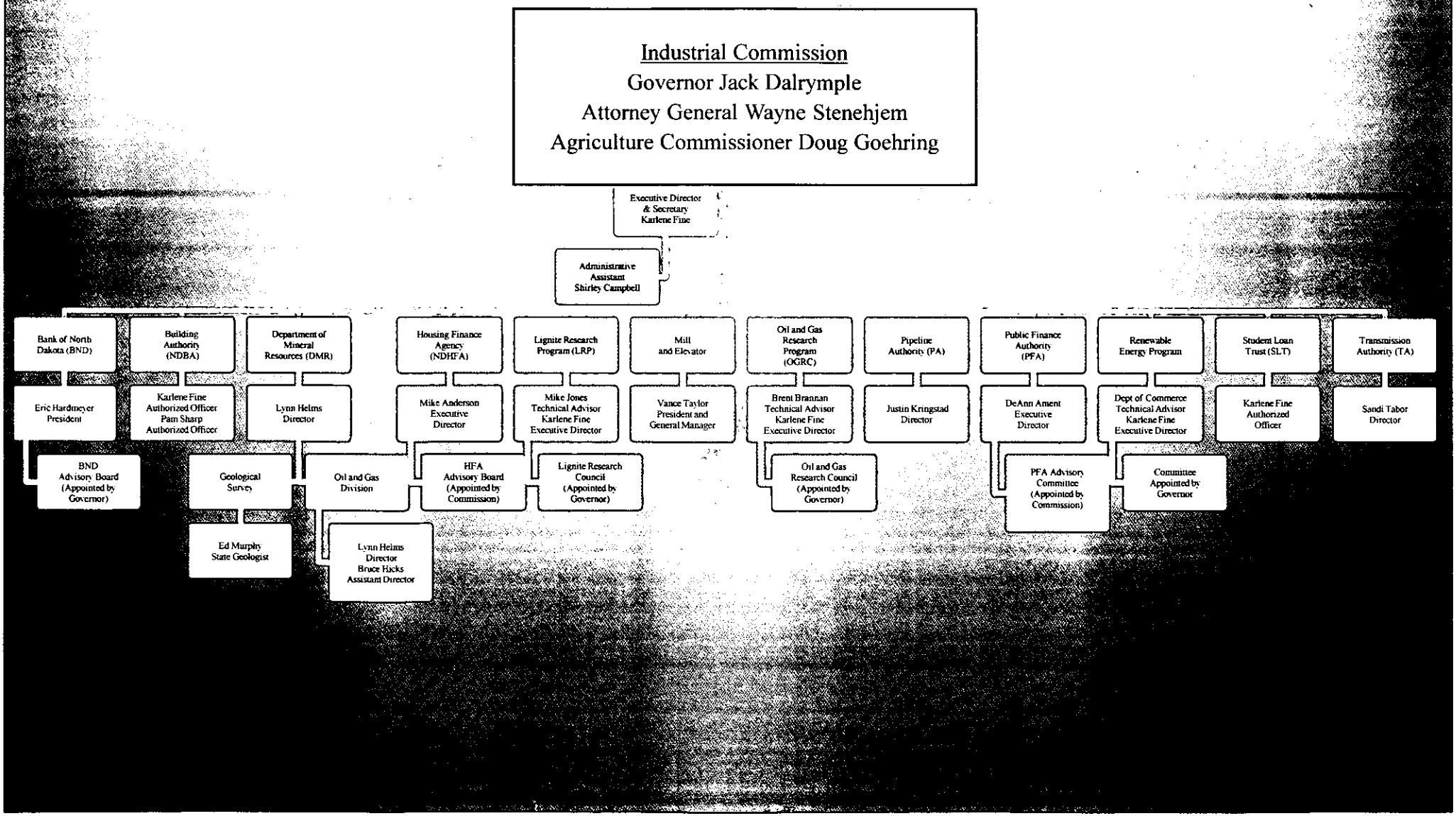
NORTH DAKOTA BUILDING AUTHORITY DEBT SERVICE

Biennium	Energy Conservation	ConnectND	ConnectND 71% NDUS	ConnectND 29% State	State Portion 66% Other Funds	State Portion 34% General Fund
2011-13	948,394	5,406,666	3,838,733	1,567,933	1,034,836	533,097
2013-15	518,946	2,686,144	1,907,162	778,982	514,128	264,854
2015-17	509,760	0				
2017-19	510,092	0				
2019-21	510,020	0				
2021-23	500,664	0				
2023-25	245,604	0				
Totals	$3,743,480	$8,092,810	$5,745,895	$2,346,915	$4,652,548	$2,396,767

Revised 01/09/11

Exhibit B

Industrial Commission Organizational Chart



INDUSTRIAL COMMISSION OF NORTH DAKOTA
RENEWABLE ENERGY PROGRAM

Governor
Jack Dalrymple
Attorney General
Wayne Stenehjem
Agriculture Commissioner
Doug Goehring

Renewable Energy Program
North Dakota Century Code 54-63

History of the Renewable Energy Program

North Dakota's Renewable Energy Program was established by the Legislature in 2007 under the control of the North Dakota Industrial Commission. The law provides that the Industrial Commission shall consult with the Renewable Energy Council. The Program's responsibilities include providing financial assistance as appropriate to foster the development of renewable energy and related industrial use technologies including, but not limited to, wind, biofuels, advanced biofuels, biomass, biomaterials, solar, hydroelectric, geothermal and renewable hydrogen through research, development, demonstration and commercialization. In addition the Program shall promote research and utilization of renewable energy co-product utilization for livestock feed, human food products and industrial use technologies. The Commission has adopted policies to implement this Program.

The Legislature further provided that the Commission shall contract with the Department of Commerce to provide technical assistance to the Renewable Energy Council and the Industrial Commission to carry out the law, including pursuit of aid, grants or contributions of money and other things of value from any source for any purpose consistent with the law.

In 2009 the Legislature made a continuing appropriation of $3,000,000 from the General Fund. The 2011-2013 Executive Budget included a $3,000,000 appropriation from the General Fund. The House of Representatives reduced the appropriation down to $1,000,000. **The Industrial Commission requests that Engrossed House Bill 1014 be amended to include the $2,000,000 removed by the House.**

Mission Statement

The Mission of the Renewable Energy Program is to promote the growth of North Dakota's renewable energy industries through research, development, marketing and education.

Grant Round Timelines

By policy grant round application deadline dates were established to be January 1, May 1 and September 1 of each year. Additional grant round deadline dates may be established by the Industrial Commission of North Dakota.

Grant Round Process & Procedures

A group of Technical Reviewers are identified by the Department of Commerce staff to analyze and critique the applications. Based on the analysis of the Technical Reviewers the Dept. of Commerce staff (Andrea Holl Pfennig) makes a recommendation to the Renewable Energy Council. The Council then makes a recommendation to the Industrial Commission. If the Commission approves funding the Industrial Commission Executive Director negotiates a contract and payments are made based upon work completed.

Grants may not exceed the legislative appropriation. By policy all projects must generate matching funds from industry or other sources (e.g., various federal government agencies, non-profit organizations) of cash or in-kind services (contributed equipment, materials or services). In-kind services may not exceed fifty percent of the total Commission funding amount. A grant may not exceed fifty percent of the total project cost. A higher priority will be given to those applications having private industry investment. The Commission has established that the maximum amount of any one grant is $500,000.

Funded Projects

The Commission has approved the funding of 23 projects including 2 projects that were funded from the Biomass Incentive Research Fund. Currently there are 4 applications for Grant Round 11 that are in the review process. The total amount of Renewable Energy Program funding committed to the 23 approved projects as of December 31, 2010 is $6,104,929. Each of these projects has match funding which means that the Renewable Energy Program funding has been leveraged to result in projects totaling over $22.5 million. Some of the ongoing projects are:

- Renewable Oil Refinery Development for Commercialization/Construction
- Promoting Ethanol Fuels in ND
- Dakota Turbine
- Energy Beet Research
- Dakota Spirit AgEnergy Cellulosic Biorefinery

In the pocket of the binder you will find a brochure listing most of the projects that have received funding.

Renewable Energy Council

The Renewable Energy Council is appointed by the Governor. Current members are as follows:

Paul Govig, Commerce Commissioner - by law the Commissioner serves as Chairman
Al Christianson, Great River Energy – represents Biomass Industry
Terry Goerger – represents the agriculture industry
Rod Holth, Green Vision – represents advanced biofuels and sugar-based biofuel
Eric Mack, ADM – represents biodiesel industry
Mark Nisbet, Excel Energy – represents wind industry
Randy Schneider – represents ethanol industry

ANALYSIS OF THE RENEWABLE ENERGY DEVELOPMENT FUND

N.D.C.C. 54-63-04

Continuing Appropriation

	2009-2011 Biennium		2011-2013 Biennium	
Beginning Balance		$1,634,881[1]		$ 34,355
Add estimated revenues[2]				
General Fund Appropriation	$3,000,000		$3,000,000[4]	
Transfer from the Biomass Incentive Fund	$1,080,378			
Interest Income	$ 67,000		$ 27,000	
Applicant contribution	$ 3,000		$ 3,000	
Total Available		$5,785,259		$3,064,355
Less estimated project expenditures and commitments				
Project Expenditures & Commitments[3]	$5,635,904		$2,939,355	
Administrative Costs	$ 115,000		$ 125,000	
Total estimated expenditures		$5,750,904		$3,064,355
Estimated ending balance		$ 34,355		$ 0

(1) This balance reflects the remaining balance of General Fund dollars and interest earnings ($3,000,000 was appropriated) from the 2007-2009 biennium. The 2007 Legislature appropriated federal funding of up to $17,000,000. The Commission was unable to access any federal dollars.

(2) Revenues include a transfer from the Biomass Incentive Research Fund. The 2009 Legislature authorized the transfer of remaining funds in the Biomass Incentive Research Fund. (A total of $2,000,000 had been appropriated from special funds for the Biomass Incentive Research Fund. The amount transferred was for two Biomass Projects that were approved during the 2007-2009 biennium in the amount of $1,080,000. The Commission did not draw down $890,000 of the $2,000,000 authorization from special funds. This reflects actual interest income of $19,006 and application contribution income of $2,000 through November, 2010 and estimated revenues for the remainder of the biennium.

(3) Actual project expenditures through November 30, 2010 totaled $1,580,776 and as of January 1, 2011 the Commission has outstanding commitments of $3,055,670 for 15 projects with 5 project applications in the review process that total $1,522,000 and one additional grant round scheduled for May 1, 2011.

(4) House Bill 1014 (2011 Session) includes funding from the General Fund totaling $3,000,000.

INDUSTRIAL COMMISSION OF NORTH DAKOTA
OIL AND GAS RESEARCH COUNCIL

Brent Brannan, Director
E-Mail: brentbrannan@gmail.com

Governor
Jack Dalrymple
Attorney General
Wayne Stenehjem
Agriculture Commissioner
Doug Goehring

Oil and Gas Research Program
North Dakota Century Code 54-17.6

History of the Oil and Gas Research Program

North Dakota's Oil and Gas Research Program (OGRP), established by the Legislature in 2003, is a state/industry program designed to demonstrate to the general public the importance of the State oil and gas exploration and production industry, to promote efficient, economic and environmentally sound exploration and production methods and technologies, to preserve and create jobs involved in the exploration, production and utilization of North Dakota's oil and gas resources, to develop the State's oil and gas resources, and to support research and educational activities concerning the oil and natural gas exploration and production industry. The Program is funded from two percent of the State's share of the oil and gas gross production tax and oil extraction tax revenues, **up to $4 million**, each biennium.

Mission Statement

The Mission of the Oil and Gas Research Council is to promote the growth of the oil and gas industry through research and education.

General Criteria

Priority areas of the Program that promote the growth of the oil and gas industry through research and education in no particular order include, but are not limited to, the following:

- Generate information and knowledge that will have the highest probability of bringing new oil and gas companies and industry investment to North Dakota.
- Have the highest potential for preserving and creating oil and gas jobs, wealth, and tax revenues for North Dakota.
- Most effectively educate the general public about the benefits and opportunities provided by the North Dakota oil and gas industry.
- Positively affect ultimate recovery from North Dakota's existing oil and gas pools.
- Preserve existing production levels.
- Identify oil and gas exploration and production technologies presently not used in North Dakota.
- Identify oil and gas potential in non-producing counties.
- Maximize the market potential for oil, natural gas, and the associated byproducts.
- Improve the overall suitability of the oil and gas energy industry in North Dakota through the development of new environmental practices that will help to reduce the footprint of oil and gas activities
- Develop baseline information that will lead to other projects, processes, ideas, and activities.

Grant Round Timelines

Grant round deadline dates are June 1 and November 1 of each year. Additional grant round deadline dates may be established by the Industrial Commission.

Ron Anderson Chairman, Robert Harms, Ryan Kopseng, Vice Chairman, Lynn Helms, John Berger, Bob Mau, Wayne Biberdorf, Ed Murphy, Anthony Duletski, Ron Ness

Grant Round Process & Procedures

Since the Program was implemented the Commission has approved funding of 51 projects totaling $6,414,035. Grants may not exceed the legislative appropriation. The dollars invested by the State in these projects is also matched so that every dollar provided by the Program is leveraged. A grant may not exceed fifty percent of the total project cost. A higher priority will be given to those applications having private industry investment. As with the other Industrial Commission administered research programs the Commission believes having a partner in the project leads to projects being conducted that have a value to the industry and State and is not just research for research sake. The Oil and Gas Research Program during the current biennium has been set up to direct 80.75% of its funds for research and 7.5% for education with the remaining funds used for the Pipeline Authority (7.5%) and for administration (4.25%).

Current Projects of Interest

Bakken Water Opportunities Assessment
Submitted by Energy & Environmental Research Center (EERC)

Wellhead Gas Capture via CNG Technologies
Submitted by Bakken Express

Simul-frac Two Bakken Wells Spaced 1320' Apart to Maximize OOIP Recoveries
Submitted by Enerplus (acquired from Peak North Dakota LLC)

Information on all the projects funded by the Program is available on the Industrial Commission website.

Oil and Gas Research Council Members

The Oil and Gas Research Council is a volunteer, citizen, industry, and government group which provides advice to the Industrial Commission on policies and recommends research for funding under the program. The Governor appoints the members of the Oil and Gas Research Council.

Ron Anderson (county commissioner from an oil-producing county)
Anthony Duletski (representing oil and gas producing counties)
John Berger (North Dakota Petroleum Council)
Ryan Kopseng (North Dakota Petroleum Council)
Wayne Biberdorf (North Dakota Petroleum Council)
Bob Mau (North Dakota Petroleum Council)
Ron Ness (President, North Dakota Petroleum Council)
Robert Harms (President, Northern Alliance of Independent Producers)
Lynn Helms (ND Oil and Gas Division Director - non-voting member)
Ed Murphy (State Geologist - non-voting member)

Technical Advisors

Jim Cron (Engineering/Oil Field Operations expertise)
Monte Besler (Petroleum Engineering expertise)
Kent Ellis (Education expertise)
Robert Johnson (Geologic expertise)

The Industrial Commission Administrative Office provides the administrative support for the Council and maintains the financial records of the Program. Brent Brannan has been retained on a part-time basis to serve as the Oil and Gas Research Program Director.

ANALYSIS OF THE OIL AND GAS RESEARCH FUND

N.D.C.C. 57-51.1

Continuing Appropriation

	2009-2011 Biennium		2011-2013 Biennium	
Beginning Balance		$1,278,907[1]		$1,799,461
Add transfers and estimated revenues[2]				
Transfer from State Treasurer from oil and gas taxes	$4,000,000		$4,000,000[5]	
Estimated applicant contributions	$ 1,300		$ 2,000	
Estimated Interest Income	$ 19,254		$ 18,000	
Total Available		$5,299,461		$5,819,461
Less estimated expenditures and commitments[3]				
Estimated Project Expenditures & Commitments	$3,030,000		$5,105,000	
Administrative and Technical Services Costs	$ 170,000		$ 170,000	
Transfer to the North Dakota Pipeline Authority	$ 300,000		$ 225,000[6]	
Total estimated expenditures		$3,500,000		$5,500,000
Estimated ending balance		$1,799,461[4]		$ 319,461

(1) The Oil and Gas Research Program/Fund was authorized by the 2003 Legislature. During the 2003-2005 biennium $50,000 was made available for the Program. That amount was increased in the 2005 Legislature to $1,300,000 and then it was again increased in 2007 to $3,000,000 and in 2009 it was increased to $4,000,000. The source of funding for the Oil and Gas Research Fund is two percent of the state's share of the oil and gas gross production tax and oil extraction tax revenues. During the 2003-2009 biennia expenditures totaled $3,129,673.

(2) Revenues under the 2009-2011 biennium reflect the transfer of $4,000,000 from the State Treasurer. Estimated interest income includes actual interest income of $12,900 through November, 2010 and an estimate of the interest income through June 30, 2011. Estimated applicant contributions reflect actual applicant contributions of $1,100 through November, 2010 with an estimate for the remainder of the biennium.

(3) Since 2003 through 2010 the Commission has committed funding for 51 projects totaling $6,414,035 of OGRP funding. Total project costs are $209,723,771. This includes twelve projects approved during the 2009-2011 biennium with funding to be provided during the 2009-2011 and subsequent biennia. Actual project payment through December, 2010 total $1,210,045 with an estimate for the remainder of the biennium Actual administrative and technical services costs through December, 2010 total $131.939 (excluding the Pipeline Authority) with an estimate for the remainder of the biennium.

(4) This funding is needed for payments of approved projects that will be completed in subsequent biennia.

(5) This amount is in the law.

(6) This amount is determined by the Industrial Commission based on a recommendation from the Oil and Gas Research Council. It is estimated that approximately $225,000 will be needed during the next biennium for the Pipeline Authority.

INDUSTRIAL COMMISSION OF NORTH DAKOTA
NORTH DAKOTA PIPELINE AUTHORITY

Governor
Jack Dalrymple
Attorney General
Wayne Stenehjem
Agriculture Commissioner
Doug Goehring

North Dakota Pipeline Authority
North Dakota Century Code 54-17.7

The North Dakota Pipeline Authority was created by the North Dakota Legislative Assembly in 2007. The statutory mission of the Pipeline Authority is "to diversify and expand the North Dakota economy by facilitating development of pipeline facilities to support the production, transportation, and utilization of North Dakota energy-related commodities, thereby increasing employment, stimulating economic activity, augmenting sources of tax revenue, fostering economic stability and improving the State's economy." As established by the Legislature the Pipeline Authority is a builder of last resort, meaning private business would have the first opportunity invest in and/or build additional needed pipeline infrastructure.

By law the Pipeline Authority membership is comprised of the members of the North Dakota Industrial Commission. The Industrial Commission has authorized the expenditure of up to $300,000 during the 2009-2011 biennium for the Pipeline Authority with funding being made available from the Oil and Gas Research Fund. The Industrial Commission has named Justin Kringstad, a consultant, as Director of the Authority. He works closely with Lynn Helms, Director of the Department of Mineral Resources, Ron Ness, President of the North Dakota Petroleum Council and Karlene Fine, Executive Director of the Industrial Commission. The Pipeline Authority has no other staff and receives no direct General Fund appropriation. The Director of the Pipeline Authority reports to the Industrial Commission and the Oil and Gas Research Council on a regular basis.

The Pipeline Authority issues a quarterly newsletter in addition to making numerous presentations. In May, 2010 Mr. Kringstad presented a report titled *"An Update on North Dakota's Natural Gas Infrastructure."* A further update to the May publication was presented in August to an interim legislative committee. Attached is Mr. Kringstad's most recent report titled *"North Dakota's Oil Transportation Infrastructure."* Copies of these reports, the Pipeline Authority Annual Reports, quarterly newsletters and Mr. Kringstad's presentations are available on the Authority website at: https://www.dmr.nd.gov/pipeline/

In September, 2010 the Authority began presenting a monthly webinar on topics of interest to producers, developers as well as the general public. Recordings of the webinars are available on the Pipeline Authority website.

The website is updated on a regular basis so you should add this website to your "favorites". We are hopeful that this website will be a good tool for keeping policy makers, citizens and industry informed of what is happening with the development of pipelines in North Dakota.

Pipeline Authority
State Capitol, 14th Floor - 600 E Boulevard Ave Dept 405 - Bismarck, ND 58505-0840
E-Mail: Justin Kringstad PHONE: 701-220-6227 FAX: 701-328-2820
"Your Gateway to North Dakota": www.nd.gov

ANALYSIS OF THE PIPELINE AUTHORITY FUND
N.D.C.C. 54-17.7-11
Continuing Appropriation

	2009-2011 Biennium		2011-2013 Biennium	
Beginning Balance		$32,089[1]		$ 95,089
Add transfers and estimated revenues[2]				
Transfer from Oil and Gas Research Fund	$ 300,000		$ 225,000[4]	
Estimated Interest Income	$ 5,000		$ 5,000	
Total Available		$337,089		$325,089
Less estimated expenditures and commitments[3]				
Study Commitments	$ 40,000		$ 55,000	
Administrative Costs	$ 37,000		$ 45,015	
Consultant Costs	$ 165,000		$ 186,000	
Total estimated expenditures		$242,000		$286,015
Estimated ending balance		$ 95,089		$ 39,074

[1] The Pipeline Authority and the Pipeline Authority Fund were authorized by the 2007 Legislature and became effective in April, 2007. From the inception of the program through June 30, 2009 $300,000 plus $5,684 in interest earned had been transferred to the fund and expenditures totaled $273,595.

[2] Revenues reflect a transfer of $300,000 from the Oil and Gas Research Fund for the 2009-11 biennium. Estimated interest income includes actual interest income of $637 through November, 2010 and an estimate of the interest income through June 30, 2011.

[3] Actual administrative costs through November, 2010 total $19,217 with an estimate for the remainder of the biennium. Actual consultant costs through November, 2010 total $97,890 with an estimate for the remainder of the biennium.

[4] The amount to be transferred from the Oil and Gas Research Fund for the Pipeline Authority is at the discretion of the Industrial Commission based on funding available In the Oil and Gas Research Fund. For the 2009-2011 biennium the transfer to the Pipeline Authority was 7.5% of the funds in the Oil and Gas Research Fund or $300,000. It is currently estimated that $225,000 will be transferred during the 2011-2013 biennium based on the estimated amount of dollars that will be carried over from the 2009-2011 biennium and the current needs of the Authority. There is no statutory requirement regarding the funding to be made available to the Pipeline Authority.

North Dakota's Oil Transportation Infrastructure

North Dakota Pipeline Authority

Industrial Commission of North Dakota
Governor Jack Dalrymple
Attorney General Wayne Stenehjem
Agriculture Commissioner Doug Goehring

Prepared By:
Justin J. Kringstad

December 2010

NORTH DAKOTA OIL PRODUCTION

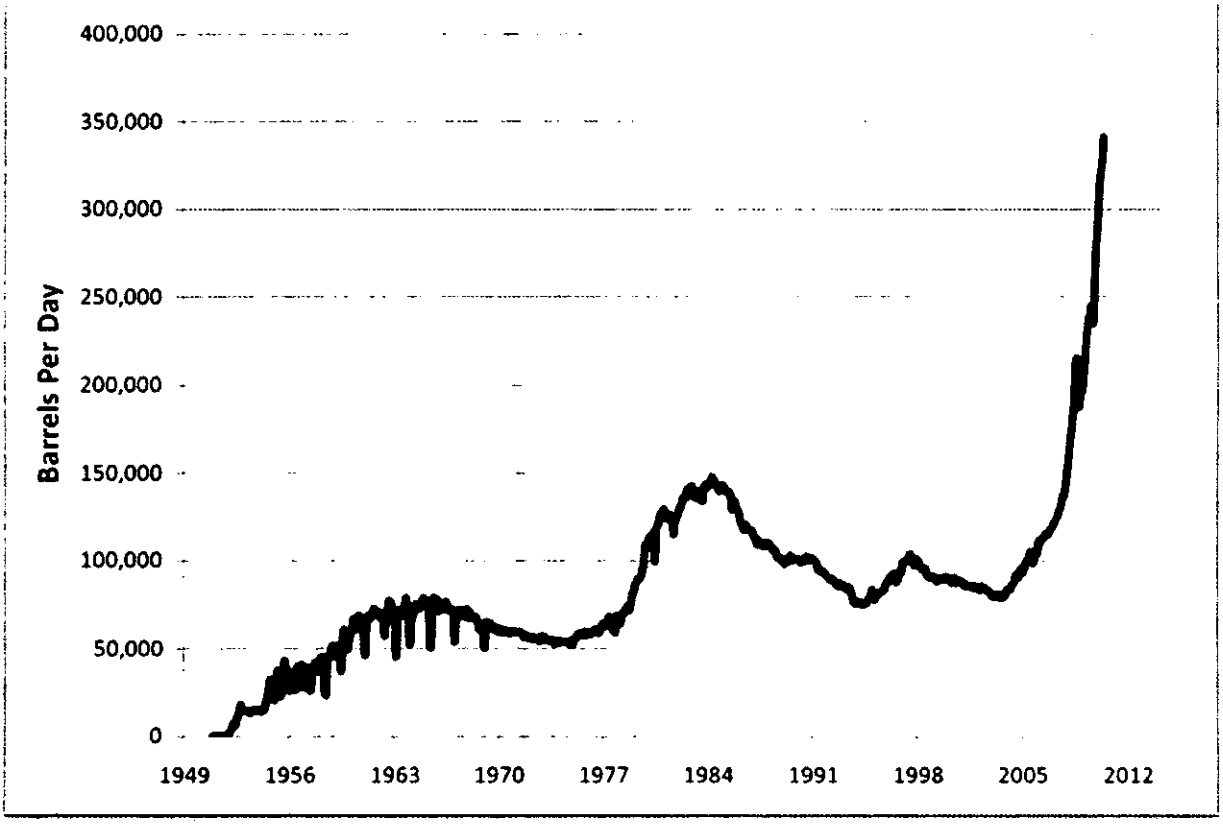


Figure 1. Historic oil production for North Dakota in barrels of oil per day.

For the last four years, the state's petroleum industry has been on a fast paced journey to unlock the vast resources held deep inside the Bakken and Three Forks formations. Thanks to the Bakken and Three Forks formations, the state of North Dakota is currently the fourth largest producer of oil in the United States. North Dakota has been setting new production records almost every month, with current oil production just over 342,000 barrels of oil per day (BOPD) (Figure 1). Additional oil plays within North Dakota, including the Lodgepole, Tyler, and Spearfish, are also generating a great deal of industry interest, as it is believed that new drilling and completions technology may be very successful in these intervals as well. Studies conducted by the North Dakota Department of Mineral Resources in 2008 and 2010 indicate 4.0-6.3 billion barrels of recoverable reserves in North Dakota's Bakken and Three Forks formations alone. With a resource base as large as that found in Western North Dakota, experts predict at least an additional ten to twenty years of intense drilling and development, followed by several more decades of continued petroleum production.

FUTURE OIL PRODUCTION

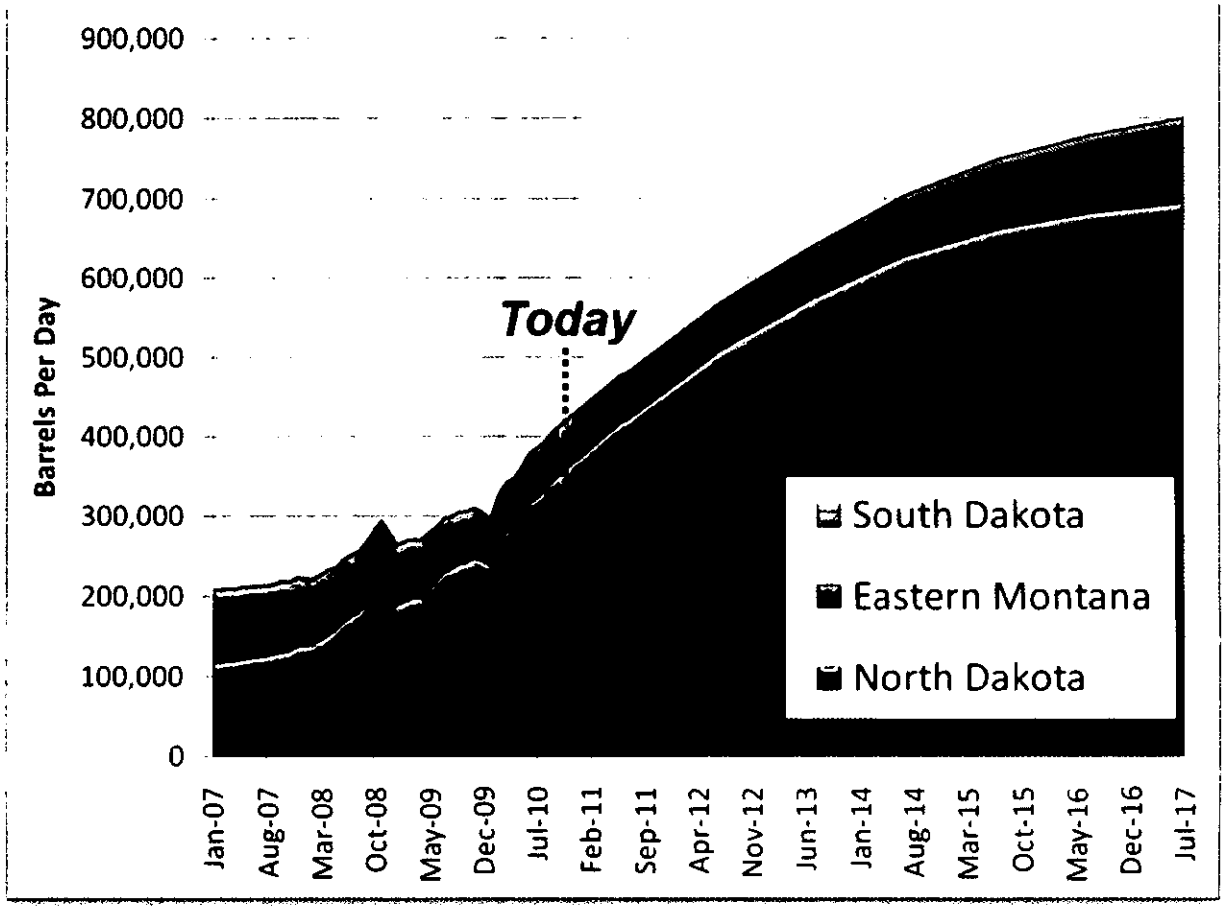


Figure 2. Crude oil production forecast for the United States portion of the Williston Basin. A sustained rig count of 150 was used for the North Dakota portion.

A properly sized and economic transportation system is essential to ensure continued expansion and development in the Williston Basin. In order to develop a long term vision for oil transportation in the Williston Basin, a comprehensive oil production forecast must be in place.

The North Dakota Department of Mineral Resources periodically updates a comprehensive state oil production forecast that includes all producing formations, including the Bakken and Three Forks. The most recent forecast indicates that oil production may reach 450,000 to 700,000 BOPD within the next 3-7 years. Coupled with increasing interest in the Bakken and Three Forks formations in Eastern Montana, the United States portion of the Williston Basin could potentially be producing 550,000-800,000 BOPD between 2015-2020 (Figure 2). This anticipated growth has kept industry busy working to come up with solutions to move these never before seen volumes of oil.

CURRENT CRUDE OIL INFRASTRUCTURE

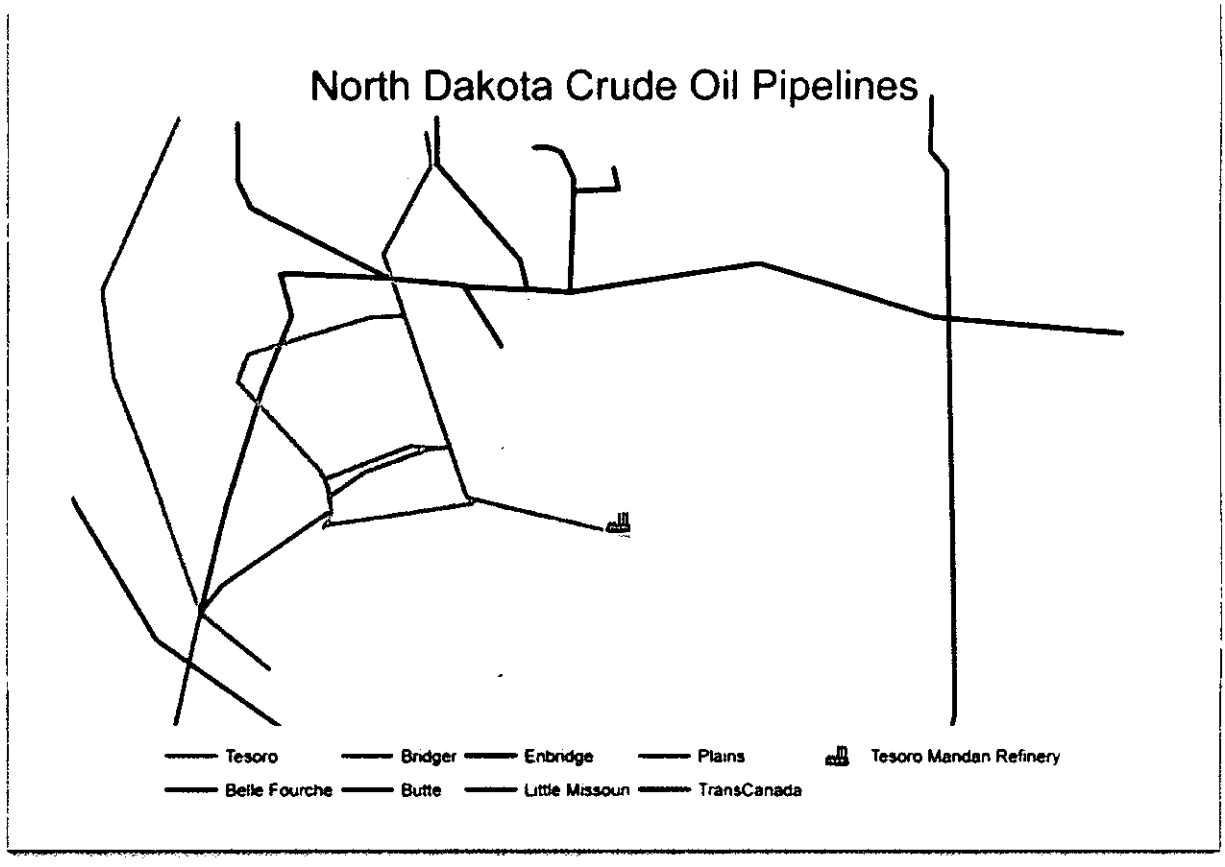


Figure 3. Map of the major crude oil transmission pipelines in the Williston Basin. Small scale gathering pipelines are not included.

Transportation System Capacity, Barrels Per Day	2007	2008	2009	2010
Pipeline Transportation				
Butte Pipeline	92,000	104,000	118,000	118,000
Enbridge North Dakota	80,000	110,000	110,000	161,500
Tesoro Mandan Refinery	58,000	58,000	58,000	58,000
Pipeline Only Total	**230,000**	**272,000**	**286,000**	**337,500**
Rail Transportation				
Various Sites including: Minot, Dore, Donnybrook, Stampede	-	30,000	30,000	30,000
EOG Rail, Stanley, ND (Up to 90,000 BOPD)	-	-	65,000	65,000
Dakota Transport Solutions, New Town, ND	-	-	-	20,000
Rail Only Total	**-**	**30,000**	**95,000**	**115,000**
Pipeline and Rail Combined Total	**230,000**	**302,000**	**381,000**	**452,500**

MOVING TOMMORROW'S PRODUCTION

Several major projects have been planned to address the growing volumes of crude oil post 2010. Figure 4 and the table below outline the scale and timing of upcoming pipeline expansions in the Williston Basin. It can be noted that pipeline capacity is not expected to keep pace with production until early 2013, leaving incremental volumes to find alternative transportation methods, primarily rail.

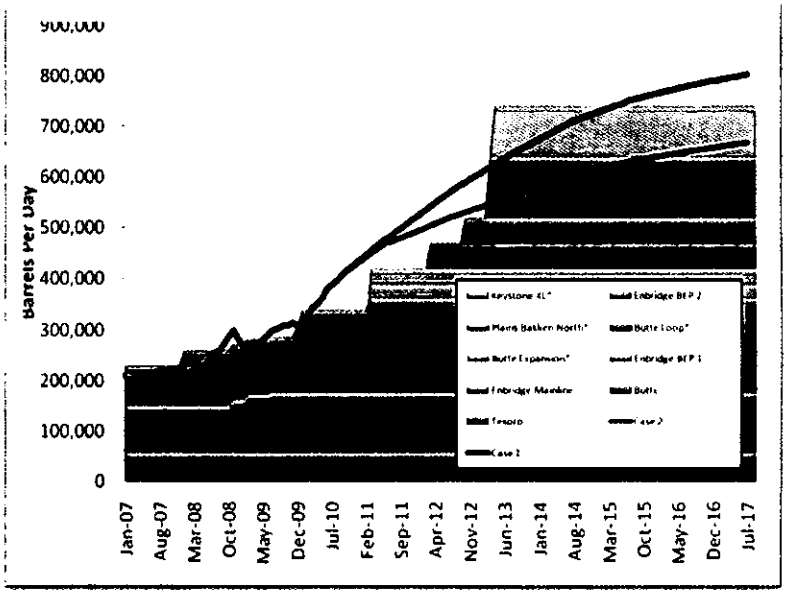


Figure 4. Forecasted oil production for the Williston Basin with the planned and proposed pipeline projects. Oil production Cases 1 and 2 assumed 150 and 120 drilling rigs, respectively.

Transportation System Capacity, Barrels Per Day	2007	2008	2009	2010	2011	2012	2013
Pipeline Transportation							
Butte Pipeline	92,000	104,000	118,000	118,000	118,000	118,000	118,000
Enbridge North Dakota	80,000	110,000	110,000	161,500	161,500	161,500	161,500
Tesoro Mandan Refinery	58,000	58,000	58,000	58,000	58,000	58,000	58,000
Enbridge Sweet Only	-	-	-	-	23,500	23,500	23,500
Enbridge Bakken Expansion	-	-	-	-	25,000	25,000	145,000
Butte Pipeline Expansion*	-	-	-	-	32,000	32,000	32,000
Butte Loop*	-	-	-	-	-	50,000	50,000
Plains Bakken North*	-	-	-	-	-	50,000	50,000
Keystone XL Interconnect*	-	-	-	-	-	-	100,000
Pipeline Only Total	**230,000**	**272,000**	**286,000**	**337,500**	**418,000**	**518,000**	**738,000**

*Project still in the proposed or internal review phase

RAIL TRANSPORTATION'S VITAL ROLE

It is clear from Figure 5 and the table below that rail transportation has kept, and will continue to keep, Williston Basin oil moving to market during the tremendous growth period anticipated to continue for the next several years. Although some speculate for its continued use in reaching niche markets, it is relatively unclear at this time if, or how, rail transportation will be used after the early 2013 pipeline expansions.

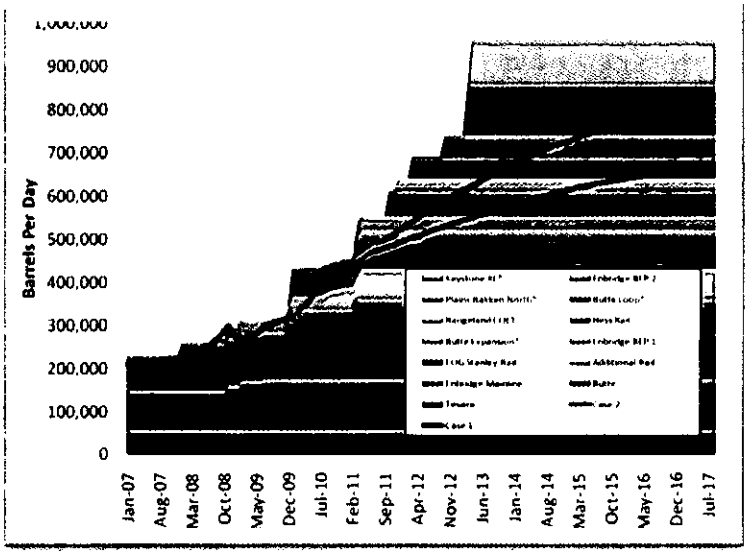


Figure 5. Forecasted oil production for the Williston Basin with all planned and proposed transportation projects. Oil production Cases 1 and 2 assumed 150 and 120 drilling rigs, respectively.

Transportation System Capacity, Barrels Per Day	2007	2008	2009	2010	2011	2012	2013
Pipeline Transportation							
Butte Pipeline	92,000	104,000	118,000	118,000	118,000	118,000	118,000
Enbridge North Dakota	80,000	110,000	110,000	161,500	161,500	161,500	161,500
Tesoro Mandan Refinery	58,000	58,000	58,000	58,000	58,000	58,000	58,000
Enbridge Sweet Only	-	-	-	-	23,500	23,500	23,500
Enbridge Bakken Expansion	-	-	-	-	25,000	25,000	145,000
Butte Pipeline Expansion*	-	-	-	-	32,000	32,000	32,000
Butte Loop*	-	-	-	-	-	50,000	50,000
Plains Bakken North*	-	-	-	-	-	50,000	50,000
Keystone XL Interconnect*	-	-	-	-	-	-	100,000
Pipeline Only Total	**230,000**	**272,000**	**286,000**	**337,500**	**418,000**	**518,000**	**738,000**
Rail Transportation							
Various Sites including	-	30,000	30,000	30,000	30,000	30,000	30,000
EOG Rail	-	-	65,000	65,000	65,000	65,000	65,000
Dakota Transport Solutions	-	-	-	20,000	40,000	40,000	40,000
Hess Rail	-	-	-	-	-	60,000	60,000
Rangeland COLT Hub	-	-	-	-	-	27,000	27,000
Rail Only Total	**-**	**30,000**	**95,000**	**115,000**	**135,000**	**222,000**	**222,000**
Total Pipeline and Rail	**230,000**	**302,000**	**381,000**	**452,500**	**553,000**	**740,000**	**960,000**

*Project still in the proposed or internal review phase

THE ROAD AHEAD

With over a billion dollars of completed or planned oil transportation expansions, North Dakota is positioned for many more years of successful oil and natural gas development. The combination of pipeline and rail transportation that has evolved in North Dakota over the past two years has shown a great deal of creativity and ingenuity on the part of industry. At least in the near term, the challenges of moving crude oil out of the Williston Basin that have plagued the region over the past several years have been alleviated. With increasing efficiencies in drilling and completion, the current debate is how high oil production in the Williston Basin will be in the coming years. A close eye is being kept on new production advances and what transportation options may need to be in place post 2013.

Along with the large export projects discussed in this report, industry is also investing a great deal of time and money to solve a second challenge of efficiently and safely moving crude oil within the state. Crude oil gathering pipelines are being constructed around the Williston Basin to help lower the overall transportation costs and reduce some of the trucking issues associated with heavy road traffic and North Dakota's harsh winters.

NORTH DAKOTA TRANSMISSION AUTHORITY
Chapter 17-05 North Dakota Century Code

The North Dakota Transmission Authority was created by the North Dakota Legislative Assembly in 2005. Since its inception the Authority's mission has been to facilitate the development of transmission infrastructure in North Dakota. The Authority was established to serve as a catalyst for new investment in transmission by facilitating, financing, developing and/or acquiring transmission to accommodate new lignite and wind energy development. The Authority is a builder of last resort, meaning private business would have the first opportunity to invest in and/or build additional needed transmission.

By statute the Authority membership is comprised of the members of the Industrial Commission. Sandi Tabor has served as Director of the Authority since 2006. Ms. Tabor works closely with the Executive Director of the NDIC, Ms. Karlene Fine. The Authority has no other staff and receives no direct General Fund appropriation. Funding for the Authority comes from the Lignite Research, Development and Marketing Program.

The powers of the Authority include: 1) make grants or loans or borrow money; 2) to issue up to $800 million in revenue bonds; 3) enter into lease-sale contracts; 4) own, lease, rent and dispose of transmission facilities; 5) enter into contracts to construct, maintain and operate transmission facilities; 6) investigate, plan prioritize and propose transmission corridors; and 7) participate in regional transmission organizations. In 2009 the Legislature provided the Authority with the power to attach the moral obligation of the State on up to 30% of any revenue bonds sold in conjunction with the financing of a transmission line project. During the interim the Authority assembled a team of experts to develop due diligence guidelines for use in assessing whether a transmission project would qualify for bonds with the moral obligation.

The Authority's work has also focused on interaction with members of Midwest Independent System Operator (MISO), the Organization of MISO (OMS) and other regional and state planning and permitting authorities to ensure transmission policies developed will be favorable to any new ND projects (coal or wind) that may come before these groups. Most recently Ms. Tabor was involved in the MISO Regional Generational Outlet Study. The focus of this study was to identify the impact of state specific renewable portfolio standards on the MISO operation and to identify options for future transmission line build-out. The group issued a final report in October that identified three build-out options to address the infrastructure needs for moving power across the MISO footprint and for exporting power beyond the MISO footprint.

Ms. Tabor also represented the Governor's Office in a five-state study (ND, SD, MN, IA, and WI) regarding how to upgrade and/or construct new transmission in the five-state region. This group included representatives from the Governors and the utility regulating commissions from each state. In its final report the group identified potential transmission build-out options within

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Sandi Tabor, Acting Director
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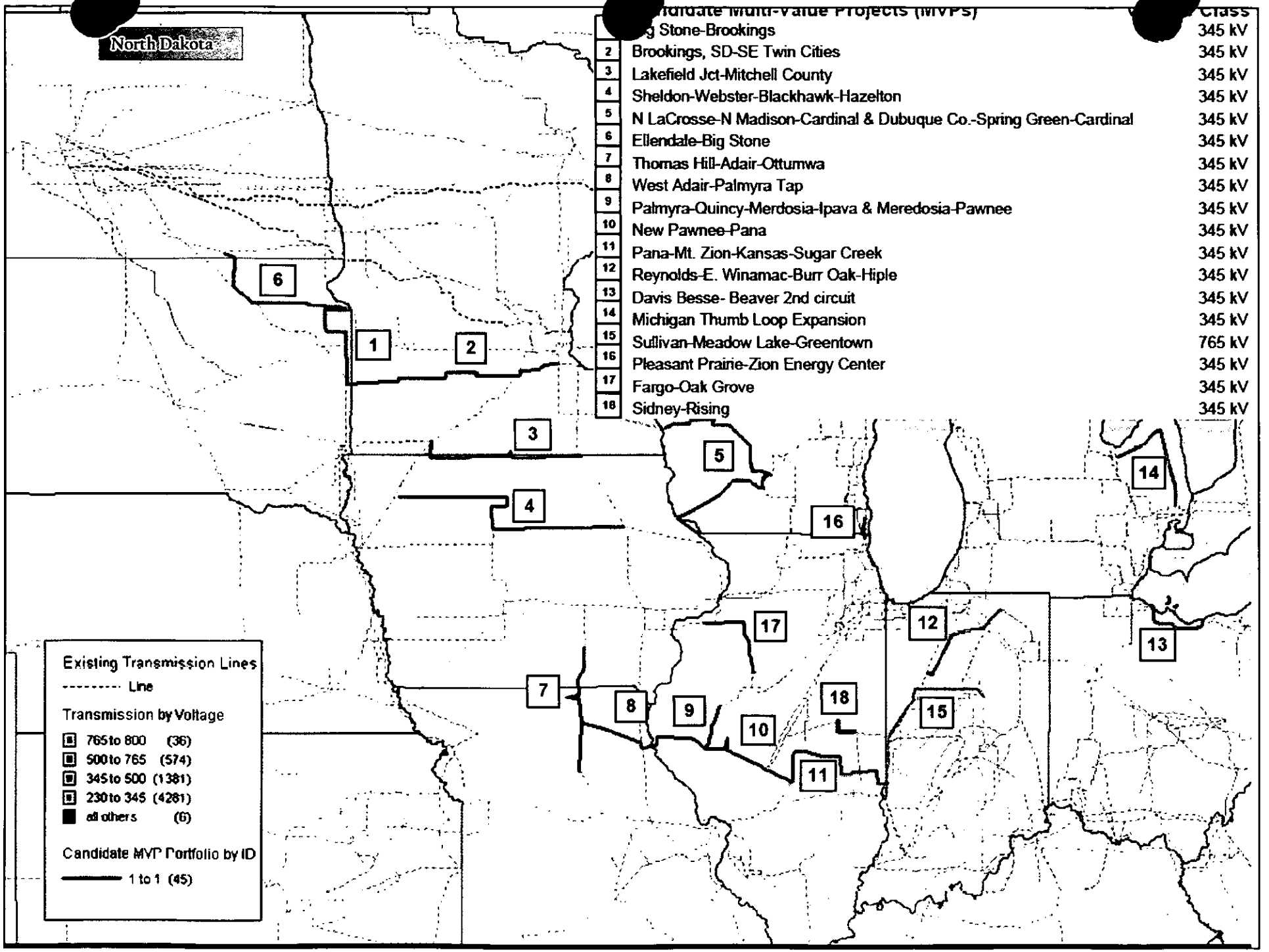
the five-state area and identified several "first-build" lines, including a 345kV line from Big Stone to Ellendale. These first-build lines represent lines which will be needed to move power throughout the MISO footprint regardless of which overall build-out option MISO pursues.

The Authority is presently engaged in the next phase of MISO transmission line development work ... a task force called the Multi-Value Project Task Force. This group is evaluating the "first-build" recommendations from the study mentioned in the preceding paragraph along with ten other potential lines located in other parts of the MISO footprint. The evaluation will determine which lines will qualify for special cost allocation treatment under a new tariff approved by the Federal Energy Regulatory Commission. Under the new tariff the construction cost of lines identified as MVP lines will be spread across the MISO footprint. The Multi-Value Project Task Force will complete the first phase of its work by July 2011.

Ms. Tabor is also involved in a planning process including the 39 states located within the Eastern Interconnection. This planning process is focused on identifying the infrastructure needs to move power from western rural areas of the country (like North Dakota, South Dakota and Kansas) to the urban areas of the eastern United States. The study is financed through a grant from the Department of Energy and will run through 2012.

Another significant element of the Authority's mission is to solicit ideas from interested parties regarding solutions to transmission constraint issues in North Dakota. The Authority's discussions have included outreach to independent transmission companies that build transmission infrastructure, to companies interested in developing lignite projects under the Lignite Vision 21 program and to wind developers. The Transmission Authority also coordinates its activities with the Public Service Commission and the Department of Commerce and regularly reports to the Industrial Commission.

A copy of the Transmission Authority's annual report is available on the Industrial Commission website at http://www.nd.gov/ndic/ under publications.


North Dakota
Candidate Multi-Value Projects (MVPs)
Class
g Stone-Brookings 345 kV
2 Brookings, SD-SE Twin Cities 345 kV
3 Lakefield Jct-Mitchell County 345 kV
4 Sheldon-Webster-Blackhawk-Hazelton 345 kV
5 N LaCrosse-N Madison-Cardinal & Dubuque Co.-Spring Green-Cardinal 345 kV
6 Ellendale-Big Stone 345 kV
7 Thomas Hill-Adair-Ottumwa 345 kV
8 West Adair-Palmyra Tap 345 kV
9 Palmyra-Quincy-Merdosia-Ipava & Meredosia-Pawnee 345 kV
10 New Pawnee-Pana 345 kV
11 Pana-Mt. Zion-Kansas-Sugar Creek 345 kV
12 Reynolds-E. Winamac-Burr Oak-Hiple 345 kV
13 Davis Besse- Beaver 2nd circuit 345 kV
14 Michigan Thumb Loop Expansion 345 kV
15 Sullivan-Meadow Lake-Greentown 765 kV
16 Pleasant Prairie-Zion Energy Center 345 kV
17 Fargo-Oak Grove 345 kV
18 Sidney-Rising 345 kV
Existing Transmission Lines
Line
Transmission by Voltage
765 to 800 (36)
500 to 765 (574)
345 to 500 (1381)
230 to 345 (4261)
all others (6)
Candidate MVP Portfolio by ID
1 to 1 (45)

NORTH DAKOTA housing FINANCE AGENCY

Michael A. Anderson Executive Director

INDUSTRIAL COMMISSION
Jack Dalrymple Governor
Wayne Stenehjem Attorney General
Doug Goehring Agriculture Commissioner

March 14, 2011

HB 1014
North Dakota Housing Finance Agency
Division of the State Industrial Commission
Budget No. 473.0
Testimony of Michael Anderson, Executive Director
Senate Appropriations Committee

Chairman Holmberg and members of the Senate Appropriations Committee:

My name is Mike Anderson. I am executive director of the North Dakota Housing Finance Agency (Agency). Section 1, subdivision 5 covers the revenues associated with the various housing programs administered by the Agency solely through Special Funds. The $38,590,046 Executive Recommendation for the 2011-13 biennium after taking out the one-time funded items from the previous biennium budget represents a 19 percent reduction from the 2009-2011 biennium budget.

The significant variances resulting in this reduced budget are: 1) a $2.4 million reduction in Operating Fees and Services line item due to a lower loan loss reserve requirement; 2) another $300,000 reduction in Operating Fees and Services line item due to a lower projected Servicing Release Premium expense resulting from projecting fewer loans being purchased; 3) a $600,000 reduction in interest expense resulting from a projected reduced utilization of our BND line-of-credit; and 3) reduced travel and professional development expense by $81,531.

This budget is requesting no additional FTE authority which is currently 46.

The Agency's programs are briefly described in the attached program summary. Nearly all of the programs involve partnerships with other entities in delivering our programs to targeted beneficiaries. These partnerships include lenders, real estate agents, homebuilders, property developers, community action agencies, regional councils, apartment owners, non-profit organizations, and other state and federal agencies.

Funding of the Agency's programs is derived primarily from revenue bonds, federal funds, or agency and bond indenture assets. Total bonds issued to date equal $3,006,832,909. Indenture provisions authorize us to assess participants for the associated administrative costs or administrative fees as appropriate. The assets, liabilities and revenues resulting from bond issues of the Agency are not appropriated as they are not public funds. They are held in trust by our bond trustees. As of December 31, 2010, the assets of these various bond funds totaled approximately $1.177 billion and liabilities totaled $1.066 billion. The Agency's costs of administering these bond financed programs are accrued on a monthly basis and drawn from the trust indentures.

The Agency's FirstHome loan program, which is funded though the sale of tax-exempt mortgage revenue bonds, has now funded 35,234 loans totaling $2,398,198,306 since its

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www.ndhfa.org
info@ndhfa.org

inception. The average annual production in recent years has been 1,540 loans totaling $161,462,000 of principal purchased. Fifty-five percent of these loans were also provided down payment assistance also funded with the Agency's bond proceeds. Under the ND Roots program we have also purchased to date 266 loans totaling just over $35 million. There are 11,516 loans with an outstanding principal balance of $909,363,497. The Agency services 83 percent of these loans in house and is projecting net revenues from servicing of $562,775.

The only multifamily production program that the Agency administers is the federal Low Income Housing Tax Credit program. These tax credits are an incentive for investment in affordable housing for lower-income tenants. The tax credits generate equity for the project developer. Through a competitive application process, the Agency allocates the annual credit authority to project applicants and staff performs the monitoring for the required compliance period which can extend to 30 years. We are currently performing compliance monitoring on 148 properties containing 4,344 units across the state. History to date, these tax credits have provided equity for the new construction or rehabilitation of 189 projects containing 5,602 units. Total tax credit equity generated to date is more than $219 million against total project costs of $432 million. Tax credits available for 2011 include $2,465,000 of annual cap authority plus $669,505 of returned credits for a total available of $3,134, 505.

The Agency's largest appropriated funds activity involves the administration of the U.S. Department of Housing and Urban Development (HUD) rental housing programs. Total grants disbursement for rental assistance is projected at $24,748,920, assisting 3,554 units in 147 projects.

An additional $1,110,000 is being proposed for other Agency sponsored grant programs targeted to housing rehabilitation, non-profit capacity building, and other rural community technical assistance and grant programs. We are again proposing another $1,000,000 for other discretionary grants for unanticipated one-time needs that may arise during the biennium. This combined $2.11 million is the same authorized in our current biennium budget and is coming from the Agency's reserves.

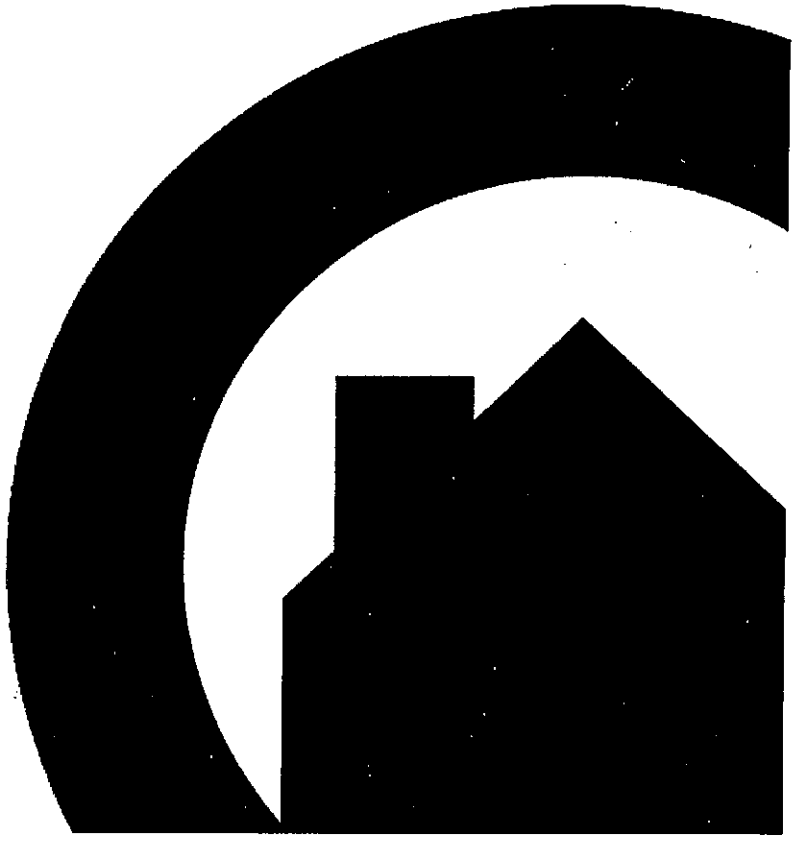
The 2011-2013 biennium budget, as with past budgets, includes a provision which appropriates any additional or unanticipated funds that may become available to the Agency during the biennium (see Section 6 of HB 1014). Previously, we have relied on this provision to apply for federal funds for new programs that became available following the Legislative Session. Continuing this provision during the upcoming biennium will provide the Agency with the flexibility to react to new housing challenges and the resources necessary to meet those challenges as both arise.

North Dakota Housing has not in its history received any General Funds appropriation nor is this budget requesting an appropriation. Its programs and operations are administered under close scrutiny of a six-member Advisory Board, comprised of housing industry representatives appointed by the Industrial Commission. They meet monthly and make program recommendations to the Industrial Commission. To date, we've operated solely on the revenues generated from the administration of our various programs in a manner similar to a for-profit business in order to produce net revenues and to fund the credit collateral requirements of our financing programs.

North Dakota Housing's financial reserves have always been utilized to provide these credit enhancements for our bond issuance activities. As has been our practice since my becoming executive director, we intend to put our financial assets to work in developing and expanding housing programs to meet North Dakota's housing challenges through direct funding and leveraging. However, this will be accomplished in a prudent manner that will insure preservation of our current bond indenture and issuer ratings from Moody's and our positive status with the capital markets.

Program Summary

North Dakota Housing Finance Agency



The North Dakota Housing Finance Agency (NDHFA) is a public financial institution dedicated to making housing affordable for all North Dakotans. The Agency facilitates affordable mortgage financing, assures the continued availability of low-income rental housing, and seeks to provide for the state's changing housing needs.

The Industrial Commission of North Dakota, consisting of the Governor, Attorney General and Agriculture Commissioner, oversees the Agency with advice from a six-member citizen advisory board.

HOMEOWNERSHIP DIVISION PROGRAMS

CommunityPartners

CommunityPartners provides a financing incentive to first-time homebuyers purchasing homes through community or non-profit sponsored housing developments.

Downpayment and Closing Cost Assistance (DCA)

The zero-interest, deferred payment loans available through the Downpayment and Closing Cost Assistance program help lower income first-time homebuyers meet out-of-pocket cash requirements.

FirstHome™

Through NDHFA's standard mortgage program, known as FirstHome, North Dakota's low- to moderate-income first-time buyers receive a reduced-interest rate mortgage loan.

Habitat for Humanity Loan Purchase

NDHFA purchases and services loans made by local Habitat for Humanity affiliates, in turn supporting the organization's mission to eliminate poverty housing and homelessness.

HomeAccess

With the HomeAccess program, permanently disabled, elderly and single-parent households and honorably discharged veterans that are not first-time buyers may qualify for NDHFA's mortgage loans.

HomeKey

With HomeKey, lower income first-time buyers are able to enhance their purchasing power by receiving a break on NDHFA's already reduced-interest rate mortgage loans.

Homeownership Acquisition and Rehabilitation Program (HARP)

The Homeownership Acquisition and Rehabilitation Program is a cooperative effort of the NDHFA and local Community Action Agencies that increases homeownership opportunities for low-income families and improves neighborhoods by rehabilitating distressed properties.

HomeSmart

HomeSmart is a grant program administered by the Agency that encourages first-time buyers to attend classes that prepare them for successful homeownership.

HOMEOWNERSHIP DIVISION PROGRAMS (continued)

North Dakota Roots

The North Dakota Roots homeownership incentive program provides new and returning state residents with either a below-market interest rate loan or a market-rate loan that includes downpayment and closing cost assistance.

Rural Real Estate Mortgage (RREM)

Under the Rural Real Estate Mortgage program, NDHFA offers rural lenders access to a secondary mortgage market thus increasing homeownership opportunities for non first-time buyers in North Dakota's smaller communities.

Start

The Start program offers low- to moderate-income first-time buyers both an affordable first mortgage and assistance with out-of-pocket cash requirements.

PLANNING AND HOUSING DEVELOPMENT DIVISION PROGRAMS

Construction Loan Guarantee

The Construction Loan Guarantee program provides loan guarantees to lenders on construction loans for affordable single-family housing in rural communities.

Helping Housing Across North Dakota (Helping HAND)

Helping HAND grant dollars support the housing needs of North Dakota's lower-income families by offering a funding source to targeted single and multifamily housing rehabilitation programs statewide.

Housing Market Survey Grants

The Housing Market Survey Grant program offers a cost-sharing incentive to rural communities to develop a local housing strategy by helping to pay for an analysis of their current and future housing needs.

Low Income Housing Tax Credits (Housing Credits)

The Low Income Housing Tax Credit program provides incentives for the production and rehabilitation of affordable rental housing by compensating the property owner for charging rents that are generally lower than would be feasible without the credits.

Neighborhood Stabilization Program

The Neighborhood Stabilization Program (NSP) will provide funds to purchase foreclosed or abandoned homes and to rehabilitate, resell, or redevelop these homes in order to stabilize neighborhoods and stem the decline of house values.

Rehab Accessibility Program (RAP)

Rehab Accessibility Program grant dollars address accessibility issues in single or multifamily properties occupied by low-income individuals with physical disabilities.

PLANNING AND HOUSING DEVELOPMENT DIVISION PROGRAMS (continued)

Rural Community Housing Development

Through the Rural Community Housing Development program, low-cost financing is available for predevelopment soft costs like land acquisition and site development.

Rural Housing Investment Incentive

The Rural Housing Investment Incentive pilot program supports the development of single- or multi-family housing, or the substantial rehab of existing structures in difficult to develop areas by offering a dollar for dollar match for private sector investment.

Rural Housing Rehabilitation Loan

The Rural Housing Rehabilitation Loan program provides a low-cost, revolving fund for the rehabilitation of existing housing stock located in areas with less than 20,000 population.

PROPERTY MANAGEMENT DIVISION PROGRAMS

Affordable Housing Disposition Program (AHDP)

The Resolution Trust Corporation properties sold under the Affordable Housing Disposition Program in North Dakota are monitored by NDHFA.

Contract Administration

NDHFA administers contracts for HUD project-based Section 8 housing developments located throughout North Dakota.

Low Income Housing Tax Credit

The Agency's Property Management Division, acting as a compliance specialist, administers IRS regulations and requirements for local tax credit properties.

Moderate Rehabilitation

NDHFA determines applicant eligibility for the HUD Section 8 Moderate Rehabilitation properties, provides regulatory oversight of the properties and distributes HUD rental assistance funds.

NORTH DAKOTA housing
FINANCE AGENCY

2624 Vermont Avenue
PO Box 1535
Bismarck, ND 58502

Ph: (701) 328-8080 Fax: (701) 328-8090
Toll Free: (800) 292-8621 or (800) 366-6888 (TTY)

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HB 1014
Lignite R&D Program Funding
Testimony of John Dwyer
Before the
Senate Appropriations Committee

I. Lignite Industry Update

A. Current Lignite Industry in North Dakota

- 30 million tons of lignite coal
  - Serves 2 million people with electricity
  - Serves 225,000 homes with SNG (Synthetic Natural Gas)
  - Produces 1,000 tons per day of agricultural fertilizer

- 4,000 people employed / each direct job means 6 indirect jobs/more than 27,000 total direct/indirect/one out of every 12 jobs in the state is tied to the lignite industry

B. Annual Economic Contribution to North Dakota

- $984 million in direct expenditures / each dollar spent multiplies into three dollars for our economy for a total of nearly $3 billion

- $885 million in personal income

- $93.3 million in state tax revenues

II. What is the future for North Dakota's lignite industry? Depends on...

A. Having competitive product (coal-based electricity)

- Lignite needs to be competitive because power is exchanged on a cost-saving basis; Power is sold on ½ mill KWH margin (45 cents per ton for lignite)

- Lowest cost energy has greatest demand / Potential for growth

B. Future Environmental issues impacting our competitiveness / growth potential

- EPA Regulatory Challenges
  - EPA carbon regulations
  - Controls to capture Hg
  - Controls for capture of NOx
  - Ozone (smog) rule
  - Coal combustion byproducts potential for hazardous designation
  - Dust control (PM 2.5)

- Implementation of Regional Haze Rules will continue to require improved NOx/SO_2 control technology on existing facilities

- Carbon management policies – developing CO_2 capture and sequestration technologies is critical

C. Other regional factors impacting our competitiveness / growth potential

- Transmission constraints

- Emission fees / Externalities / Mandated Renewables
  - Neighboring states (Legislative & Regulatory Policies)
  - MN – Prohibition on importation of new coal-based electricity / New contracts

D. The Bottom Line

- The future of North Dakota's lignite industry depends on our ability to use lignite....
  - More cleanly, more efficiently and economically

- ***Means that we need to continue to invest in our research, development and marketing program to ensure the most economic, efficient & environmentally friendly coal***

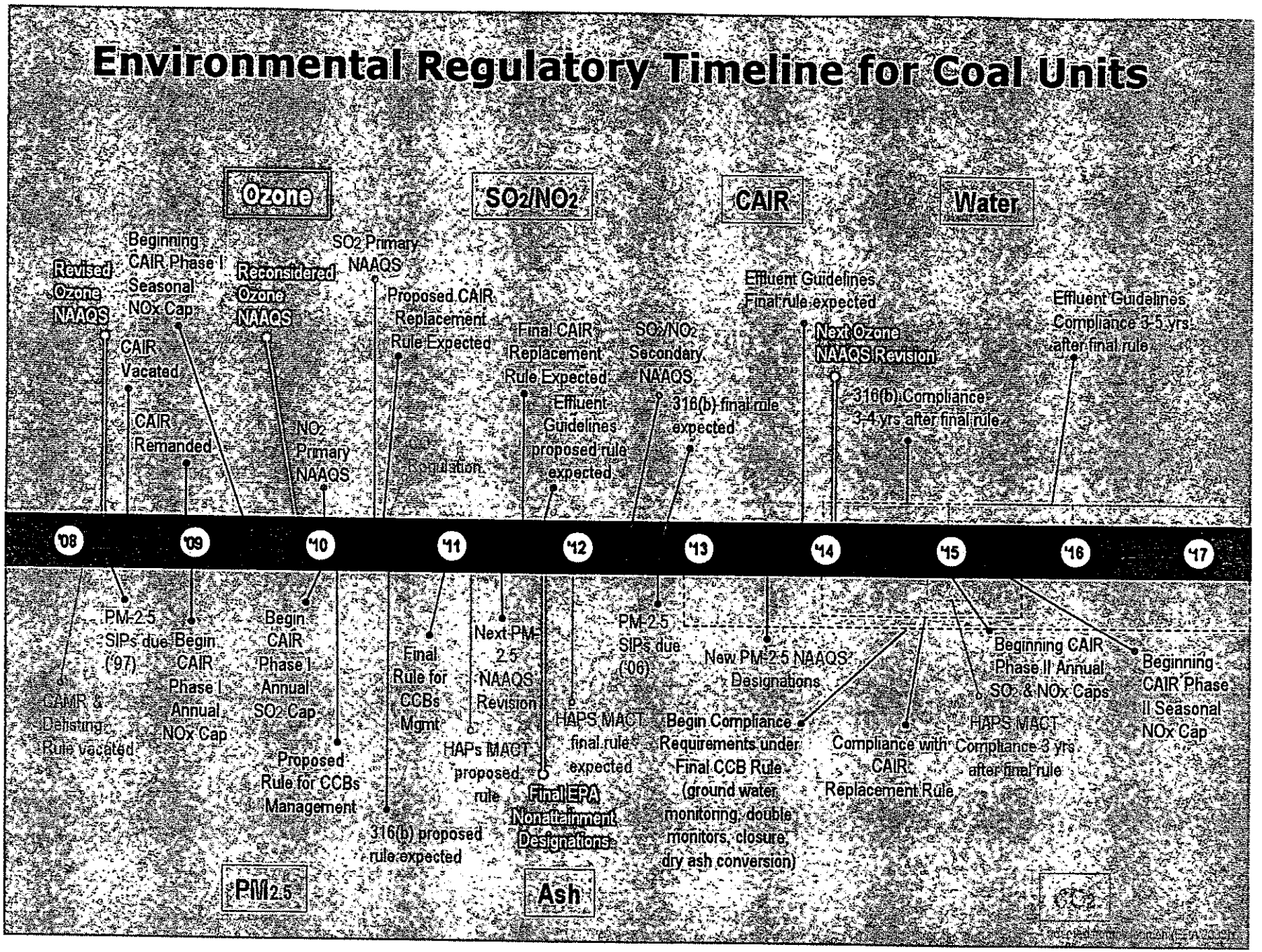
III. What is the legislative policy guiding our Research, Development and Marketing Program?

Three principles:

- Help solve problems for our ***existing*** facilities so we can maintain jobs, economic activity and tax revenue (Research, Development and Demonstration Projects)

- Assist with developing ***new*** lignite-fired facilities that will create additional jobs, tax revenue and business volume (Lignite Vision 21 Program and Demonstration Projects)

- Help provide favorable ***marketing*** strategies for increased use of coal-based electricity as well as niche opportunities for ND lignite (Marketing Program)


Environmental Regulatory Timeline for Coal Units
Ozone
SO2/NO2
CAIR
Water
Revised Ozone NAAQS
Beginning CAIR Phase I Seasonal NOx Cap
CAIR Vacated
CAIR Remanded
Reconsidered Ozone NAAQS
NO2 Primary NAAQS
SO2 Primary NAAQS
Proposed CAIR Replacement Rule Expected
Regulation
Final CAIR Replacement Rule Expected
Effluent Guidelines proposed rule expected
SO2/NO2 Secondary NAAQS
316(b) final rule expected
Effluent Guidelines Final rule expected
Next Ozone NAAQS Revision
316(b) Compliance 3-4 yrs after final rule
Effluent Guidelines Compliance 3-5 yrs after final rule
'08
'09
'10
'11
'12
'13
'14
'15
'16
'17
PM-2.5 SIPs due ('97)
Begin CAIR Phase I Annual NOx Cap
Begin CAIR Phase I Annual SO2 Cap
Proposed Rule for CCBs Management
316(b) proposed rule expected
Final Rule for CCBs Mgmt
Next PM-2.5 NAAQS Revision
HAPs MACT proposed rule
HAPS MACT final rule expected
Final EPA Nonattainment Designations
PM-2.5 SIPs due ('06)
New PM-2.5 NAAQS Designations
Begin Compliance Requirements under Final CCB Rule (ground water monitoring, double monitors, closure, dry ash conversion)
Compliance with CAIR Replacement Rule
Beginning CAIR Phase II Annual SO2 & NOx Caps
HAPS MACT Compliance 3 yrs after final rule
Beginning CAIR Phase II Seasonal NOx Cap
CAMR & Delisting Rule vacated
PM2.5
Ash
CO2

IV. So what is money used for in primary areas of Research, Development, and Marketing?

A. Marketing Activities – What are the benefits?

- Marketing program includes advertising flights (concentrated in targeted market areas in ND & MN)
  - Research shows advertising on broadcast television has improved overall favorability of coal-based electricity in Minnesota and North Dakota
    - Over 75% in ND favor coal-based electricity

- Development and implementation of successful marketing plan helps preserve and enhance lignite markets
  - Messages include affordability, reliability, increasingly cleaner and energy security

B. Research Projects for existing facilities (See pages 12 to 15) – What are the benefits?

- Combustion, gasification & environmental research projects help provide technologies that increase efficiencies, reduce emissions, and increase use of combustion byproducts (EERC)

  - Examples are:
    - $80,000 in state money has resulted in sales of nearly 100 percent of fly ash generated at Coal Creek Station – resulting in annual sales revenue of $2.5 million versus landfill costs of $2 million

    - $400,000 in state money has resulted in $13.5 million DOE investment for coal dryer development at Coal Creek Station Unit II and subsequent investment of over $600 million to integrate coal drying at Coal Creek Station. This project in turn has led to the construction of a $375 million power plant at Spiritwood near Jamestown. The plant will be fueled with beneficiated lignite

    - $3 million in state money was leveraged for total of $30 million used for research and demonstration projects to develop cost-effective mercury control technologies for lignite-based plants

    - $3.1 million in state money has been leveraged for a total of $158 million used to demonstrate the technical and economic feasibility of ***storing*** CO_2 in terrestrial and geological formations (EERC PCOR)

    - $490,000 in state money has been leveraged for a total of $8,716,523 used for research on Oxy-firing to demonstrate one possible lower cost option for capturing CO_2 by burning coal in oxygen instead of air to produce a flue gas rich in CO_2.

C. Demonstration Projects - Lignite Vision 21 Program (LV21) – Primary purpose is to assist with developing new projects with cost-effective clean coal technologies to meet additional energy demands.

- **What is in it for State? Why is LV21 important?**
  - ALE Coal-to-liquid fuels (CTL) Plant (30,000 bpd gasoline) would mean (estimated):
    - 700 direct jobs
    - 9 million more tons of coal
    - $4 billion capital cost
  - GNPD Coal-to-hydrogen-electricity plant (175 MW) would mean (estimated):
    - 350 direct jobs
    - $8.17 million more in annual tax revenue
    - 2.8 million more tons of coal
    - $3 billion capital cost
  - GRE Spiritwood 99-megawatt power plant will mean when it is operative next year (estimated):
    - 43 operating jobs (24 direct power plant and 19 for transportation of beneficiated coal)
    - $380 million/year economic impact
    - 700,000 more tons of coal
    - $375 million capital cost
  - One new green-field 500-megawatt power plant would mean (estimated):
    - 200 direct jobs
    - $140 million more business volume
    - $6 million more annual tax revenue
    - 3 million more tons of coal
    - $1.5 billion capital cost
- **What is North Dakota's commitment to LV21?**
  - Unqualified support from Legislature and Industrial Commission (Governor, Attorney General & Ag Commissioner)
    - Agency support shortens lead times / reduces risk
  - $10 million in ***matching*** funds for development phase for each project upon Industrial Commission approval

D. What is status of Lignite Vision 21 Program?

- Three LV21P participants under contract with NDIC

  - **GRE Spiritwood 99-MW power plant**
    - Construction groundbreaking Nov. 2007
    - Construction complete 11/10
    - More than 300 construction workers/43 permanent jobs
    - Recession reduced power demand in MN; Scheduled for commercial operation in January 2012
    - Schedule impacted by coal moratorium in MN

  - **Great Northern Project Development (GNPD) – Stark County – coal-to-hydrogen-electricity plant**
    - Submitted small mine permit applications to PSC and NDDH
    - Submitted large mine permit applications in 2rd Qtr. '10 / Proceeding towards "completeness"
    - Lignite upgrading/briquetting demonstration facility operational on site
    - Commercial operation ~ 2017

  - **ALE (NACCO/GRE/Headwaters/Falkirk) Coal-to-Liquid Fuels**
    - "Go/No Go" decision to proceed with 3-year front-end engineering and design study by December 31, 2011
    - Construction and commissioning ~ 3 years
    - Commercial operation ~ 2017

E. Lignite Study Initiatives (2009-2011)

- **Beneficiated Lignite Marketing Study**
  - Completed 6/10
  - Identified markets where beneficiated ND lignite has market opportunity

- **Lignite-based Advanced Generation Technology Systems**
  - Evaluated "Best" options for new 500 MW lignite-based power plant
  - Completed 5/10

- **CO2 Capture Technologies and costs associated with lignite based power plants**
  - Completed 6/10
  - Developed cost and performance for CO_2 capture options for existing lignite power plants

F. Lignite Study Initiatives Proposed (2011-2013), subject to review and approval

- Determine best options for new base low lignite based plant in size range from 175-200 MW
- Enhance options for beneficial use of CO_2 from lignite-based power plants
- Determine life cycle CO_2 footprint for natural gas based electricity

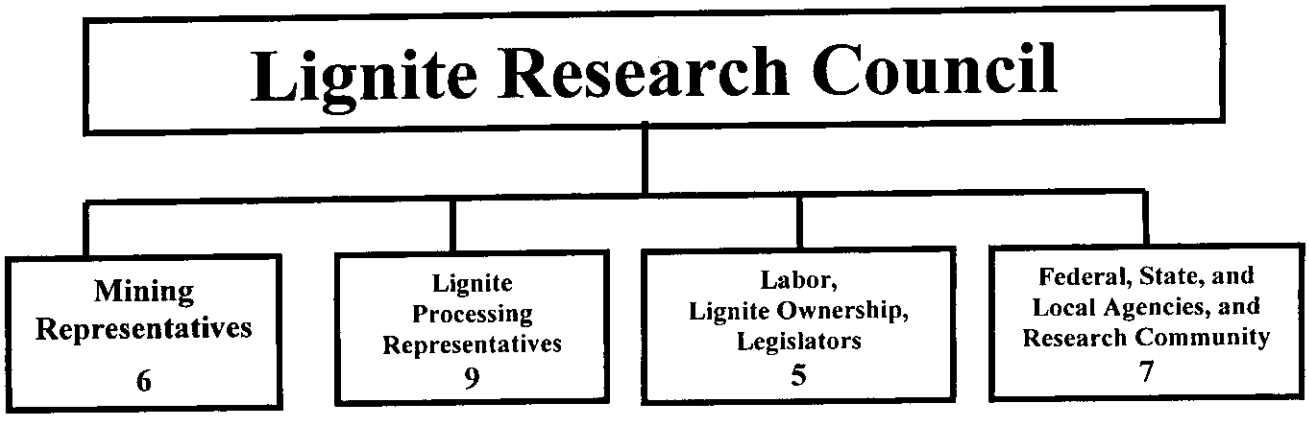
V. How is North Dakota's R&D Program administered?

A. Partnership between the private and public sectors

B. Roles of Industrial Commission & Lignite Research Council

- Industrial Commission
  - Administers research, development, and marketing program
  - Approves or disapproves research and development projects and activities
  - Accepts and distributes funds and enters into contracts

- Lignite Research Council is an advisory group to the Industrial Commission
  - Provides advice on policy and guidelines
  - Provides recommendations on project funding
  - Members are representatives from both the private and public sectors



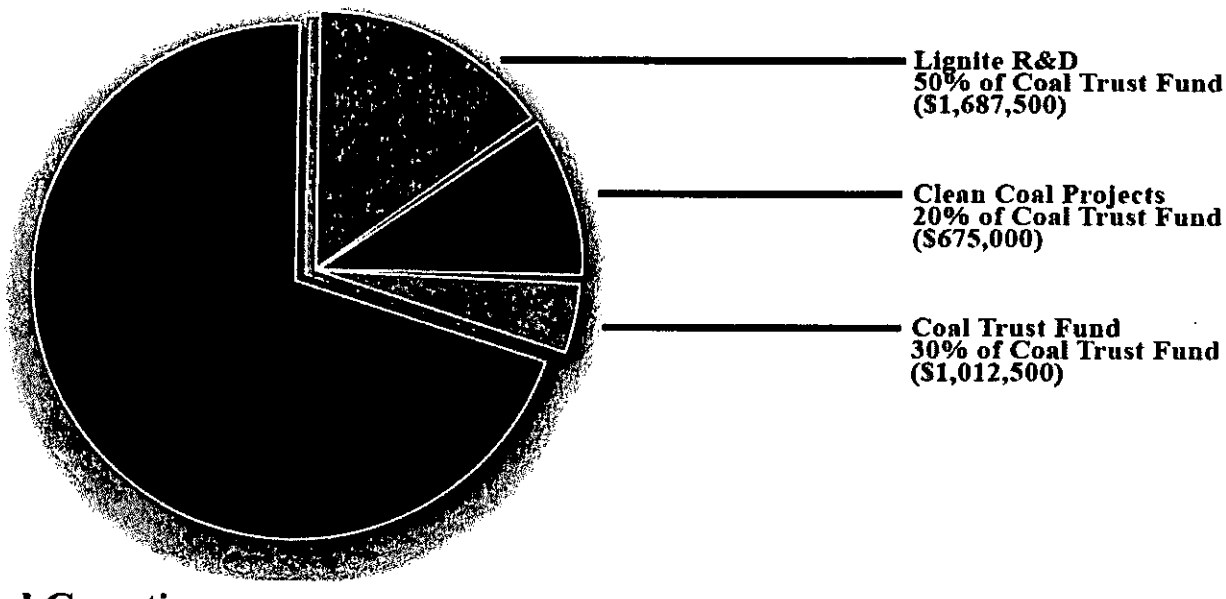
Mining Representatives	Lignite Processing Representatives	Labor, Lignite Ownership, Legislators	Federal, State, and Local Agencies, and Research Community
Lignite Energy Council	Great River Energy	IBEW	UND/EERC
Westmoreland Coal Co.	Dakota Gasification Company	North Dakota Farm Bureau	DOE/National Energy Technology Center
The Coteau Properties Co.	Minnkota Power Cooperative	Legislators Sen. Freborg Sen. Christmann	Coal Conversion Counties Association
The Falkirk Mining Co.	Otter Tail Power Co.		ND Dept. of Commerce
BNI Coal, Ltd.	Minnesota Power	Great Northern Properties	ND Dept. of Health
Prairie Mines & Royalty, Ltd.	SaskPower		ND Public Service Commission
	Montana-Dakota Utilities Co.		ND Geological Survey
	Basin Electric Power Cooperative		
	Xcel Energy		

VI. What are Funding Sources of R&D Program?

Summary of Lignite R&D Funding

ND Coal Severance Tax Annual Revenue and Distribution
(Assumes 30 million tons of annual production)
Severance Tax of 37.5 cents*

Coal Trust Fund
30% ($3,375,000)



Coal Counties
70% ($7,875,000)

Summary of Annual Revenue	
Lignite R&D (50% of Coal Trust Fund)	$1,687,500
Clean Coal Projects (20% of Coal Trust Fund)	675,000
2 Cents per ton R&D tax	600,000
Coal Conversion tax	1,250,000
Total Annual R&D Revenue	$4,212,500
	x2
Total Estimated Biennium Revenue	$8,425,000

Note: In addition to the funding from the Coal Trust Fund, the Lignite R&D Program receives revenue from a two-cents-per-ton R&D tax.

VII. How was $19.97 million R&D appropriation allocated in present biennium (*2009 to 2011*)?

		Amount ($)
Appropriated		$19,970,600
Expended (Estimated)		
Research Activities	($2,300,000)	
Demonstration	($9,440,674)	
Marketing	($1,076,000)	
Litigation	($416,621)	
Administration	($750,000)	
Subtotal		($13,983,295)
Balance (Appropriated less expended funds)		$5,987,305

VIII. Future commitments for Lignite Vision 21 Program (Demonstration Projects)

A. The NDIC has made formal commitments to three projects under the Lignite Vision 21 Program. Outstanding commitments for these three projects for subsequent biennia are dependent on start-up for the Spiritwood facility, and construction for ALE CTL and GNPD Coal-to-synthetic natural gas projects.

Outstanding NDIC commitments for these LV21 projects are:	NDIC Commitments
• ALE Coal-to-Liquid Fuels Project	$ 8,650,000
• GRE Spiritwood Project (Beneficiated coal/lignite-based electricity/renewable energy)	$ 75,000
• Great Northern Project Development/South Heart	$ 4,251,717
Expected NDIC Commitments ('11 to '13 Biennium)	$12,976,717

IX. What is proposed for *2011 - 2013* Biennium for lignite R&D program?

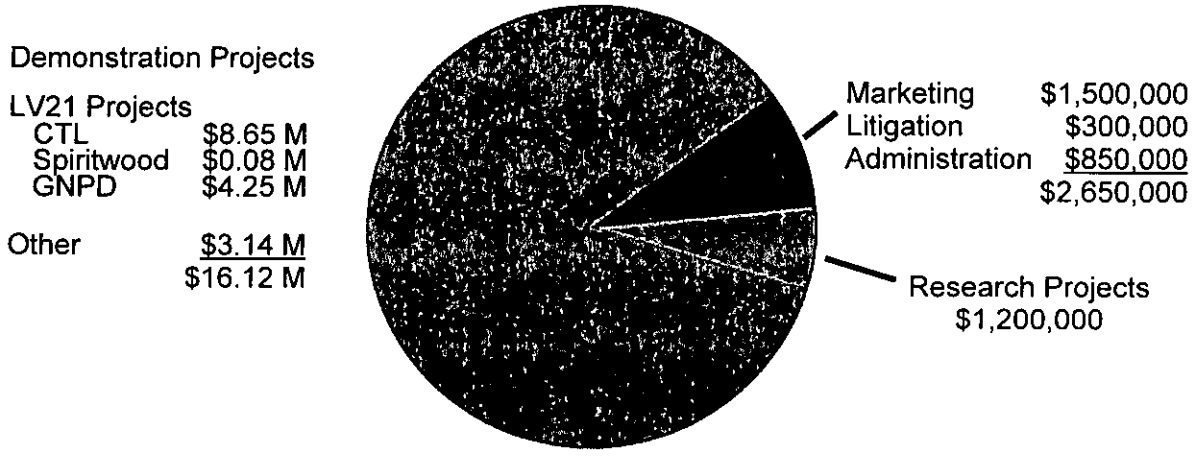
A. Governor's Industrial Commission budget of $19.97 million consists of:

Research Activities	$ 1,200,000
Demonstration Projects	$16,121,300
Marketing	$ 1,500,000
Litigation	$ 300,000
Administration	$ 850,000
	$19,971,300

X. What is proposed for 2011 - 2013 Biennium for lignite R&D program? (Cont.)

A. How will $19,971,300 be allocated in 2011 to 2013 biennium?

2011 – 2013 Lignite R&D
Proposed Appropriation



Total Amount = $19.97M

XI. Summary of Research, Development & Marketing Components

- **Research** – Each dollar in state funds has generated another six dollars in total research funds to solve critical challenges facing the industry, which enhances the environmental performance and efficiency in lignite power plants, results in cost-effective reclamation and leads to development of new products and markets;

- **Marketing** – Developed regional lignite marketing plan, presently being implemented; Assistance to Lignite Vision 21 Program participants; Identified new markets for beneficiated lignite;

- **Development (Demonstration)** – Feasibility and permitting of clean coal demonstration projects which will provide new markets for lignite-based electrical generation and renewable energy, upgraded or beneficiated lignite, liquid fuels such as gasoline, diesel and jet fuels, and by-products such as activated char for enhanced mercury control; Implemented ***Lignite Vision 21 Program*** to develop new clean coal energy conversion projects; and

- **Bottom Line** – State's Lignite R&D Program has resulted in an ***effective partnership*** to ***preserve*** and ***enhance*** jobs, economic growth, and tax revenue for the benefit of industry, and our state.

Additional information is also available on the R&D Program Web site:
http://www.state.nd.us/ndic/lrc-infoP.htm

Summary of 2009 - 2011 Small Research Projects

FY06-LV-143: "Plains CO2 Reduction Partnership - Phase II": Program Funding: $360,000; Total Project Costs: $21,487,892. Objective: Initiate Phase II activities by performing field sequestration validation tests leading to eventual commercial applications that include geologic storage and coal seams (producing coal bed methane) in addition to land management practices and wetlands.

FY08-LXII-159: "Demonstration of Coal Combustion Products for Green Roadbuilding in Medora, North Dakota": Program Funding: $125,000; Total Project Costs: $377,725. Objective: Demonstrate environmentally sustainable (green) roadbuilding using multiple coal combustion product (CCP) utilization application and, in the process, educate North Dakota industry, state agencies, and the public about environmentally sustainable construction.

FY08-LXII-160: "Center for Air Toxic Metals Program Affiliates Membership for the North Dakota Industrial Commission (NDIC)": Program Funding: $45,000; Total Project Costs: $270,000. Objective: Develop information on the behavior of air toxic substances that allows for the prediction of the fate of air toxic metals, the enhancement of existing control technologies, the identification of new control technologies, the optimization of utilization and disposal of residuals, and pollution prevention.

FY08-LXIV-163: "Coal Ash Behavior in Reducing Environments (CABRE III)": Program Funding: $150,000; Total Project Costs: $2,401,174. Objective: Conduct research and demonstrate fuel ash-related problems that affect gasification performance and provide more reliable evaluation tools for gasifier design engineers and operators to assess coal requirements and optimize operating conditions.

FY08-LXIV-164: "Partnership for CO2 Capture": Program Funding: $300,000; Total Project Costs: $3,410,000. Objective: Conduct pilot-scale demonstration testing of selected CO2 separation and capture technologies for fossil fuel-and biomass-fired systems. The technologies may include solvent scrubbing, oxygen-fired combustion, and gas separation membranes.

FY10-LXVII-168: "Lignite Education Program": Program Funding: $156,000; Total Project Costs: $312,000. Objective: to educate teachers from North Dakota and neighboring states about the economic benefits, career opportunities and operations of the lignite industry, enabling them to educate their students about the industry.

Summary of 2009 – 2011 Demonstration Projects (Matching Funds)

FY06-LVII-148: "Lignite Vision 21 Project Coal-to-Liquids Plant McLean County, North Dakota": Program Funding: $10,000,000; Total Project Costs: $50,000,000. Objective: Complete the Front-End Engineering and Design (FEED) for a 10,000 barrels per day (bpd) coal to liquids (CTL) plant to be located in McLean County, North Dakota. The 10,000 bpd CTL will use indirect liquefaction and Fischer Tropsch to produce diesel, jet fuel, and naphtha. Also, the plant as proposed would yield other products and electricity. Limited activity is noted on this project. This contract is being amended.

FY07-LVIII-149: "Spiritwood Energy Power Plant": Program Funding: $2,000,000; Total Project Costs: $375,000,000. Objective: Construct and operate a beneficiated lignite-fired combined heat and power plant near Spiritwood that would provide steam for an expanded malting facility and yet to be determined steam client. The size of the boiler for the combined steam and electrical load is equivalent to a 99 MW power system.

FY07-LXI-154: "Development of Biomimetic Membranes for Near-Zero PC Power Plant Emissions": Program Funding: $260,000; Total Project Costs: $5,832,241. Objective: Evaluate and demonstrate the ability of a contained liquid membrane permeator to capture CO2 from flue gas produced during the combustion of lignite.

FY07-LXI-157: "North Dakota Partnership in the Canadian Clean Power Coalition Phase III": Program Funding: $130,000; Total Project Costs: $260,000. Objective: To support the development of advanced coal utilization technologies including gasification, oxy-fuel combustion, and various carbon removal technologies that can be applied to conventional coal power plants.

FY07-LXI-158: "Demonstration of WRI's Pre-Combustion Mercury Removal Process for Lignite-Fired Power Plants": Program Funding: $188,000; Total Project Costs: $595,000. Objective: To develop and demonstrate pre-combustion mercury removal of raw coal by thermal treatment.

FY08-LXII-161: "Lignite Vision 21 Feasibility Project Phase IV – Engineering, Business Development and Design": Program Funding: $7,328,807; Total Project Costs: $28,300,000. Objective: Conduct Pre-FEED (front-end engineering and design) and FEED studies showing the feasibility of constructing a coal gasification project making pipeline quality synthetic natural gas from lignite.

FY08-LXIII-162: "Plains CO2 Reduction Partnership - Phase III": Program Funding: $2,400,000; Total Project Costs: $136,231,052. Objective: Demonstrate technical and economic technologies to store CO2 in geologic formations in the region. One demonstration project will be conducted in western North Dakota and the other demonstration project will be conducted in British Columbia.

FY09-LXV-165: "CO_2 Capture Demonstration Project": Program Funding: $2,700,000; Total Project Costs: $5,400,000. Objective: Conduct a Front End Engineering and Design study involving the application of Powerspan's technology to remove 90% of the carbon dioxide from a 120 MW flue gas slipstream of Unit 1 of the Antelope Valley Station.

FY09-LXV-166: "Long-term Assessment of Selective Catalytic Reduction Reactor Slip Stream Performance of Utilities Burning Lignite Coal": Program Funding: $200,000; Total Project Costs: $1,050,000. Objective: Conduct testing of selective catalytic reduction technology to remove nitrogen oxides from the flue gas of SaskPower's Poplar River Station Unit 1, which burns Fort Union Lignite.

FY10-LXVI-167: "Application of Waste Heat Recovery Generation at Great River Energy's Coal Creek Station": Program Funding: $55,000; Total Project Costs $110,000. Objective: Calnetix will evaluate waste heat sources at lignite based power plants to determine if additional waste heat recovery can be applied economically to these facilities.

FY10-LXVIII-169: "Alstom Oxy-fired Demonstration Project": Program Funding: $490,000; Total Project Costs: $8,716,523. Objective: Alstom will use their 5MW pilot facility to examine the impact of oxy-firing on boiler performance with a range of US coals. Funding from the LRC will be used to partially fund testing a ND lignite coal supplied by GRE that has been upgraded using their Dry-fining process.

FY10-LXIX-171: "Partnership for CO2 Capture – Phase II": Program Funding: $150,000; Total Project Costs: $1,860,000. Objective: To identify and help commercialize a range of CO2 capture technologies that can be used by the electric utility industry to meet potential regulations to capture and sequester CO2 from lignite-fired power plants.

FY10-LXIX-172: "WRITECoal Gasification Process for Low Rank Coals for Improved Integrated Gasification Combined Cycle with Carbon Capture: Phase II – Pilot-scale Demonstration": Program Funding: $549,500; Total Project Costs: $1,970,022. To demonstrate the Western Research Institute's WRITECoal™ gasification process for IGCC with CO2 capture, fuel cell applications, and chemicals production.

Summary of 2009 – 2011 R&D Projects (Non-Matching Funds)

LMFS-07-39: "Lignite Vision 21 Program - Phase V Environmental Permitting and Transmission Plan Development of Lignite 21 Projects": Program Funding: $851,000; Objective: 1) coordinate and assist the Lignite Vision 21 Program (LV21P) participants; 2) develop and implement legal, marketing, generation, environmental, and transmission strategies; 3) manage the LV21P projects in order to eliminate any potential duplication; and 4) maximize value for the State of North Dakota.

LMFS-07-39A: "A Study of Lignite-Based Advanced Generation Technology Systems": Program funding $150,000; Objective: To evaluate the potential technology options for a new 500 MWe lignite-based base load power plant to be built in North Dakota. Options to be considered include PC-fired boiler, circulating fluidized bed boiler and an integrated gasification combined cycle system.

LMFS-07-39B: "Beneficiated Lignite Market Study": Program funding from LV21P is $150,000, total project funding $243,000. Objective: To evaluate the technical options for beneficiating ND lignite. In addition, the market potential based on the properties of the beneficiated lignite will be determined.

LMFS-07-39C: "A Study of Carbon Dioxide Capture Technologies and Costs Associated with Lignite-Based Electrical Generating Systems": Program funding from LV21P $464,000. Objective: To evaluate the options available in the next 5 years for CO2 capture at the existing fleet of boilers firing ND lignite. Cost and performance impacts will be determined.

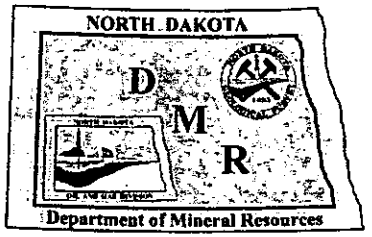
LMFS-07-39D: "Lignite Gasification Technologies Summary Report": Program Funding: $50,000 from LV21P; Total project funding $100,000. Phase V Project; Objective: Compile various lignite gasification research, development and demonstration project information into a summary report. The unique properties of lignite from the US will be discussed and the impact of those properties on gasification system performance discussed.

LMFS-40: "Lignite Marketing Program - Phase VI": Program Funding: $1,312,500; Objective: to improve the public image and promote the use of lignite-based electricity, to build a public support base, to ensure growth and stability of the regional lignite industry and to assist in the development of energy and environmental policies.

Summary of 2009 – 2011 Marketing Projects (Matching Funds)

FY06-LVI-147: "Implementation of Lignite Regional Energy Marketing Plan": Program Funding: $2,400,000; Total Project Costs: $4,800,000. Objective: Improve and maintain overall public regional image of coal and promote the use of coal as a low-cost, efficient and environmentally compatible energy source to ensure the continued utilization and growth of coal-based electrical energy.

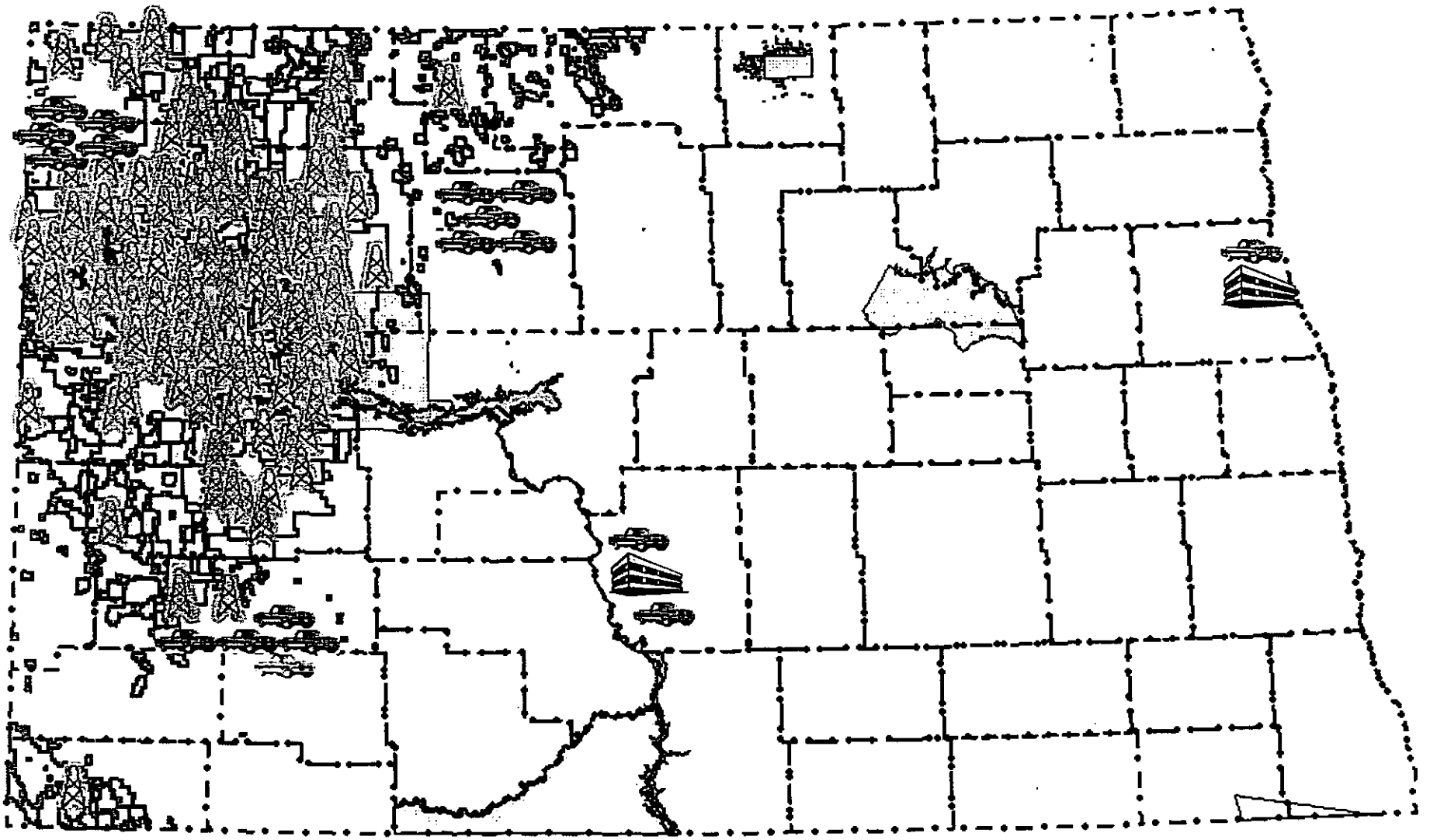
FY10-LXVII-170: "Implementation of North Dakota Lignite Energy Marketing Plan (dated October 2009)": Program Funding: $819,000. Total Project Costs $1,638,000. Objective: Improve and maintain overall public regional image of coal and promote the use of coal as a low-cost, efficient and environmentally compatible energy source to ensure the continued utilization and growth of coal-based electrical energy.

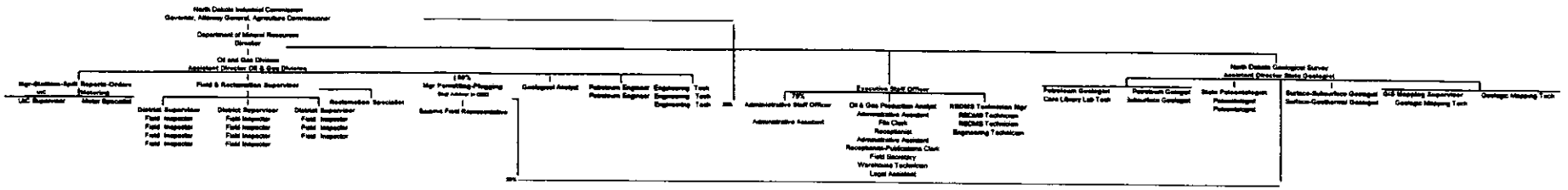


Senate Appropriations Committee

March 14, 2011

Lynn D. Helms, Director
Department of Mineral Resources
North Dakota Industrial Commission



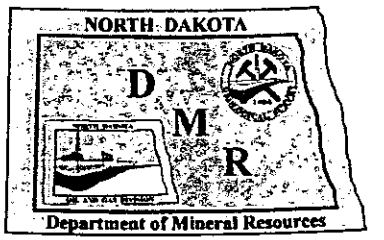


Programs

Activity versus 2 years ago

Bonding	120%
Core Library	200%
Field Inspection	rigs 190% & wells 120%
Geology – inquiries, downloads, and publications	135%
Hearings, dockets, and Industrial Commission orders	220%
Paleontology	115%
Permitting – oil and gas, coal exploration, subsurface minerals, geothermal	215%
Production accounting	120%
Reclamation	110%
Underground injection	110%

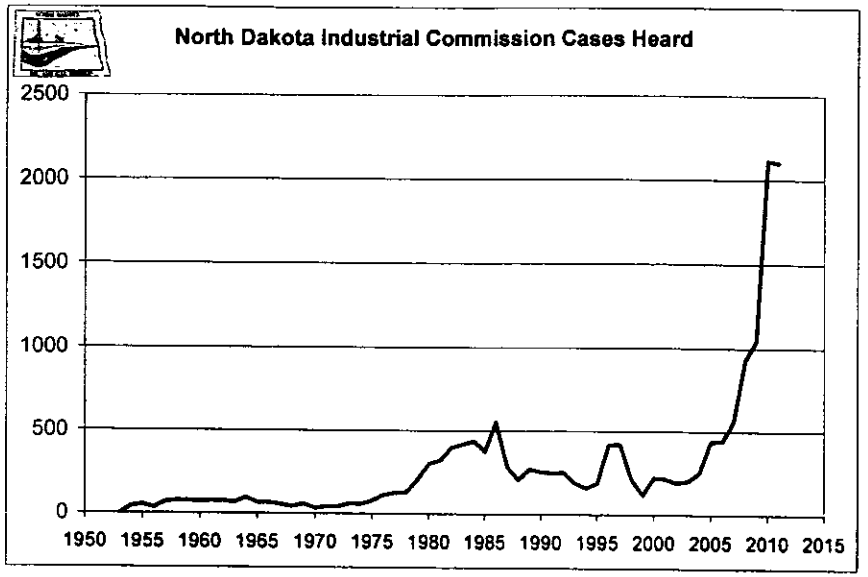
All programs are at or above sustainable maximum capacity with current FTE count.

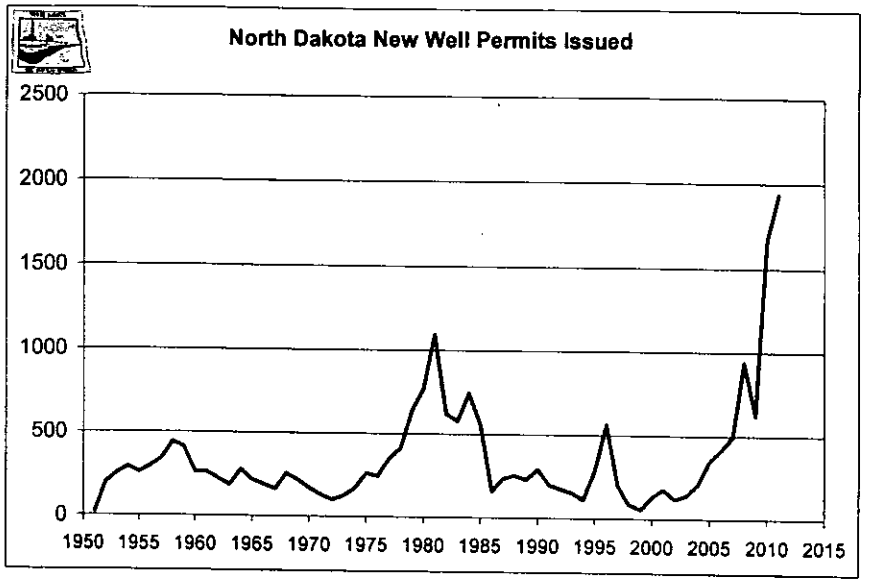


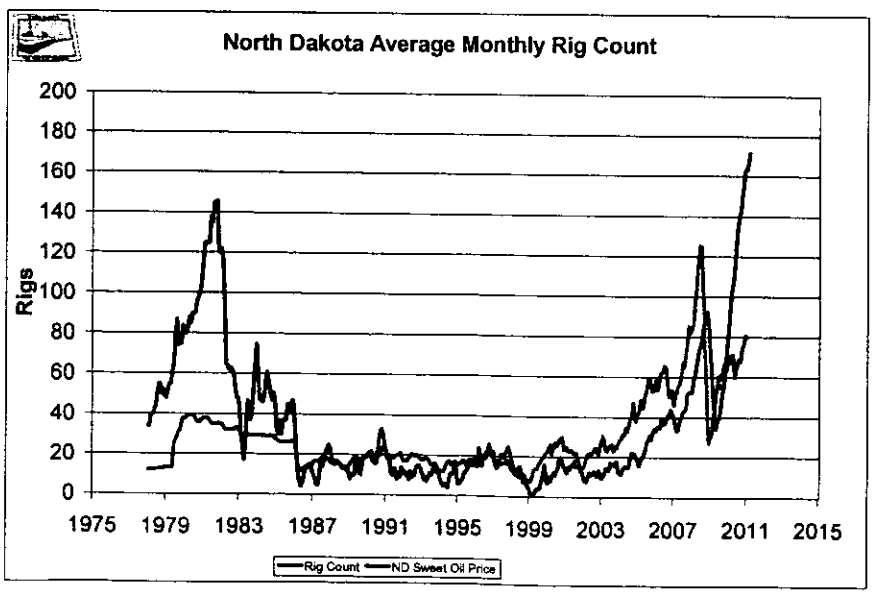
Oil and Gas Exploration and Production.
It is hereby declared to be in the public interest to foster, to encourage, and to promote the development, production, and utilization of natural resources of oil and gas in the state in such a manner as will prevent waste; to authorize and to provide for the operation and development of oil and gas properties in such a manner that a greater ultimate recovery of oil and gas be had and that the correlative rights of all owners be fully protected; and to encourage and to authorize cycling, recycling, pressure maintenance, and secondary recovery operations in order that the greatest possible economic recovery of oil and gas be obtained within the state to the end that the landowners, the royalty owners, the producers, and the general public realize and enjoy the greatest possible good from these vital natural resources.

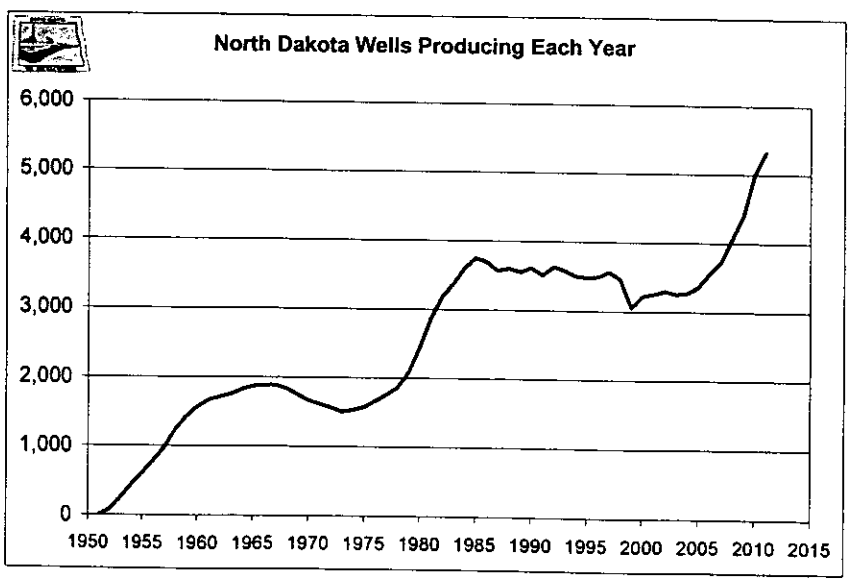
Geophysical Exploration.
Notwithstanding any other provision of this chapter, the commission is the primary enforcement agency governing geophysical exploration in this state. Any person in this state engaged in geophysical exploration or engaged as a subcontractor of a person engaged in geophysical exploration shall comply with this chapter; provided, however, that compliance with this chapter by a crew or its employer constitutes compliance herewith by that person who has engaged the service of the crew, or its employer, as an independent contractor.

Carbon Dioxide Geological Storage
It is in the public interest to promote the geologic storage of carbon dioxide. Doing so will benefit the state and the global environment by reducing greenhouse gas emissions. Doing so will help ensure the viability of the state's coal and power industries, to the economic benefit of North Dakota and its citizens. Further, geologic storage of carbon dioxide, a potentially valuable commodity, may allow for its ready availability if needed for commercial, industrial, or other uses, including enhanced recovery of oil, gas, and other minerals. Geologic storage, however, to be practical and effective requires cooperative use of surface and subsurface property interests and the collaboration of property owners. Obtaining consent from all owners may not be feasible, requiring procedures that promote, in a manner fair to all interests, cooperative management, thereby ensuring the maximum use of natural resources.


North Dakota Industrial Commission Cases Heard
2500
2000
1500
1000
500
0
1950 1955 1960 1965 1970 1975 1980 1985 1990 1995 2000 2005 2010 2015


North Dakota New Well Permits Issued
2500
2000
1500
1000
500
0
1950 1955 1960 1965 1970 1975 1980 1985 1990 1995 2000 2005 2010 2015

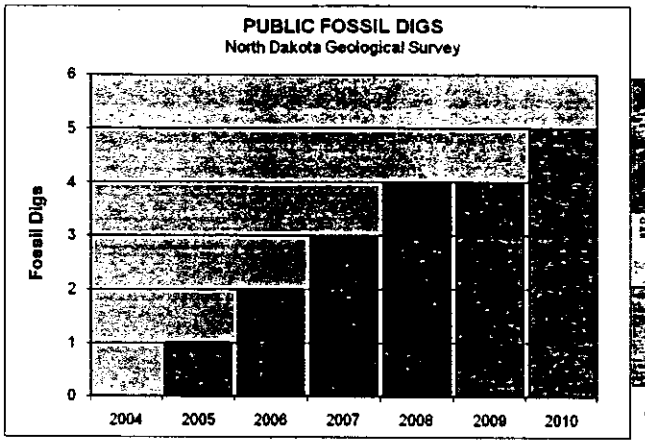

North Dakota Average Monthly Rig Count
Rigs
200
180
160
140
120
100
80
60
40
20
0
1975 1979 1983 1987 1991 1995 1999 2003 2007 2011 2015
Rig Count
ND Sweet Oil Price


North Dakota Wells Producing Each Year
6,000
5,000
4,000
3,000
2,000
1,000
0
1950 1955 1960 1965 1970 1975 1980 1985 1990 1995 2000 2005 2010 2015

The North Dakota Geological Survey was created by an act of the North Dakota Legislature in 1895. After more than 115 years, the Survey still serves as the primary source of geological information in the state. Its mission over the years has grown and is now three-fold: to investigate the geology of North Dakota; to administer regulatory programs and act in an advisory capacity to other state agencies; and to provide public service to the people of North Dakota.

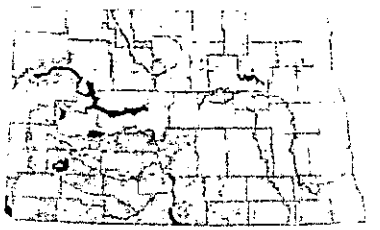
The Geological Survey publishes maps and reports on the mineralogical, paleontological, and geochemical resources of North Dakota, including oil and gas, coal, uranium, clay, sand and gravel, volcanic ash, potash and other salts, etc. In addition to the mapping of subsurface resources, the Survey is actively mapping the surface geology throughout the state with an emphasis on urban areas and the identification of geohazards such as landslides. Survey publications support the regulatory programs of the Industrial Commission, as well as other state and federal agencies, and assist mineral companies, geotechnical consulting firms, city and county governments, landowners, and citizens of the state. The North Dakota Geological Survey regulates coal exploration, subsurface mineral exploration and development (this includes all elements, minerals, and compounds other than oil and gas, sand and gravel, and coal), geothermal facilities (both commercial and residential), the Class III Underground Injection Control Program, and paleontological resources on state-owned lands.

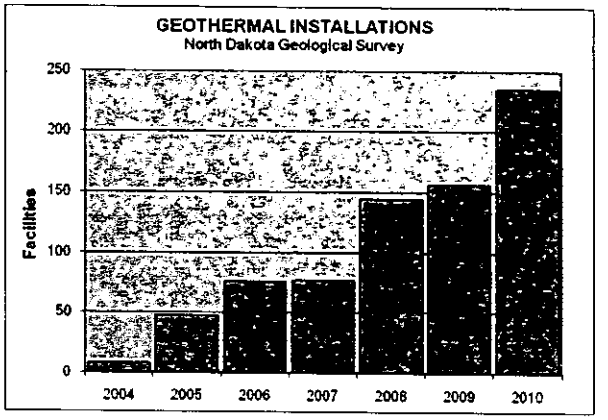
The Geological Survey and the Oil and Gas Division are in the Department of Mineral Resources and under the North Dakota Industrial Commission. The main office of the Department of Mineral Resources is located at 1016 East Calgary Avenue in Bismarck. The paleontology program of the Geological Survey is housed in the Clarence Johnsrud Paleontology Laboratory in the North Dakota Heritage Center (state museum) on the State Capitol grounds in Bismarck. The North Dakota State Fossil Collection, as well as the State Rock and Mineral Collection, are also housed in the Heritage Center. The North Dakota Geological Survey's Wilson M. Laird Core and Sample Library is located on the University of North Dakota campus in Grand Forks. The facility currently houses 380,000 feet of core and 35,000 boxes of drill cuttings obtained from oil and gas wells.

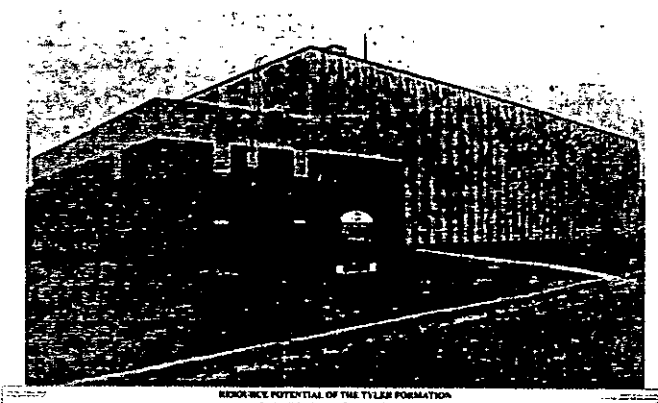


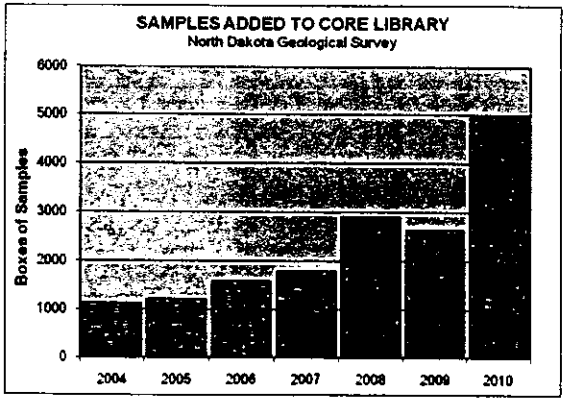
FRAC PROPPANT EVALUATION PROJECT

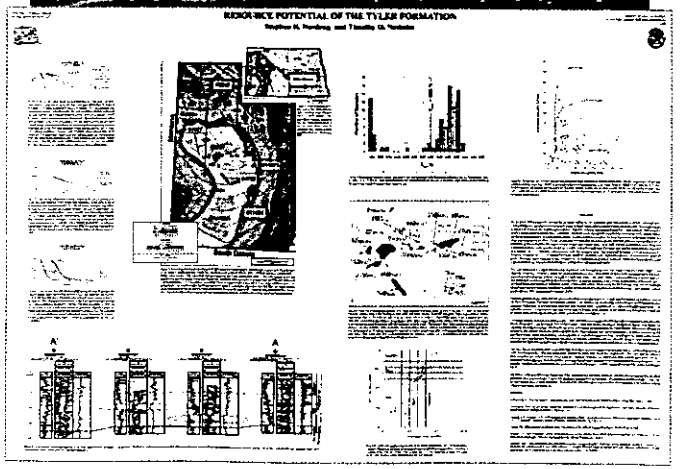
A typical horizontal Bakken or Three Forks oil well requires 1,000 tons of proppant when the well is undergoing fracture stimulation. Typically, the proppant is rounded grains of quartz sand or a spherical ceramic. Annually about 5 million tons of sand and ceramic proppant are imported into North Dakota.





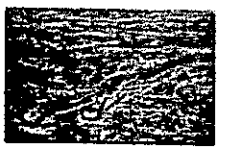






1.3 Trillion Tons of Coal in North Dakota

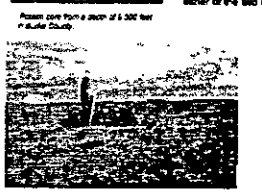
25 Billion Tons of Mineable Lignite

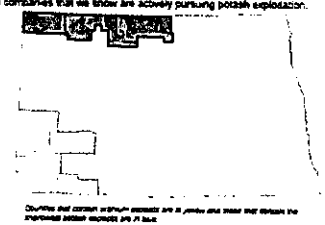


Estimate 20-50 billion tons of ND Mineable Reserves

We have received a number of enquiries from the miners industry in the past 18 months as the price increased for a variety of elements and minerals. Chief among these enquiries has been uranium and potash. Uranium was mined in North Dakota in the 1960s. It was heavily explored for in the 1970s, but has been of little interest for the last 30 years, until the price for uranium could reached an all time high in June of 2007. Companies have also expressed interest in associated elements molybdenum and germanium. If a company submits a permit to do in situ leach uranium mining, we will need a geologist dedicated full-time to that project. We are aware of three companies that are contemplating mining uranium in southwestern North Dakota.

Potash or potassium salts are primarily used in the production of fertilizer. Potash exploration took place in northwest North Dakota in the 1970s. Since the beginning of 2007, the price of potash has risen from $180 to $1,050 per ton based on a low supply and increasing demand. Due to the increased workload, we will need a geologist to oversee potash exploration and production if we receive a permit from either of the two companies that we know are actively pursuing potash exploration.





EXPLANATION OF PROGRAM COSTS

The DMR budget is 98% general funds and 2% federal funds. Budget costs are primarily salary and benefits (81-83%). The federal funds are expected to increased slightly over the current biennium.

The operating budget consists primarily of Lease/Rent (22-38%) for the Bismarck office, warehouse, and three field offices. Other items of significant costs include travel (17-50%), primarily for fieldwork, and IT costs (11-22%) including Data Processing, Telephone, and Contractual Services.

SALARIES AND BENEFITS

The decrease for the hold even budget is to offset inflationary increases in operating expenses and temporary salaries for help needed to complete core library re-boxing, permitting, and supervision of abandoned well plugging, and reclamation.

1) RIF an engineering tech

The impact of this change would be reduced productivity in issuing drilling permits. Permit processing would be limited to about 5/day thus limiting the drilling rig count to approximately 100.

The executive budget recommendation restores this position, and provides approximately 79% of the temporary salary request.

OPERATING

TRAVEL

DOT expects motor pool rates to increase 14%. To absorb this increase field inspections would have to be reduced possibly resulting in inadequate protection of potable waters and correlative rights.

LEASE/RENT BLDG/LAND

Rent is increasing in our Bismarck, Dickinson, Minot, and Williston office buildings. Closing offices is not in the best interests of the agency or citizens as it would result in the inefficient use of employee time, difficulty maintaining our Risked Based Data Management System (RBDMS), and cause a disconnect with local land owners and royalty owners.

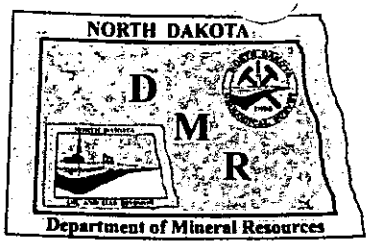
IT-DATA PROCESSING and COMMUNICATIONS

Increase is to upgrade communication links with field offices needed to handle the additional oil and gas activity and to maintain 3 year replacement schedule of personal computers.

ADVERTISING SERVICES

Applications received for hearings have risen dramatically. Holding funding for legal advertisements constant to meet budget guidelines would require limiting the number of applications heard by the Commission causing untimely delays in permitting and drilling wells and resulting in the loss of revenue to the state and royalty owners.

The executive budget recommendation funds approximately 79% of the requested increase



OPTIONAL REQUESTS

Optional Requests included in the executive budget recommendation are prioritized as follows:

Restore FTE and funding cuts
Change the funding source for 2-FTE (contingency Field Inspector and Legal Assistant) from Special to General Fund
Market salary funds (24% of request)
New 1-FTE (Petroleum Engineer) for OGD
New 6-FTE (Field Inspection Engineering Technicians) for OGD – 3 IN HB1343 – HOUSE ADDED $45,000 FOR 6 mo gap
New 1-FTE (Measurement Specialist Engineering Technician) for OGD – IN HB1343
New 1-FTE (Production Analyst) for OGD
New 1-FTE (Subsurface Mineral Supervisor Geologist-Petroleum Engineer) for GSD
Fracturing proppant investigation – ONE TIME - $50,000
Shallow gas investigation – ONE TIME - $25,000
Analysis of oil bearing rocks – ONE TIME - $40,000
Paleontology move preparation work – ONE TIME $62,400
Change the funding source for $9,000 in GSD from Federal Funds to General Fund

Current Permanent Staff Ideal

13 PE - FI
45 hours per week
4 hours office time
8 hours Spills, Pluggings, other Engineering
5200 producing wells 6 visits per year
876 injection wells 12 visits per year
14 hours for well inspections
20 hours for rig inspection

256 hours per week for rig inspection
3 hours per week per rig average (1 visit/week vert and 2 visits/week horiz)
85

Current Permanent + Contingency Staff Ideal

14 PE - FI
45 hours per week
4 hours office time
8 hours Spills, Pluggings, other Engineering
5200 producing wells 6 visits per year
876 injection wells 12 visits per year
13 hours for well inspections
21 hours for rig inspection

296 hours per week for rig inspection
3 hours per week per rig average (1 visit/week vert and 2 visits/week horiz)
100

Current Permanent + Contingency Staff Actual

14 PE - FI
50 hours per week
3 hours office time
8 hours Spills, Pluggings, other Engineering
5200 producing wells 2 visits per year
876 injection wells 2 visits per year
4 hours for well inspections
35 hours for rig inspection

495 hours per week for rig inspection
3 hours per week per rig average (1 visit/week vert and 2 visits/week horiz)
165

Governor's Recommended Permanent Staff

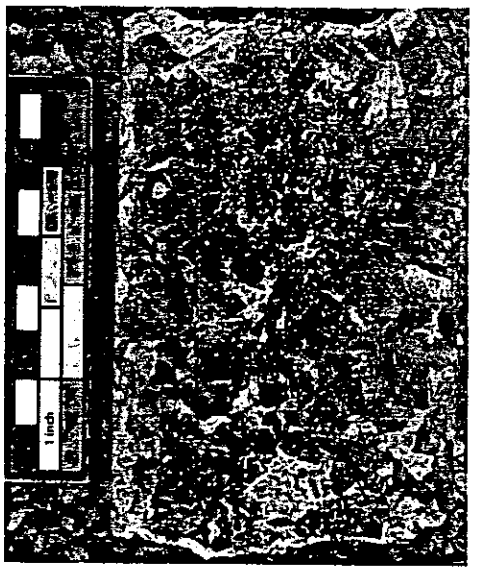
15 PE - FI
45 hours per week
4 hours office time
8 hours Spills, Pluggings, other Engineering
5200 producing wells 0 visits per year
876 injection wells 0 visits per year
0 hours for well inspections
34 hours for rig inspection

6 ET - FI
45 hours per week
4 hours office time
0 hours Spills, Pluggings, other Engineering
9280 producing wells 5 visits per year
900 injection wells 6 visits per year
41 hours for well inspections
0 hours for rig inspection

510 hours per week for rig inspection
3 hours per week per rig average (1 visit/week vert and 2 visits/week horiz)
170

Estimate 20-50 billion tons of ND Mineable Reserves

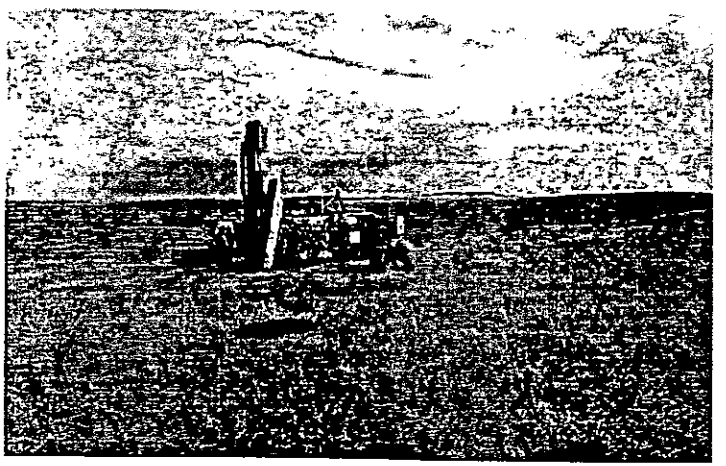
$6 trillion -15 trillion



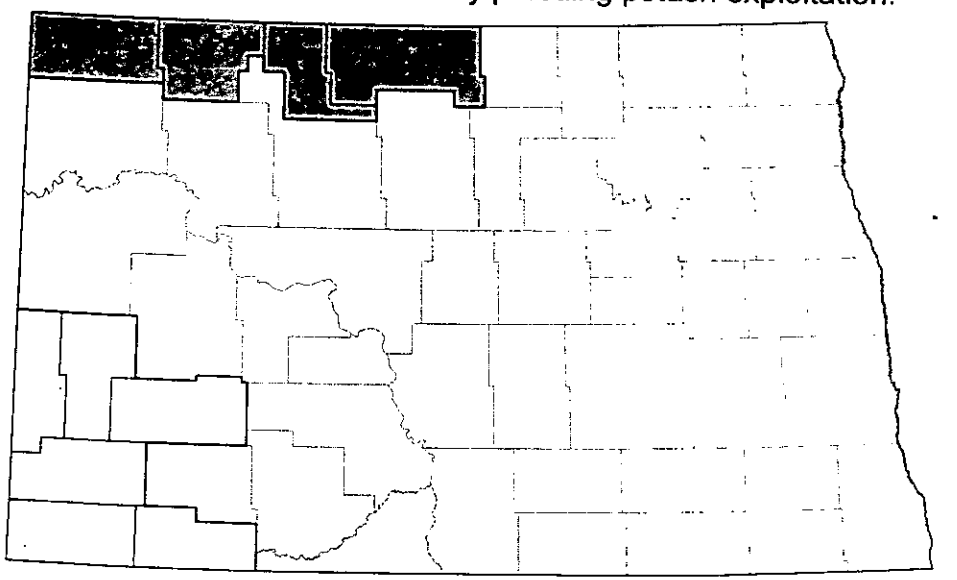
Potash core from a depth of 9,000 feet in Burke County.

We have received a number of enquires from the mineral industry in the past 18 months as the price increased for a variety of elements and minerals. Chief among these enquiries has been uranium and potash. Uranium was mined in North Dakota in the 1960s. It was heavily explored for in the 1970s, but has been of little interest for the last 30 years until the price for uranium oxide reached an all time high in June of 2007. Companies have also expressed interest in associated elements molybdenum and germanium. If a company submits a permit to do in situ leach uranium mining, we will need a geologist dedicated full-time to that project. We are aware of three companies that are contemplating mining uranium in southwestern North Dakota.

Potash or potassium salts are primarily used in the production of fertilizer. Potash exploration took place in northwest North Dakota in the 1970s. Since the beginning of 2007, the price of potash has risen from $190 to $1,050 per ton based on a low supply and increasing demand. Due to the increased workload, we will need a geologist to oversee potash exploration and production if we receive a permit from either of the two companies that we know are actively pursuing potash exploitation.

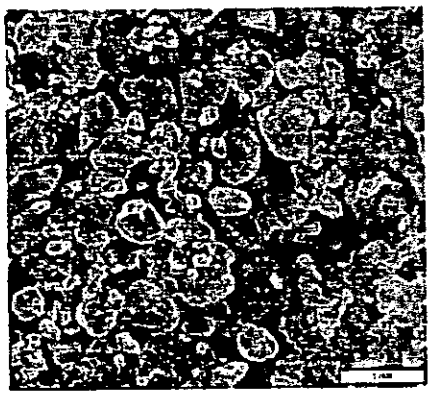


Formation Resources drilling for uranium, molybedenum, and germanium under a subsurface mineral permit in Billings County during the fall of 2008.

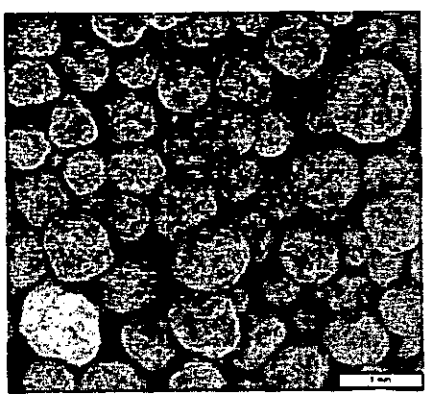


Counties that contain uranium deposits are in yellow and those that contain the shallowest potash deposits are in blue.

PROPPANT PROJECT



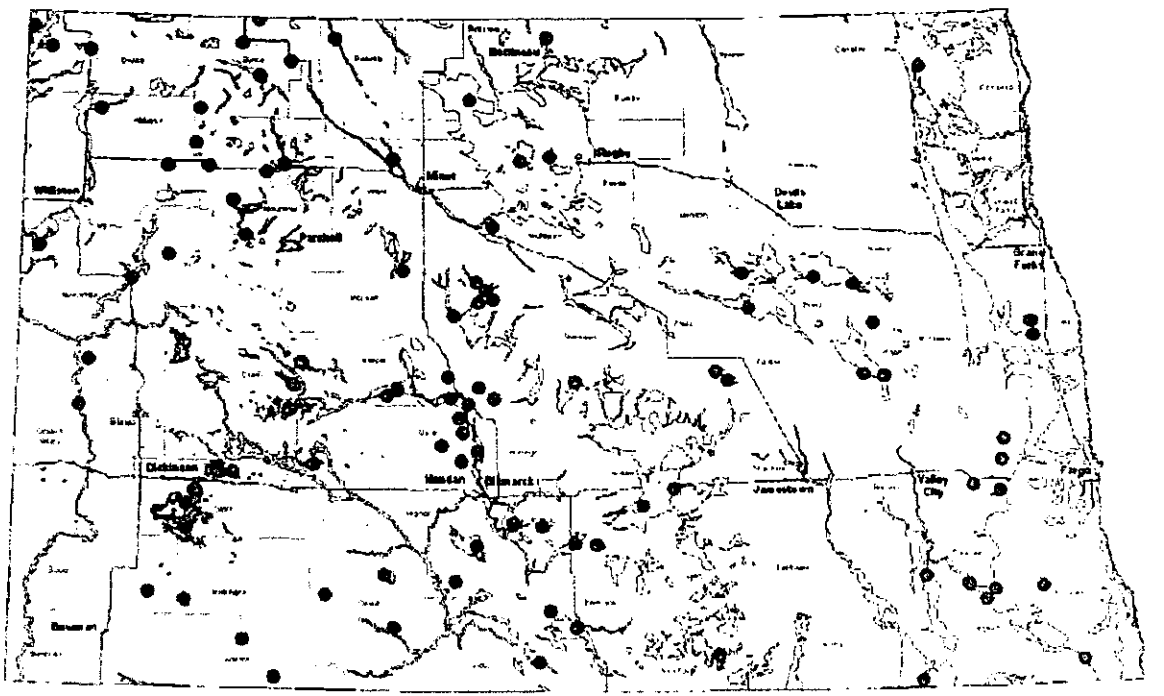
Photomicrograph of sand grains collected in McHenry County.



Photomicrograph of ceramic proppant from a batch that was used in a Bakken well in North Dakota. This proppant was manufactured in China.

Millions of tons of sand and ceramic proppants are used every year in the Williston Basin, part of a multi-billion dollar industry. The Geological Survey has collected 125 sand samples throughout the state in our search for deposits that could be utilized for oil and gas proppants in the well fracing process. We are in the process of performing preliminary analysis on those samples to determine if any would fit the proppant criteria. We have also collected clay samples and will be testing those samples for their kaolin content to determine their suitability in the manufacturing of ceramic proppants.

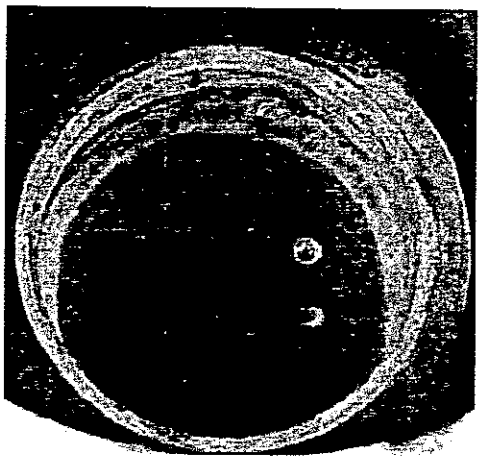
Under the second phase of this project, the ten most promising sand samples will undergo full ISO analysis (including bulk density, specific gravity, crush resistance, etc), mineralogy (XRD), and stack conductivity analysis to determine which are the most suitable proppant candidates and we will continue to evaluate the clay beds.



Locations of sand samples (red dots) and clay samples (blue dots) collected during this study. The areas in yellow are known sand deposits and the areas in brown are kaolinitic claystones within the Golden Valley Formation.

SHALLOW GAS PROJECT

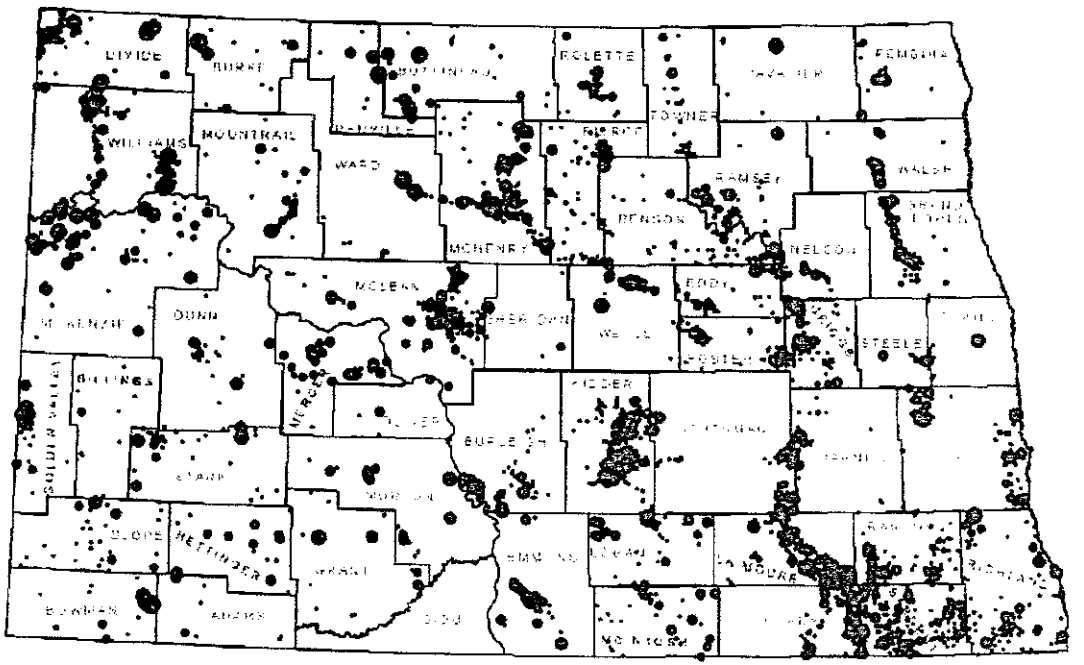
The Geological Survey tested 4,325 NDSWC monitoring wells for methane in 52 of the 53 counties in North Dakota from 2006-2010.



Methane bubbling to the surface in a two-inch NDSWC monitoring well.

The Geological Survey recently completed phase I of a study of shallow natural gas in North Dakota. We investigated 9,400 ND State Water Commission monitoring well sites, tested 4,325 wells, and detected methane in 905 wells. Approximately 20% of the wells contained detectable gas.

During the second phase of the project, thirty groundwater samples, primarily from eastern North Dakota, will be analyzed for dissolved gas composition, isotopes, and general chemistry. This will enable us to determine the source of the gas and identify chemical groundwater signatures that might assist the oil and gas industry in natural gas exploration.



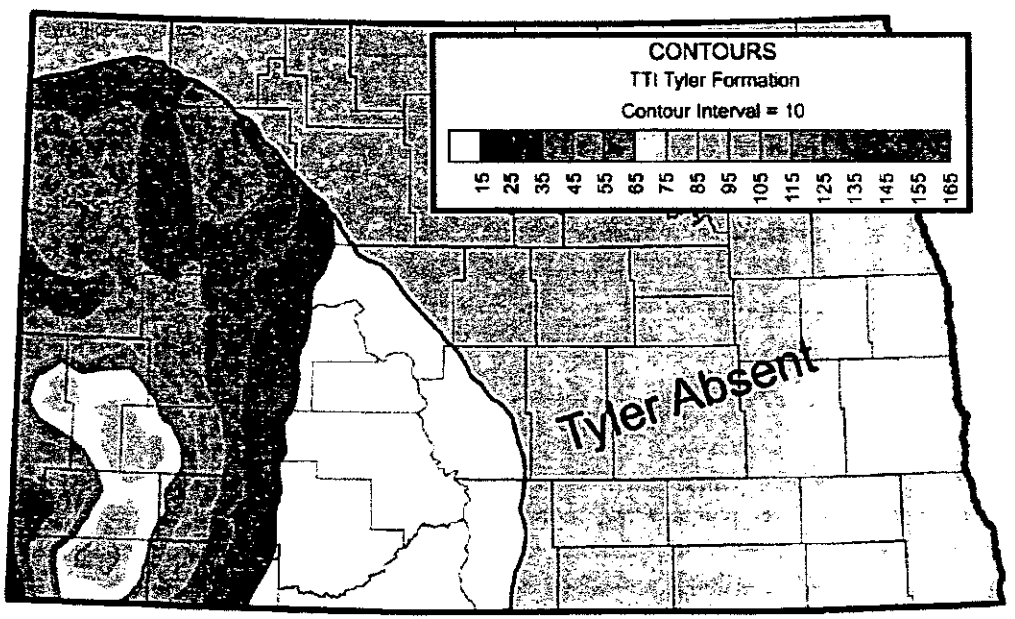
Monitoring wells that contained methane are indicated with red dots, black dots are wells that contained no detectable methane. The red dots are sized to reflect the concentration of methane -- the higher the concentration, the larger the dot.

OIL-BEARING ROCK ANALYSIS PROJECT

The cores and rock samples in our core and sample library in Grand Forks can provide a valuable insight into the history of the Williston Basin. Over the last 20 years, the Geological Survey has analyzed some of the oil-bearing rocks in the core library for the total organic carbon content and a suite of rock analyses called RockEval. The vast majority of these rock samples (95%) have come from the Bakken Formation, only a few hundred from all of the other formations in the basin. Oil companies have also performed these tests, but they have generally been limited to their lease holdings or areas of interest. The results of these analyses can be used to predict where the rocks in the Williston Basin were buried deep enough and long enough to generate oil (mature areas).

The Geological Survey plans to obtain 475 rock samples from core in the Niobrara, Spearfish, Tyler and Icebox Formations for total organic carbon and RockEval analysis. The results of such a widespread sampling program will significantly increase our knowledge of these oil-bearing rock units and will provide the framework for a RockEval database. RockEval has become one of the leading oil exploration tools in organic-rich rocks within the Williston Basin.

Three-foot long boxes of Tyler core from the Shell Government 41X-S in Slope County. Core interval is from a depth of 7,815 to 7,833 feet. The rocks are primarily organic-rich shales and siltstones with an oil-stained sandstone reservoir at a depth of 7,817- 7,919 feet.

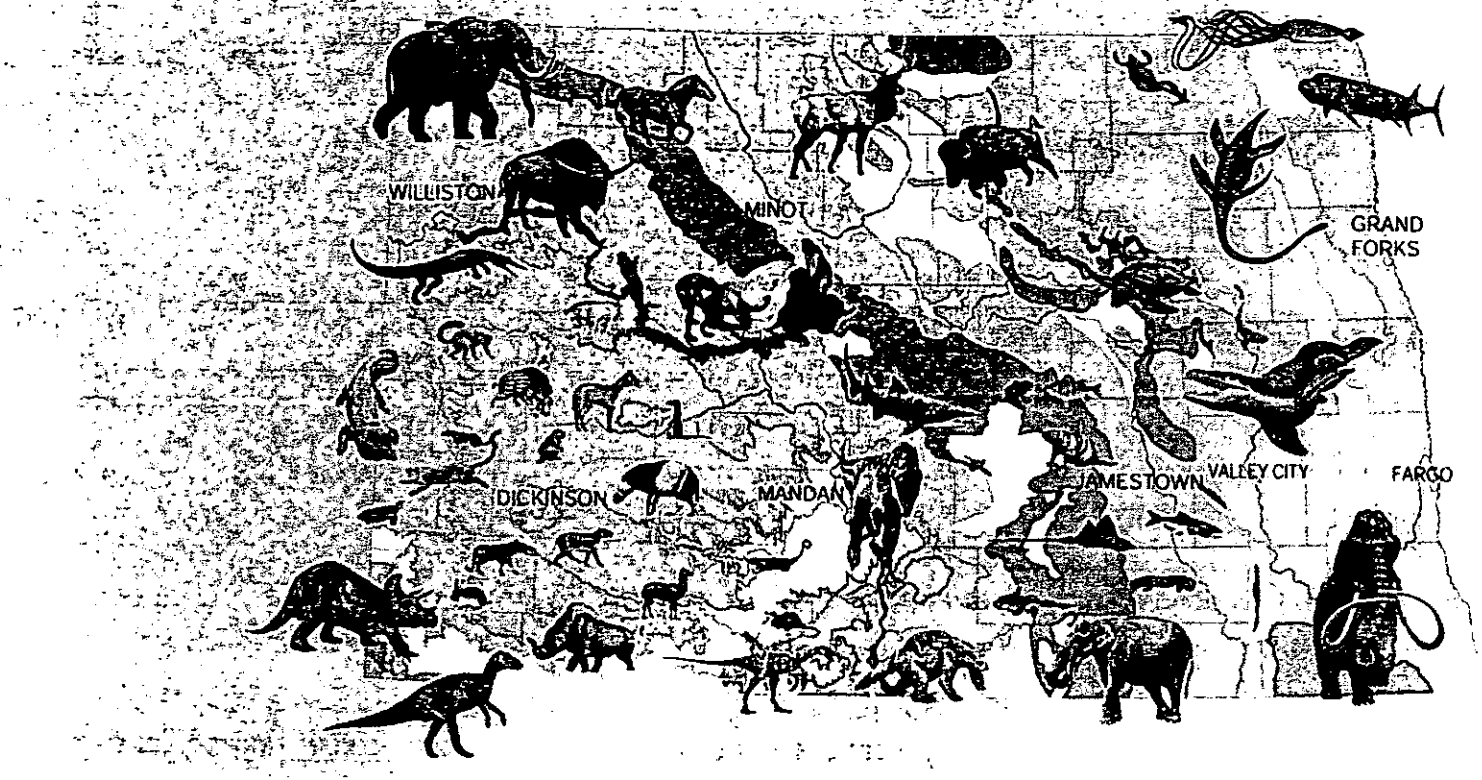


A preliminary Time-Temperature Index Map for the Tyler Formation in North Dakota. This map was generated from the burial history of the Tyler core. The yellow and green colors correspond to the "oil window" where the Tyler was buried deep enough (was hot enough) for a long enough period of time to generate oil. The two Tyler cores that have been analyzed by the RockEval method are consistent with this map.

Departm... ...ra Resources Geological Survey
Page ▾ Safety ▾

Prehistoric Life of North Dakota

John W. Hoganson
North Dakota Geological Survey



Each Icon on the state map is a link to addittional information

CRETACEOUS

- Hell Creek Formation
- Fox Hills Formation
- Pierre Formation
- Niobrara

TERTIARY

PALEOCENE

- Golden Valley Formation
- Sentinel Butte Formation
- Bullion Creek Formation
- Cannonball, Ludlow and Slope Formations

MIOCENE

- Arikaree Formation

EOCENE - OLIGOCENE

- Chadron and Brule Formations

QUATERNARY

Coleharbor Group (glacial drift)

- lake sediment (silt and clay)
- river and beach sediment (sand and gravel)
- Lakes and Rivers

glacial sediment (till)

- Flat to rolling land
- Hilly Land

Internet
100%
start

OPTIONAL REQUESTS

Optional Requests not included in the executive budget recommendation are prioritized as follows:

Funding for Carbon Dioxide Storage Administrative Fund (Class VI primacy work) – ONE TIME – HOUSE ADDED $532,000
Contingency 4-FTE (2-Petroleum Engineers and 2-Field Inspection Engineering Technicians) for OGD - $743,972

Market salary funds $1,027,750
New 1-FTE (Engineering Technician for core re-boxing and geothermal field inspection in Red River Valley)

New 1-FTE (Administrative Staff Officer) shared GSD and OGD
Core re-boxing project
New 1-FTE (Surface Geologist) for GSD

ENGROSSED HB1014 BOTTOM LINE versus CURRENT BIENNIUM

FTE – changes 2 from special funds (Land and Minerals) to general fund
adds 10
provides for 4 contingency positions based on rig count and producing well count

Salaries and Wages +24.7%

Operating +32%

Governor's Recommended Permanent Staff

15	PE - FI		6	ET - FI	
45	hours per week		45	hours per week	
4	hours office time		4	hours office time	
8	hours Spills, Pluggings, other Engineering		0	hours Spills, Pluggings, other Engineering	
5200	producing wells	0 visits per year	9280	producing wells	5 visits per year
876	injection wells	0 visits per year	900	injection wells	6 visits per year
0	hours for well inspections		41	hours for well inspections	
34	hours for rig inspection		0	hours for rig inspection	

510 hours per week for rig inspection
3 hours per week per rig average (1 visit/week vert and 2 visits/week horiz)
170

Calculate Permanent + Contingency Staff Ideal

17	PE - FI		8	ET - FI	
48	hours per week		48	hours per week	
4	hours office time		4	hours office time	
8	hours Spills, Pluggings, other Engineering		0	hours Spills, Pluggings, other Engineering	
5200	producing wells	0 visits per year	10000	producing wells	6 visits per year
876	injection wells	0 visits per year	900	injection wells	12 visits per year
0	hours for well inspections		45	hours for well inspections	
36	hours for rig inspection		0	hours for rig inspection	

600 hours per week for rig inspection
3 hours per week per rig average (1 visit/week vert and 2 visits/week horiz)
200

Engrossed House Bill 1014
Senate Appropriations Committee
Testimony of DeAnn Ament
North Dakota Public Finance Authority

For the record, my name is DeAnn Ament and I am the Executive Director of the Public Finance Authority. I am providing this testimony in support of the Industrial Commission's requested appropriation for the Public Finance Authority for the 2011-2013 biennium in the amount of $654,027. The requested biennial appropriation is $16,006 or 2% less than the current biennial appropriation. This budget includes the recommended salary adjustments outlined in the Executive Budget. Primarily, the overall budget decrease is due to salary adjustments resulting when Tim Porter, former Executive Director, departed to work full-time for the Bank of North Dakota. Some minor adjustments have been made within several operating lines to more accurately reflect projected expenditures. Due to the Public Finance Authority's co-location at the Bank of North Dakota, the agency continues to benefit from efficiencies created.

The Public Finance Authority is a state agency that operates under the supervision and authority of the Industrial Commission. It is a self-supporting state agency and receives no money from the General Fund. The staff of the Public Finance Authority currently consists of 1.75 full-time state employees (FTE's). Currently, the Executive Director is .75 Public Finance Authority employee. The Public Finance Authority also employs a full time Business Manager.

The Public Finance Authority administers the Capital Financing Program, the financial portion of the State Revolving Fund and the Industrial Development Bond Program. Detailed activity of all programs is contained in our annual report which is attached. In 2009, the State Revolving Fund was the recipient of American Recovery and Reinvestment Act (ARRA) funding. This funding has required many changes for documenting, funding and reporting purposes and has resulted in an increased workload for both employees. It is anticipated that many of these changes will carry forward to future capitalization grants. The Public Finance Authority continues to develop programs as needs arise for financing municipal, economic development, agriculture, and energy projects in North Dakota. At this point, we are uncertain how the development of these programs will affect the Public Finance Authority's staffing needs. The current budget for the 2009-2011 biennium includes salaries for 2.75 FTE's. The vacant FTE within the current budget is for a loan officer position that would help analyze the loan applications and financial statements of potential borrowers under all of the Public Finance Authority's programs. Therefore, I ask that you appropriate funding for this vacant position for the 2011-2013 biennium while we assess the demand for our services under existing programs as well as the new programs mentioned above.

The written testimony below describes the Public Finance Authority and its financing programs. Also, a copy of the 2010 Annual Report for the Public Finance Authority has been included in the binder for your review. This Report describes in more detail the Public Finance Authority's programs and provides a complete history of all the Public Finance Authority's loans and bond issues.

Mission

To develop rural and urban North Dakota by providing political subdivisions and other qualifying organizations access to flexible and competitive financing options for their local qualifying projects.

The Public Finance Authority was established to make low-cost loans to North Dakota political subdivisions at favorable interest rates. Loans are made to political subdivisions by the Public Finance Authority through the purchase of municipal securities issued by the political subdivisions in accordance with state and federal law. Loans are primarily made with the proceeds of bonds issued by the Public Finance Authority under the programs described below. In certain instances, a direct loan may be made to a political subdivision from the Public Finance Authority's operating fund or from the federal grants or loan repayments held under the State Revolving Fund Program.

The municipal securities issued by a political subdivision to the Public Finance Authority may be either tax-exempt or taxable obligations. A political subdivision must retain bond counsel to assist in the preparation and adoption of its bond resolution and other necessary documents. The Public Finance Authority may purchase municipal securities only if the Attorney General issues an opinion that states the municipal securities are properly eligible for purchase under the North Dakota Century Code (N.D.C.C.) chapter 6-09.4, the Public Finance Authority Act.

Required Debt Service Reserve

Subsection 1 of §6-09.4-10 of the N.D.C.C. requires the Public Finance Authority to establish a debt service reserve in an aggregate amount equal to at least the largest amount of money required in the current or any succeeding calendar year for the payment of the principal of and interest on its outstanding bonds.

Subsection 4 of §6-09.4-10 of the N.D.C.C. of the N.D.C.C. provides as follows:

> "In order to assure the maintenance of the required debt service reserve, there shall be appropriated by the Legislative Assembly and paid to the Public Finance Authority for deposit in the reserve fund, such sum, if any, as shall be certified by the Industrial Commission as necessary to restore the reserve fund to an amount equal to the required debt service reserve."

In the written opinion of the Attorney General, this provision does not constitute a legally enforceable obligation of the State. In the written opinion of the Public Finance Authority's bond counsel, there is no applicable provision of state law that would prohibit a future Legislative Assembly from appropriating any sum that is certified by the Industrial Commission as necessary to restore the reserve fund in an amount sufficient to meet the required debt service reserve amount. The legislative obligation imposed by the Legislative Assembly in subsection 4 of §6-09.4-10 is referred to as a moral obligation because the obligation to provide an appropriation for the Public Finance Authority's reserve fund is not backed by the full faith and credit of the State. All bonds issued by the Public Finance Authority under any of its programs are moral obligation bonds unless the Industrial Commission approves a resolution to allow the Public Finance Authority to issue bonds under section 40-57 as a conduit issuer. Under any of the Public Finance Authority programs, there has never been the need to request an appropriation to cover a shortfall in a reserve fund.

Advisory Committee

The Industrial Commission, by policy, has established a Public Finance Authority Advisory Committee. The Committee is made up of three members appointed by the Commission. The Committee reviews each loan application for the purpose of making a recommendation concerning the loan to the Industrial Commission, which must give its approval before a loan may be made under each Program. However, if the loan is for $500,000 or less for the Capital Financing Program and $1,000,000 or less for the State Revolving Fund Program, the Committee may authorize the approval of the loan, and then submit a report describing the loan and the action taken to the Commission at its next meeting.

At the present time, the Public Finance Authority has four loan programs: the Capital Financing Program, the State Revolving Fund Program, the School Construction Financing Loan Program, and the Industrial Development Bond Program.

Capital Financing Program

The Capital Financing Program, established in 1990, makes loans to political subdivisions for any purpose for which political subdivisions are authorized to issue municipal securities, subject to certain statutory requirements.

Through December 31, 2010, the Public Finance Authority has made $86,663,016 of loans to political subdivisions under the Capital Financing Program. The outstanding amount of Capital Financing Program bonds is $9,660,000. Recognizing the strength of the State's moral obligation pledge, Standard and Poor's (S&P) has assigned a rating of "A+" to the Capital Financing Program Bonds.

State Revolving Fund Program

Under the State Revolving Fund (SRF) Program, federal capitalization grants are received by the State through the Health Department from the Environmental Protection Agency (EPA), and are deposited and held under the Program's Master Trust Indenture for the purpose of making below-market interest rate loans to political subdivisions for qualified projects and for other authorized purposes. The projects are subject to the approval by the State Health Department under appropriate state law and the Federal Clean Water Act and the Federal Safe Drinking Water Act. The federal capitalization grants are available to states on the basis of an 80-20 federal-state match. A portion of the SRF Program bonds issued by the Public Finance Authority provides the 20% state match. The federal capitalization grants must be held by the state in a revolving loan fund and are available only for purposes authorized under the Federal Clean Water Act and the Federal Safe Drinking Water Act.

The SRF Program consists of a Clean Water SRF Program and a Drinking Water SRF Program. Federal capitalization grants for the Clean Water SRF Program were first appropriated to the State in 1989. Since that time, $155,067,688 of federal capitalization grants under the Clean Water SRF Program have been appropriated and awarded to the State through federal fiscal year 2010. Through December 31, 2010, 214 loans totaling $307,595,079 have been approved under the Clean Water SRF Program. The Health Department's Clean Water Intended Use Plan for 2010 includes approximately $115,000,000 of potential projects.

Federal capitalization grants for the Drinking Water SRF Program were first appropriated to the State in 1997. Since that time, $122,916,147 of federal capitalization grants under the Drinking Water SRF Program have been appropriated and awarded to the State through federal fiscal year 2010. Through December 31, 2010, 146 loans totaling $283,432,426 have been approved under the Drinking Water SRF Program. The Health Department's Drinking Water Intended Use Plan for 2010 includes approximately $388,000,000 of potential projects.

A project must be on the appropriate Intended Use Plan to be able to apply for a loan under the SRF Program. The current interest rate for most loans under the SRF Program is 2.5% with a 0.5% annual administrative fee on the outstanding balance. Bonds issued by the Public Finance Authority under the SRF program are rated "Aaa" by Moody's Investors Service, Inc. (Moody's), which is Moody's highest possible rating.

State School Construction Financing Program

The Public Finance Authority's State School Construction Financing Program provides loans to North Dakota school districts. This program has been assigned an "A+" rating by S&P, which allows the school districts, which generally do not have a credit rating, to borrow at lower interest rates. Bonds issued under this Program will be moral obligation bonds of the State and will also be supported by the state school aid intercept provision adopted by the Legislature in 1999. The state aid intercept provision is found in §6-09.4-23 of the N.D.C.C. A school district will be required to authorize the withholding of state school aid payments which are due and payable to the district under N.D.C.C. chapter 15-40.1 in order to participate in the Program. If a school district defaults on its loans under this Program, the Department of Public Instruction is notified by the Public Finance Authority to withhold aid payments to the defaulting school district until such time that principal and interest have been paid or satisfactory arrangements have been made to make the payment.

Industrial Development Bond Program

The Public Finance Authority's Industrial Development Bond Program provides loans to North Dakota manufacturers that meet the IRS definition for small issue manufacturers. This program has been assigned an "A+" rating by S&P, which allows those manufacturers that qualify to finance fixed assets at attractive tax-exempt rates. Bonds issued under this Program will be moral obligation bonds of the State unless the borrower has the financial strength to request that the Public Finance Authority issue the bonds on a conduit basis. The 2005 Legislature passed the legislation allowing the Public Finance Authority to issue industrial revenue bonds. Current Program limits are $2,000,000 per project and $20,000,000 cumulative for the program. For conduit issuance when the state's moral obligation is not used as a credit enhancement there are no project or program limits. The Public Finance Authority has made three loans under this program in the amount of $4,860,000.

Annual Report

The Public Finance Authority submits its Annual Report to the Legislative Council each year. The Annual Report provides a complete list of all loans made and bonds issued by the Public Finance Authority since its inception in 1975.

North Dakota Public Finance Authority

2010
Annual Report

NORTH DAKOTA PUBLIC FINANCE AUTHORITY

Industrial Commission of North Dakota

Jack Dalrymple
Governor
Chairman

Wayne Stenehjem
Attorney General

Doug Goehring
Agriculture Commissioner

Advisory Committee

Robert Frantsvog
Minot

Wade Williams
Jamestown

Vacant

Staff

DeAnn Ament
Executive Director

Kylee Merkel
Business Manager

NORTH DAKOTA
PUBLIC FINANCE AUTHORITY

2010 Annual Report

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NORTH DAKOTA PUBLIC FINANCE AUTHORITY

The North Dakota Public Finance Authority (PFA) was established for the purpose of making loans to political subdivisions of the State through the purchase of municipal securities which, in the opinion of the Attorney General of North Dakota, are properly eligible for purchase by the PFA. Subject to credit and program requirements, a loan can be made by the PFA to a political subdivision for any purpose for which the political subdivision has the legal authority to borrow money through the issuance of municipal securities. Certain types of municipal securities issued under N.D.C.C. ch. 40-57 (MIDA bonds) may also be purchased by the PFA.

The PFA, which is under the operation, control and management of the Industrial Commission of North Dakota, is a self-supporting state agency. The costs and expenses of operation of the PFA are financed with earnings on program assets and fees paid by participating political subdivisions.

Obligations of the PFA which are issued to provide funds to purchase municipal securities do not constitute a debt or liability of the State or a pledge of the faith or credit of the State. All obligations of the PFA are payable solely from revenues or program assets pledged or available for their payment as authorized by law. The PFA has no authority to incur any indebtedness or liability on behalf of or payable by the State.

The PFA is required by statute (N.D.C.C. § 6-09.4-10(1)) to establish and maintain a reserve fund for its bonds. The Legislative Assembly has made a non-binding pledge to the PFA to replenish the reserve fund if it is depleted by the default of a political subdivision. Section 6-09.4-10(4) provides that "there shall be appropriated by the legislative assembly and paid to the PFA for deposit in the reserve fund, such sum, if any, as shall be certified by the industrial commission as necessary to restore the fund to an amount equal to the required debt service reserve." Because future Legislative Assemblies are not legally obligated or required to appropriate moneys certified as necessary by the Industrial Commission, this statutory provision is referred to as a "moral obligation." There has never been the need to request an appropriation of the reserve fund.

Mission

To develop rural and urban North Dakota by providing political subdivisions and other qualifying organizations access to flexible and competitive financing options for their local qualifying projects.

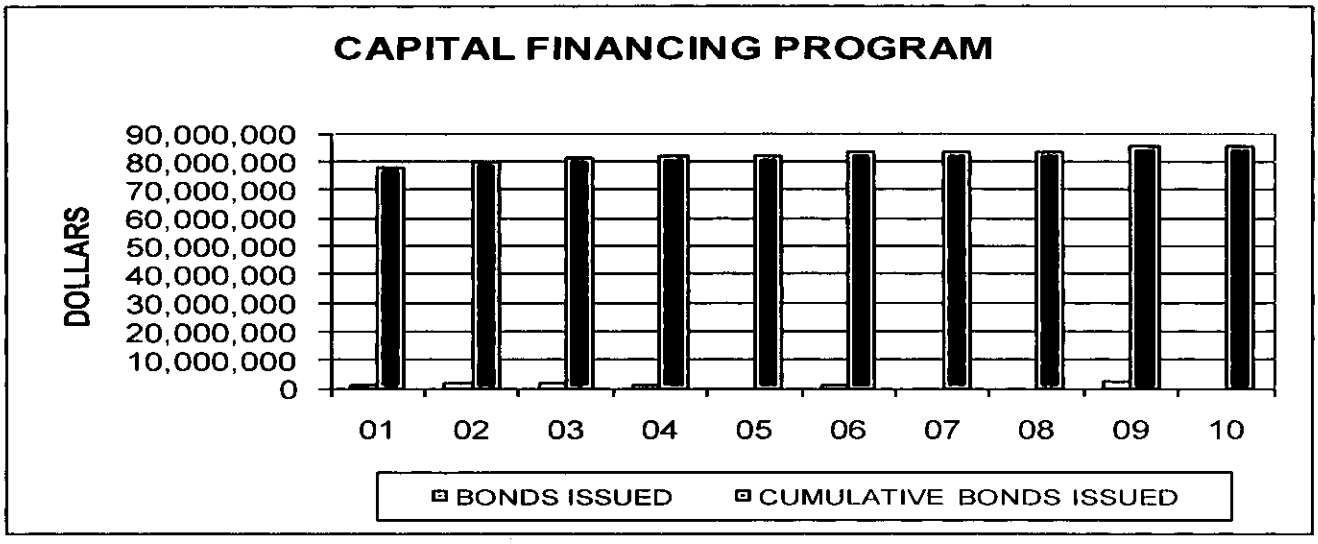
Vision Statement

A municipal bond market that realizes the competitive advantage of utilizing the North Dakota Public Finance Authority's (PFA) superior bond rating to issue municipal securities, resulting in lower interest rates to fund local projects. A PFA that enables customers to utilize on-line services, such as accessing account information or applying for additional financing. A PFA that leads a cooperative effort with other state agencies to combine available resources into programs that finance infrastructure and improvements for political subdivisions and other qualifying organizations. A State that recognizes the PFA as the leader in providing municipal financing for local projects.

CAPITAL FINANCING PROGRAM

Under its Capital Financing Program (CFP), the PFA makes loans for the purpose of financing projects or improvements for which political subdivisions are legally authorized to borrow money through the issuance of municipal securities. Subject to credit requirements and certain program requirements, financing is available in any dollar amount.

The interest rates payable by a political subdivision are market rates, which are set through a competitive bid process when the PFA issues and sells its bonds to fund a loan. The interest rates paid by the PFA on its bonds are the same rates a political subdivision will pay on its municipal securities sold to the PFA.



The Capital Financing Program has been assigned a rating of "A+" by Standard & Poor's Ratings Group.

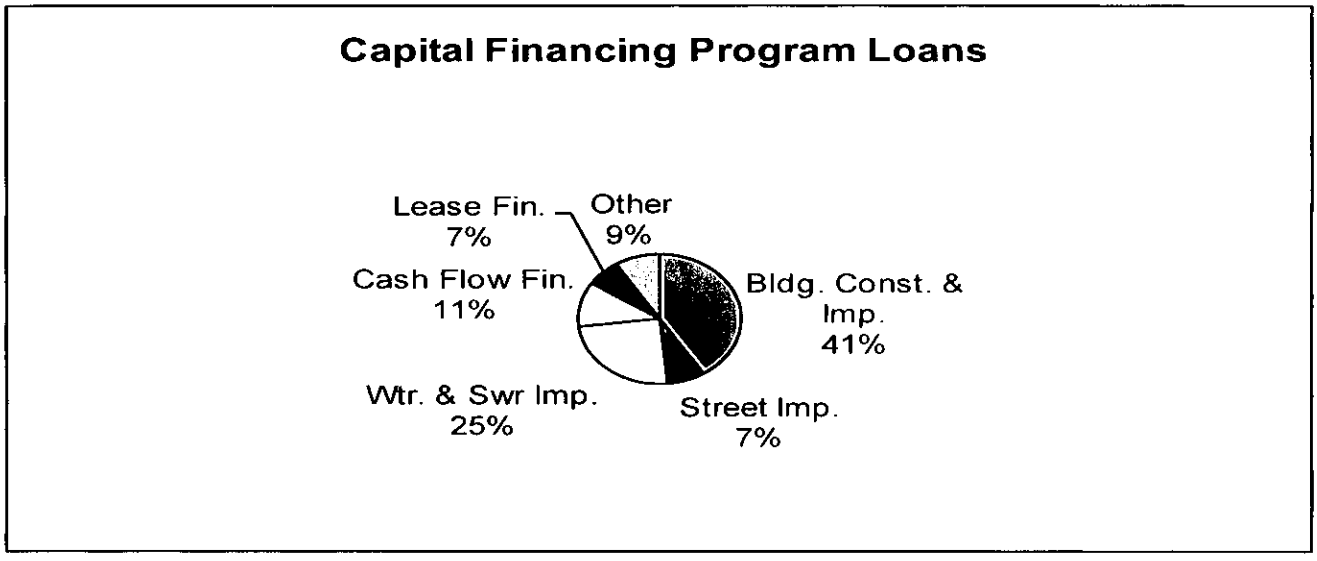
The PFA did not issue CFP Bonds in 2010.

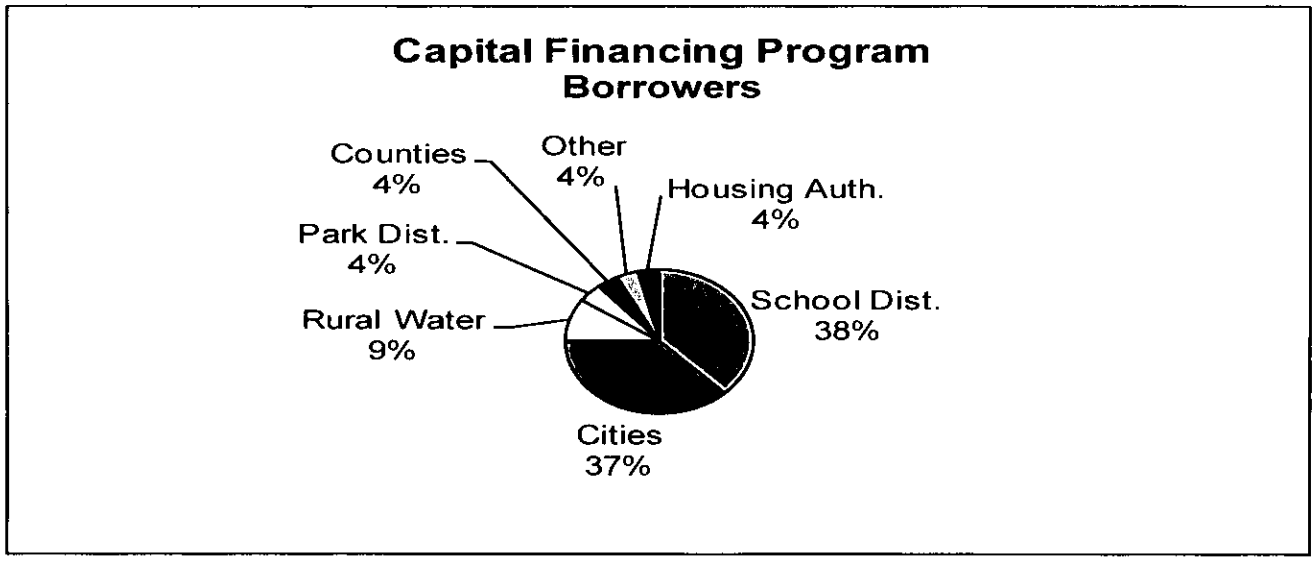
The total outstanding amount of CFP Reserve Notes at December 31, 2010, was $2,257,510, and the total outstanding amount of CFP Reserve Fund Letters of Credit at December 31, 2010, was $3,498,628. The CFP Reserve Notes and CFP Reserve Fund Letters of Credit are issued to meet the requirement of the CFP General Bond Resolution that the PFA maintain reserves for each series, equal to the largest aggregate amount of principal and interest due in any twenty-four consecutive month period. The CFP Reserve Notes are purchased by the Bank of North Dakota (BND) and the CFP Reserve Fund Letters of Credit are issued by BND.

As of December 31, 2010, the total cumulative amount of bonds issued under the CFP General Bond Resolution was $85,695,000 and the total outstanding amount of bonds under the CFP General Bond Resolution was $9,660,000.

Part E of Attachment 1 beginning on page 1-4 of this Report contains a complete list, as of December 31, 2010, of all loans made by the PFA with proceeds of CFP Bonds issued under the CFP General Bond Resolution, including the name of each political subdivision, the original amount of each loan, and the outstanding principal of each loan.

Part F of Attachment 2 on page 2-1 of this Report contains a complete list, as of December 31, 2010, of all series of Capital Financing Bonds issued under the CFP General Bond Resolution, including the original dollar amount and the outstanding principal amount of each series of CFP Bonds.





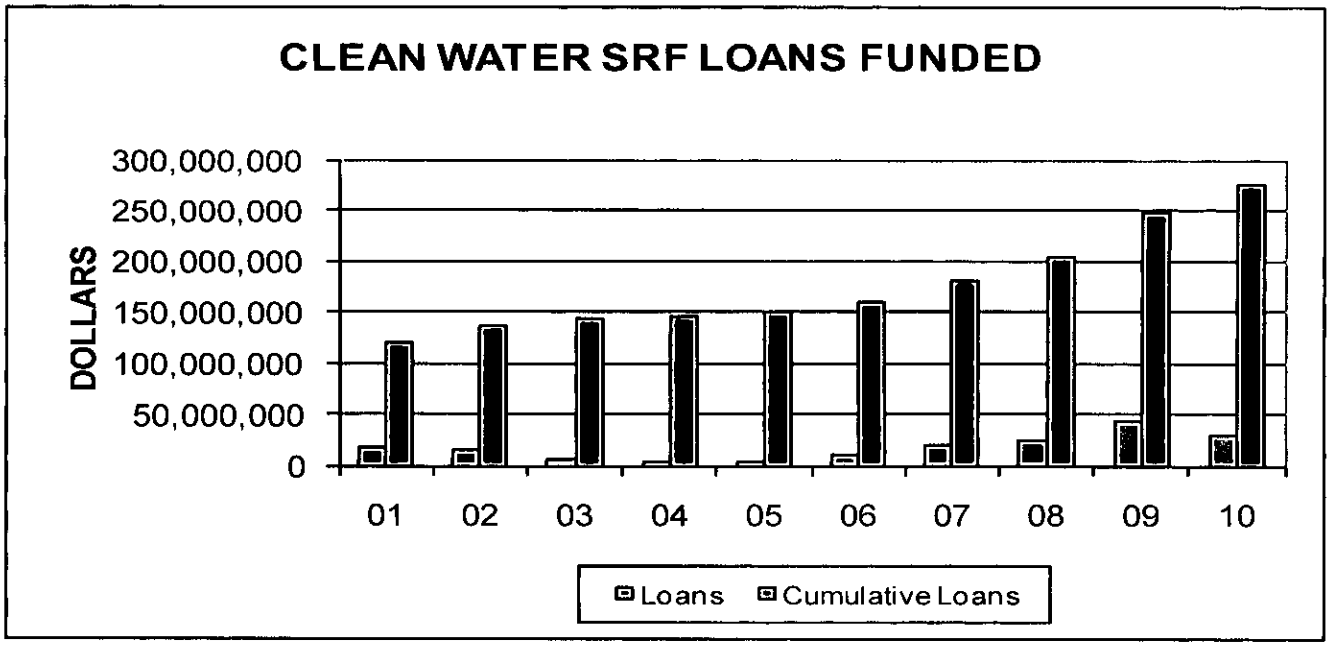
STATE REVOLVING FUND PROGRAM

The State Revolving Fund Program (SRF Program) was established in 1990 to enable North Dakota to receive federal capitalization grants as authorized under the Clean Water Act. In 1998, the SRF Program was amended to enable the State to receive capitalization grants as authorized under the Safe Drinking Water Act. The SRF Program grants, received from the United States Environmental Protection Agency, are to be used to make below-market interest rate loans to political subdivisions for the purpose of financing authorized projects, to establish reserve funds, and for other purposes under the Clean Water Act and the Safe Drinking Water Act. Authorized projects under the Clean Water Act include wastewater treatment facilities and nonpoint source pollution control projects. Authorized projects under the Safe Drinking Water Act include public water systems. The SRF Program is administered jointly by the North Dakota Department of Health and the PFA.

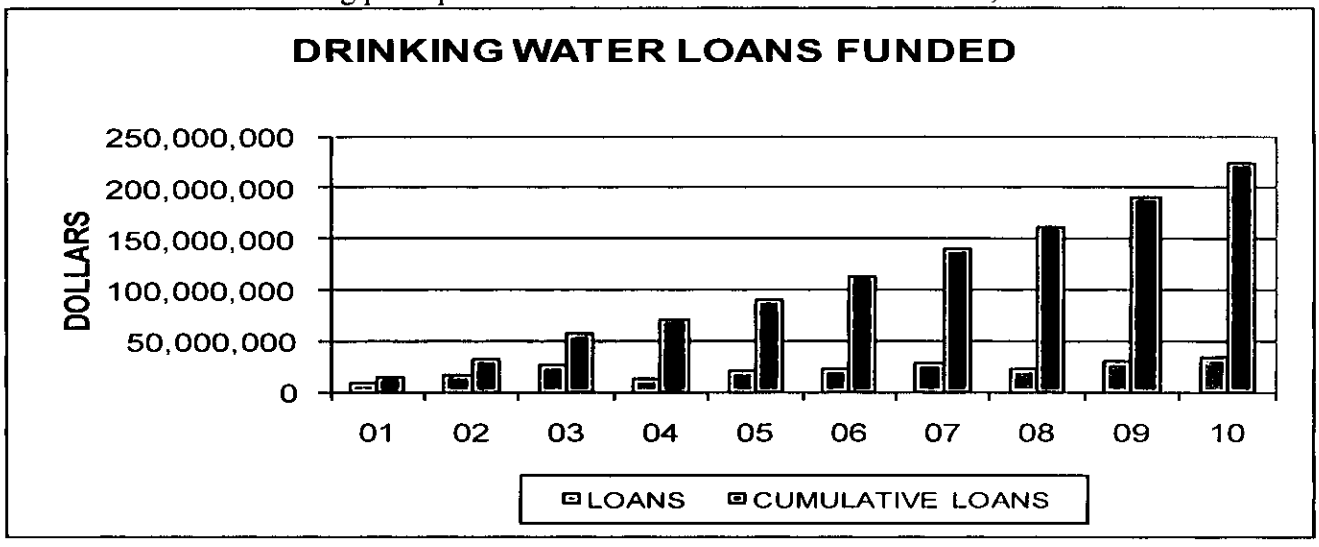
In 2001, Moody's Investors Service, Inc. upgraded the North Dakota SRF Program from "Aa2" to "Aaa", Moody's highest rating,

The interest rates on SRF Program loans are set by the Health Department in consultation with the PFA. The interest rates are fixed for the term of a loan. The interest rate for tax-exempt SRF Program loans is 2.5%. The interest rates for taxable SRF loans is 3.5%. The interest rate for Drinking Water Loans in excess of $5 million is 75% of the current market rate. Loans made with American Recovery and Reinvestment Act "ARRA" funds are at .5% and/or have a loan forgiveness component.

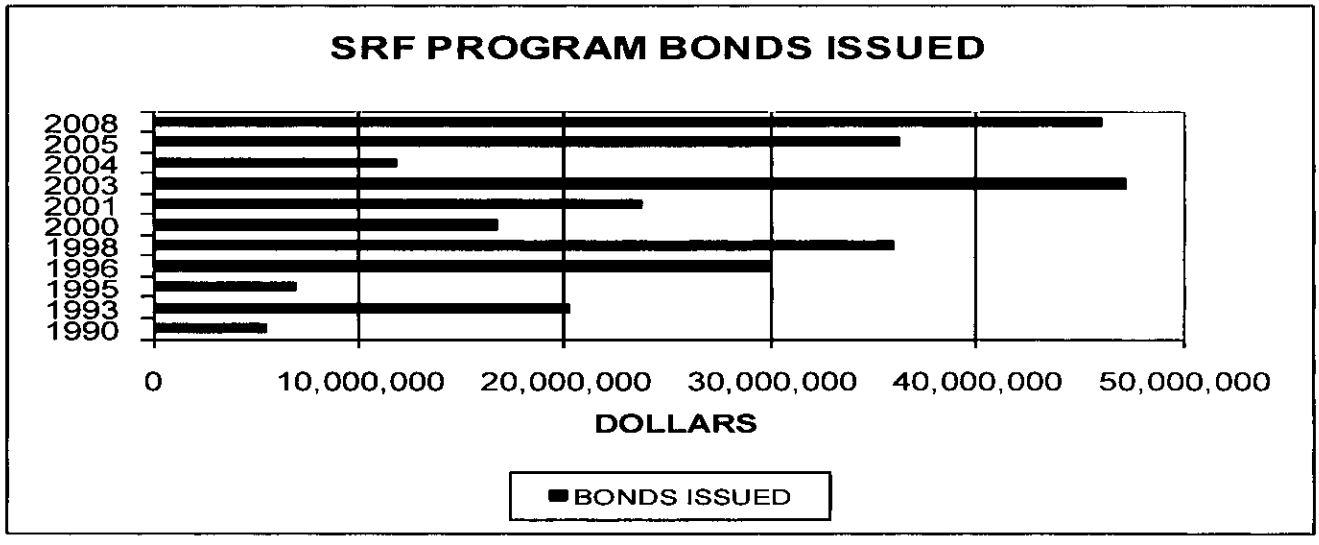
The PFA approved $13,450,007 of Clean Water SRF Program loans to 13 political subdivisions in 2010. Subpart 19 of Part F of Attachment 1 on page 1-16 of this Report contains a list of all approved Clean Water SRF Program loans for 2010, including the approved amount, the funded amount, and the outstanding principal amount of each loan as of December 31, 2010.



The PFA approved $31,624,813 of Drinking Water SRF Program loans to 12 political subdivisions in 2010. Subpart 12 of Part G of Attachment 1 on page 1-21 of this Report contains a list of loans made under the Drinking Water SRF Program during 2010, including the approved amount, the funded amount and the outstanding principal amount of each loan as of December 31, 2010.



The total amount of SRF Program Bonds issued under the PFA's SRF Program Master Trust Indenture is $280,325,000. This total includes $68,915,000 of the 1990, 1993, 1995, 1996, 1998 and 2000 SRF Program Bonds which have been advance refunded and are no longer considered to be outstanding.



As of December 31, 2010, the total amount of SRF Program Bonds outstanding was $136,260,000, and the total outstanding amount of SRF Program loans was $341,870,908. The total amount on deposit in the SRF Program Reserve Fund as of December 31, 2010, was $16,929,001, which represents the Total Reserve Requirement under the Master Trust Indenture.

Part G of attachment 2 on page 2-3 of this Report contains a complete list of the SRF Program Bonds issued by the PFA under the Master Trust Indenture, including the original dollar amount and the outstanding principal amount of each series of SRF Program Bond.

INDUSTRIAL DEVELOPMENT BOND PROGRAM

The Public Finance Authority's Industrial Development Bond Program (IDBP) provides loans to North Dakota manufacturers that meet the IRS definition for small issue manufacturers. Bonds issued under this Program are moral obligation bonds of the State unless the borrower has the financial strength to request that the Public Finance Authority issue the bonds on a conduit basis. The 2007 Legislature renewed the legislation allowing the Public Finance Authority to issue industrial revenue bonds with program limits of $2,000,000 per project and $20,000,000 for the entire program. For conduit issuance when the state's moral obligation is not used as a credit enhancement there are no project or program limits.

The interest rates payable by a borrower are market rates, which are set through a competitive bid process when the PFA issues and sells its bonds to fund a loan. The interest rates paid by the PFA on its bonds are the same rates a borrower will pay on its bonds sold to the PFA.

This program has been assigned an "A+" rating by S&P, which allows those manufacturers that qualify to finance fixed assets at attractive tax-exempt rates.

The PFA did not issue IDBP Bonds in 2010.

Part H of Attachment 1 beginning on page 1-22 of this Report contains a complete list, as of December 31, 2010, of all loans made by the PFA with proceeds of IDBP Bonds issued under the IDBP General Bond Resolution, including the name of each borrower, the original amount of each loan, and the outstanding principal of each loan.

Part H of Attachment 2 on page 2-4 of this Report contains a complete list, as of December 31, 2010, of all series of Industrial Development Program Bonds issued under the IDBP General Bond Resolution, including the original dollar amount and the outstanding principal amount of each series of IDBP Bonds.

The outstanding amount of Reserve Fund Letters of Credit at December 31, 2010 was $772,575. The IDBP Reserve Fund Letters of Credit are issued to meet the requirement of the IDBP General Bond Resolution that the PFA maintain reserves for each series, equal to the largest aggregate amount of principal and interest due in any twenty-four consecutive month periods. The IDBP Reserve Fund Letters of Credit are issued by BND.

OTHER BONDS

1977 General Bond Resolution. The PFA, pursuant to a 1977 General Bond Resolution, issued $15,000,000 in 1977, $16,590,000 of bonds in 1979, and $11,600,000 of bonds in 1983, for a total principal amount of $43,190,000. The 1977, 1979 and 1983 bonds have been retired.

1985 Local Governmental Assistance Program. In 1985, the PFA issued $35,290,000 of bonds under a Local Governmental Assistance Program. These bonds were retired in 1986.

1990 Government Assistance Program. In 1990, pursuant to its Government Assistance Program, the PFA issued two series of bonds in the total amount of $2,006,704. These bonds were retired in 1991.

1989 Insured Water System Revenue Bonds and 1999 Taxable Insured Water System Refunding Revenue Bonds. Pursuant to a Trust Indenture adopted in 1989, the PFA issued two series of Water System Revenue Bonds. The 1989 Series A Bonds were issued in the amount of $11,650,000, and the 1989 Series B Bonds were issued in the amount of $1,410,000 (the 1989 Series A Bonds and the 1989 Series B Bonds are referred to as the "1989 Bonds"). The Series B Bonds were issued to fund a reserve fund for the Series A Bonds. Proceeds of these taxable bonds were used by the PFA to make loans to certain political subdivisions to enable them to repurchase, at a discount, outstanding loans with the Farmers Home Administration. On December 21, 1995, the PFA entered into a Purchase Contract with Dain Bosworth Incorporated (now RBC Wealth Management) for the forward refunding of the 1989 Insured Water System Revenue Bonds. Under the terms of the Purchase Contract, the PFA issued and delivered $8,875,000 of its Taxable Insured Water System Refunding Revenue Bonds, 1999 Series B to Dain Rauscher on April 1, 1999, for the purpose of refunding the 1989 Bonds. The benefits realized by the PFA through the refunding of the 1989 Bonds are being passed through to the participating political subdivisions in the form of lower interest rates and interest rate buydowns over the remaining terms of their loans. The debt service requirement for these bonds for the 2011-2013 biennium is $505,250.

BIENNIAL DEBT SERVICE REQUIREMENTS

The debt service requirement for the outstanding CFP Bonds for the 2011-2013 biennium is $3,594,635, and the debt service requirement for the outstanding SRF Program Bonds for the 2011-2013 biennium is $32,862,474. The outstanding IDBP debt service requirement for 2011-2013 is $763,418.

The aggregate debt service requirement for all outstanding PFA Bonds for the 2011-2013 biennium is $37,725,777.

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
LOANS MADE 1977 THROUGH 2010

Part A

Subpart 1 $15,000,000 1977 Series A Bonds

Borrower

Alexander PSD
Alexander
Almont
Ashley
Barney
Bell PSD
Beulah
Bismarck
Bismarck Park District
Butte PSD
Buxton
Carrington PSD
Cass County
Casselton
Center
Courtenay Special PSD
Drake
Edinburg PSD
Edmore PSD
Elgin
Ellendale PSD
Emerado
Enderlin
Esmond
Esmond PSD
Fingal PSD
Finley
Fordville
Gackle PSD
Galt PSD
Garrison
Glen Ullin PSD
Gwinner
Halliday
Hampden PSD
Hazelton Moffitt PSD
Hazen
Jamestown
Juzeler PSD
Kathryn PSD
Kensal PSD
Kinloss PSD
Kinyon PSD
Kulm
LaMoure PSD
LaMoure
Lawton
Leeds
Lehr
Leonard PSD
Leonard
Lidgerwood
Lignite
Lincoln PSD
Linton
Linton PSD
Maddock
Mandan
Mayville
McVille
Michigan
Minnewauken PSD
Napoleon
Nedrose PSD
Nesson PSD
New Salem
New Leipzig Fire District
New Rockford
New Leipzig PSD
New Leipzig
New Rockford
North Sargent PSD
Park River
Parshall
Pembina
Portland
Reeder PSD
Regent PSD
Reynolds
Robinson PSD
Rock Lake PSD
Rolla
Rutland
Sawyer PSD
Scotia PSD
Scranton
Sharon
Sharon PSD
Sherwood
Sheyenne PSD
Solen PSD
South Heart PSD
South Bend PSD
Southern PSD
Southwest Fargo
Stanley
Stanton
Steele
Streeter PSD
Sutton PSD
Thompson
Tioga PSD
Tolna
Traill County District
Turtle Lake
Valley City
Velva
Verona
Walcott
Walhalla
Washburn
Watford City
Westhope
Wildrose PSD
Wilton
Wishek PSD
Wishek
Woodworth PSD
Yellowstone Irrigation District
Zeeland PSD

Subpart 2 **$16,590,000 1979 Series A Bonds**

Borrower

Anita Fire Protection District
Ashley PSD
Beulah
Beulah PSD
Center PSD
Edgeley
Edinburg
Edmore
Enderlin
Finley
Gackle
Garrison
Glen Ullin
Grand Forks Park District
Halliday
Harwood
Hazelton
Hazen
Hazen PSD
Hebron
Hettinger
Hope
Hunter
Linton
Lisbon
Mandan
Mayville
Medina
Mott
Napoleon
New Rockford
New Rockford Park District
Park River
Portland
Richardson PSD
Rock Lake
Rolla
Scranton
Sherwood Fire Protection District
Stanley
Stanton
Strasburg
Streeter
Thompson
West Fargo PSD
Wilton
Wishek
Zap

Subpart 3 **$11,600,000 1983 Series A Bonds**

Borrower

Anamoose
Antler
Binford
Bismarck Rural Fire District
Bowbells PSD
Carrington
Cass Richland Drainage District
Casselton
Crosby
Dodge
Edgeley PSD
Elgin PSD
Enderlin
Finley
Flasher PSD
Gladstone
Grafton PSD
Gwinner
Hankinson Rural Fire District
Horace
Killdeer
Lakota PSD
Larimore
Leonard
Linton
Mandan
Manning PSD
Mapleton
Medina
Michigan PSD
Milnor
New England
New Leipzig
Osnabrock
Pembina
Pingree PSD
Rhame
Richardton
Rolette
Stanley
Strasburg
Towner
Velva
Westhope
Wildrose
Zap PSD

Part B **Local Government Assistance Program**
$35,290,000 1985 Series A Bonds

Borrower

Barnes County
Bismarck PSD
Border Central PSD
Burleigh County
Cass Valley North PSD
Cass County
Crary PSD
Dakota PSD
Dickey County
Dickinson PSD
Drayton PSD
Edgeley PSD
Epping PSD
Fargo PSD
Fessenden
Fordville
Grace City PSD
Grand Forks County
Grand Forks PSD
Killdeer PSD
LaMoure PSD
Mandan PSD
Mandan
McIntosh County
Michigan PSD
Minot PSD
Morton County
Powers Lake PSD
Ramsey County
Richland County
Solen PSD
Stanton PSD
Stark County
Steele County
Stutsman County
Tolley PSD
Walsh County
West Fargo PSD

Part C **Government Assistance Program**
$765,000 1990 Series A Bonds

Borrower

Cavalier
Edgely PSD
Eight Mile PSD
Marion PSD
Pembina PSD
Sherwood PSD

Part D **Insured Water System Revenue Bonds**
$8,875,000 1999 Series A Bonds
$1,410,000 1999 Series B Bonds

Borrower

All Season Water Users
Cass Rural Water
Dakota Water Users
Lidgerwood
North Valley Water Users Association
Richland Rural Water
Traill County Rural Water Users, Inc.
Tri-County Water Users Association

Capital Financing Program

Part E

Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 1	**1990**		
Morton County		$ 400,000	$ 0
Linton		185,000	0
Mandan		95,000	0
Hankinson		155,000	0
Fargo Park District		680,000	0
Traill County Water Resource District		100,000	0
Dickinson Recreation Building Authority		250,000	0
Rolla		220,000	0
Morton County Water Resource Board		230,000	0
North Valley Rural Water Association		140,000	0
Milnor		85,000	0
Bismarck Parks & Recreation District		770,000	0
Twin Buttes School District		70,000	0
Hettinger Park District		35,000	0
Mandan Parks & Recreation District		335,000	0
		3,750,000	0
Subpart 2	**1991**		
Burleigh County Housing Authority		225,000	0
Bismarck Parks & Recreation District		1,300,000	0
Bismarck Parks & Recreation District		410,000	0
Mandan Parks & Recreation District		560,000	0
Richardton		165,000	15,000
Kindred		25,000	0
Montefiore PSD		75,000	0
Pembina PSD		195,000	0
Eight Mile PSD		150,000	0
Lake Agassiz Regional Council		180,000	0
North Valley Water Association		200,000	0
Finley		875,000	0
Wyndmere		65,000	0
Ward County		85,000	0
Oakes Municipal Airport Authority		45,000	0
Devils Lake PSD		1,810,000	115,000
Greater Richland Education Communications Consortium		250,000	0
Cass County		400,000	0
		7,015,000	130,000

Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 3	**1992**		
Mandan PSD		$ 2,500,000	$ 165,000
New England		75,000	0
Cavalier		75,000	0
Lidgerwood		75,000	0
Kindred PSD		1,545,000	189,000
Edinburg		120,000	0
Milnor		205,000	0
West Fargo PSD		2,500,000	305,000
Lisbon PSD		800,000	100,000
Emerado PSD		100,000	0
Milnor		190,000	0
Pembina PSD		195,000	0
Eight Mile PSD		200,000	0
Briarwood		40,000	0
Buxton		40,000	0
Missouri Hills Interactive Consortium		455,000	0
Grand Forks PSD		2,500,000	0
Mercer County Housing Authority		435,000	0
Nelson County		100,000	0
		12,150,000	759,000
Subpart 4	**1993**		
Lake Metigoshe Recreation Service District		150,000	0
Glenburn PSD		880,000	175,000
Fargo PSD		1,975,000	0
Fargo PSD		525,000	0
Thompson PSD		900,000	165,000
Souris		40,000	0
Marion PSD		115,000	0
Pembina PSD		180,000	0
Eight Mile PSD		150,000	0
Sims PSD		60,000	0
Oakes		120,000	0
McVille		230,000	0
Milnor		195,000	0
Emerado PSD		60,000	0
Grand Forks PSD		2,000,000	365,000
Burleigh County Housing Authority		325,000	0
		7,905,000	705,000

Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 5	**1994**		
Mandan Airport Authority		$ 180,000	$ 0
Fairmount PSD		305,500	0
Grafton PSD		2,000,000	0
Sawyer PSD		450,000	0
Glenburn PSD		592,500	0
Lincoln PSD		274,000	0
Finley-Sharon PSD		499,500	0
Oakes PSD		1,650,000	0
North Sargent-Gwinner PSD		538,300	0
Rolette PSD		461,900	0
Zap PSD		250,000	0
Stanley PSD		1,185,000	0
Clifford-Galesburg PSD		532,669	0
Rhame PSD		180,000	0
West Fargo PSD		3,000,000	0
Manvel PSD		228,000	0
United-Des Lacs PSD		942,647	0
Surrey PSD		413,000	0
Cando PSD		50,000	0
Surrey PSD		325,000	0
Sawyer		150,000	0
Marion PSD		105,000	0
Pembina PSD		90,000	0
Eight Mile PSD		200,000	0
Sims PSD		50,000	0
		14,653,016	0
Subpart 6	**1995**		
Burleigh County Housing Authority		1,600,000	0
Traill County Water Resource District		100,000	0
Mooreton		170,000	0
Milnor		160,000	0
Ward County		95,000	0
Marion PSD		105,000	0
Eight Mile PSD		200,000	0
Sims PSD		75,000	0
		2,505,000	0

Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 7	**1996**		
Minot		$ 500,000	$ 0
Rolette County Housing		500,000	0
Dunseith		100,000	0
Garrison		120,000	10,000
Hazelton		140,000	0
Walcott-Colfax District		70,000	0
Burleigh Water Users		1,585,000	0
Marion PSD		120,000	0
Garrison PSD		230,000	0
		3,365,000	10,000
Subpart 8	**1997**		
Cavalier		540,000	5,000
Burleigh Rural Water Users		3,350,000	0
New Town PSD		300,000	0
North Valley Water Association		1,400,000	0
South Central Water Users District		350,000	0
Grafton PSD		4,500,000	0
Richardton		205,000	0
Aggasiz Water Users		375,000	85,000
Sims PSD		50,000	0
West Fargo PSD		1,000,000	0
Wahpeton		1,600,000	0
Garrison		125,000	0
McVille		1,550,000	715,000
		15,345,000	805,000
Subpart 9	**1998**		
Gackle		295,000	195,000
Lidgerwood		120,000	60,000
Prairie Rose		175,000	0
Surrey		100,000	0
Hettinger Park District		200,000	35,000
Maple River Water Resource District		55,000	0
Milnor		400,000	105,000
Grandin		165,000	85,000
West Fargo PSD		1,000,000	0
Sims PSD		50,000	0
Park River		450,000	260,000
		3,010,000	740,000

Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 10	**1999**		
Lidgerwood		$ 1,075,000	$ 0
Drayton		140,000	0
Drayton		70,000	0
Max		50,000	0
Surrey		100,000	0
West Fargo PSD		1,000,000	0
Sims PSD		100,000	0
Tri-County Water District		1,710,000	0
Tri-County Water District		285,000	205,000
		4,530,000	205,000
Subpart 11	**2000**		
Lisbon		765,000	0
Enderlin		195,000	0
Amenia		155,000	0
West Fargo PSD		3,000,000	0
Sims PSD		100,000	0
		4,215,000	0
Subpart 12	**2001**		
Frontier		735,000	485,000
Subpart 13	**2002**		
McVille		215,000	170,000
Southeast Water Users District		700,000	540,000
Bismarck Rural Fire District		185,000	130,000
Kulm		150,000	105,000
Fessenden-Bowdon PSD		350,000	80,000
		1,600,000	1,025,000
Subpart 14	**2003**		
Langdon Rural Water District		1,495,000	1,225,000
Subpart 15	**2004**		
Traill Rural Water		300,000	240,000
Surrey		500,000	225,000
Mercer County Housing		80,000	0
		880,000	465,000
Subpart 16	**2006**		
Rolette County Housing Authority		235,000	215,000
Belcourt Public School District		1,045,000	675,000
Enderlin		105,000	65,000
		1,385,000	955,000

Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 17	**2009**		
West Fargo		530,000	520,000
Tri-county Water District		1,415,000	1,365,000
Emerado		180,000	175,000
		2,125,000	2,060,000
Total Capital Financing Program Loans		$ 86,663,016	$ 9,569,000

Clean Water State Revolving Fund Program

Part F

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 1	**1990**			
Enderlin		$ 490,000	$ 490,000	$ 0
Fargo		3,561,559	3,561,559	675,000
Minot		879,386	879,386	0
		4,930,945	4,930,945	675,000
Subpart 2	**1993**			
Fargo		7,770,000	7,770,000	1,805,000
Jamestown		1,581,406	1,581,406	370,000
Minot		665,000	665,000	120,000
Northwood		1,150,000	1,150,000	235,000
Wahpeton		1,062,366	1,062,366	242,366
West Fargo		175,000	175,000	30,000
Lake Metigoshe		296,263	296,263	0
New Town		132,050	132,050	0
Jamestown		1,289,702	1,289,702	375,000
Williston		252,835	252,835	0
		14,374,622	14,374,622	3,177,366
Subpart 3	**1994**			
Minot		443,522	443,522	0
Burlington		165,037	165,037	40,000
Devils Lake		1,076,423	1,076,423	315,000
Grafton		410,000	410,000	60,000
Casselton		112,000	112,000	0
		2,206,982	2,206,982	415,000
Subpart 4	**1995**			
Fargo		2,850,429	2,850,429	1,110,429
Max		74,912	74,912	18,750
Cooperstown		55,000	55,000	0
Northwood		225,837	225,837	60,000
Colfax		36,297	36,297	0
Edmore		62,256	62,256	15,595
Ellendale		196,826	196,826	0
Minot		400,000	400,000	0
Williston		291,881	291,881	0

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 4 Cont.	**1995**			
Lisbon		$ 100,000	$ 100,000	$ 0
Napoleon		133,851	133,851	60,000
Park River		498,279	498,279	155,000
Carrington		835,000	835,000	275,000
Mott		211,157	211,157	60,000
Harvey		478,556	478,556	170,000
Beach		226,241	226,241	0
Williston		328,581	328,581	0
Buffalo		38,248	38,248	0
Hettinger		156,001	156,001	60,000
Davenport		176,339	176,339	50,000
Ellendale		220,990	220,990	0
Cando		113,006	113,006	0
Cooperstown		300,000	300,000	25,000
		8,009,687	8,009,687	2,059,774
Subpart 5	**1996**			
Jamestown		16,300,000	16,300,000	5,765,000
Cooperstown		1,174,952	1,174,952	415,000
Park River		72,312	72,312	0
Portland		82,368	82,368	24,714
Medina		67,255	67,255	0
Mayville		105,433	105,433	0
Manvel		478,416	478,416	170,000
Oriska		21,531	21,531	0
Bottineau		100,000	100,000	10,000
Arthur		132,963	132,963	60,000
Cando		254,052	254,052	90,000
Kindred		124,498	124,498	54,498
Page		47,738	47,738	14,322
Argusville		213,061	213,061	0
Bottineau		104,500	104,500	0
Grand Forks		13,700,000	13,700,000	6,300,000
Bank of North Dakota		1,101,444	1,101,444	34,000
		34,080,523	34,080,523	12,937,534
Subpart 6	**1997**			
Grand Forks		3,940,000	3,940,000	1,810,000
Casselton		1,589,652	1,589,652	645,000
Christine		385,273	385,273	170,000
Mapleton		152,864	152,864	25,000

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 6 Cont.	**1997**			
Horace		$ 225,330	$ 225,330	$ 95,000
Carrington		805,000	805,000	330,000
Mandan		5,191,929	5,191,929	2,650,000
Berthold		82,875	82,875	29,575
Cooperstown		123,067	123,067	60,000
Jamestown		2,277,487	2,277,487	920,000
Lakota		1,933,969	1,933,969	815,000
Minnewauken		218,000	218,000	51,000
		16,925,446	16,925,446	7,600,575
Subpart 7	**1998**			
Granville		42,000	42,000	0
Enderlin		342,373	342,373	140,000
Wishek		140,704	140,704	0
Fargo		1,482,337	1,482,337	682,337
Gwinner		258,711	258,711	135,000
Southeast Cass		214,000	214,000	94,000
Casselton		108,261	108,261	50,000
Sanborn		76,195	76,195	15,000
Frontier		98,603	98,603	40,000
Abercrombie		300,875	300,875	135,875
Grandin		97,042	97,042	40,000
Taylor		59,872	59,872	12,000
Fargo		10,723,277	10,723,277	5,700,000
Grand Forks		2,650,804	2,650,804	1,105,000
		16,595,054	16,595,054	8,149,212
Subpart 8	**1999**			
Fargo		210,000	210,000	100,000
Gackle		118,020	118,020	53,000
Hillsboro		360,000	360,000	0
Kindred		1,113,522	1,113,522	570,000
Wimbledon		74,738	74,738	41,000
Jamestown		747,990	747,990	240,000
Lisbon		87,025	87,025	46,000
Stanley		102,413	102,413	0
Buffalo		213,667	213,667	108,000
Buxton		77,000	77,000	0
Hankinson		88,000	88,000	46,000
Jamestown		454,641	454,641	140,000
		3,647,016	3,647,016	1,344,000

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 9	**2000**			
Abercrombie		$ 20,064	$ 20,064	$ 0
Hankinson		84,999	84,999	47,000
Fargo		1,816,295	1,816,295	1,020,000
Lidgerwood		89,405	89,405	51,000
Enderlin		1,189,549	1,189,549	660,000
Hunter		158,395	158,395	81,000
Cogswell		81,960	81,960	42,000
Mayville		1,075,000	1,075,000	655,000
Ward County Water Resource District		797,375	797,375	450,000
Emerado		406,207	406,207	175,000
		5,719,249	5,719,249	3,181,000
Subpart 10	**2001**			
Jamestown		370,120	370,120	165,000
Mayville		1,169,393	1,169,393	715,000
Forman		135,172	135,172	78,000
Lisbon		716,436	716,436	400,000
Amenia		141,489	141,489	79,000
Grand Forks		13,781,500	13,781,500	8,415,000
Kulm		678,640	678,640	430,000
Tower City		503,123	503,123	300,000
Lake Metigoshe		485,400	485,400	323,000
Williston		1,124,000	1,124,000	685,000
Rolette		102,000	102,000	62,000
Hebron		122,890	122,890	76,000
Hankinson		1,457,760	1,457,760	885,000
Harvey		69,281	69,281	42,800
Oakes		106,076	106,076	54,000
		20,963,280	20,963,280	12,709,800
Subpart 11	**2002**			
Sanborn		30,694	30,694	19,600
Williston		1,190,559	1,190,559	790,000
Grand Forks		1,580,755	1,580,755	1,004,000
Grand Forks		2,274,164	2,274,164	1,330,000
Grand Forks		6,686,156	6,522,307	4,142,307
Linton		95,770	95,770	64,000
Mayville		3,073,811	3,073,811	2,025,000
Morton County Water Resource District		258,000	258,000	171,000

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 11 Cont.	**2002**			
Wildrose		$ 86,405	$ 86,405	$ 0
Mapleton		80,790	80,790	53,000
Wahpeton		374,065	374,065	270,000
		15,731,169	15,567,320	9,868,907
Subpart 12	**2003**			
Hunter		41,930	41,930	29,500
Oakes		746,350	746,350	511,000
Harvey		244,615	244,615	179,000
Hankinson		133,790	133,790	94,800
Mantador		50,000	50,000	35,200
Litchville		236,381	236,381	170,000
Courtenay		49,444	49,444	33,900
Jamestown		1,309,568	1,309,568	1,020,000
		2,812,078	2,812,078	2,073,400
Subpart 13	**2004**			
Oakes		601,500	601,500	455,000
Portland		291,164	291,164	210,000
Lidgerwood		84,416	84,416	62,000
Lincoln		397,944	397,944	176,000
Hillsboro		186,336	186,336	0
Warwick		32,775	32,775	27,000
West River Water and Sewer		338,007	338,007	251,000
		1,932,142	1,932,142	1,181,000
Subpart 14	**2005**			
Mapleton		335,000	335,000	260,000
Hazen		276,120	276,120	215,000
Enderlin		184,307	184,307	140,000
Rutland		180,841	180,841	143,000
Grand Forks		4,500,000	4,500,000	3,575,000
		5,476,268	5,476,268	4,333,000
Subpart 15	**2006**			
Jamestown		1,475,346	1,475,346	1,226,000
Rice Lake Recreation Service District		2,813,537	2,813,537	2,312,000
Fargo		2,631,739	2,631,739	2,130,000
Gackle		77,824	77,824	65,400
Tower City		121,502	121,502	101,000
BND		2,398,556	1,622,501	1,131,282
Portland		30,236	30,236	26,000
Wyndmere		188,146	188,146	159,000
Oakes		950,000	950,000	810,000
		10,686,886	9,910,831	7,960,682

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 16	**2007**			
Bismarck		20,000,000	20,000,000	17,615,000
Southeast Cass Water Resource District		850,000	738,299	598,299
Lakota		414,948	414,948	355,000
Leonard		255,000	255,000	224,000
Argusville		634,606	634,606	561,000
Mayville		345,725	345,725	291,000
McVille		81,677	81,677	71,000
Jamestown		1,467,998	1,467,998	1,239,000
Hope		757,963	757,963	654,000
Portland		46,937	46,937	41,000
Cass Rural Water District		15,326,652	15,326,652	15,245,652
Willow City		148,174	148,174	129,000
Oakes		258,747	258,747	218,000
Nome		16,011	16,011	0
		40,604,438	40,492,737	37,241,951
Subpart 17	**2008**			
Lisbon		1,260,000	1,125,922	1,027,922
Harvey		355,000	210,952	165,952
Hunter		138,580	138,580	128,000
Fargo		63,725,000	40,713,478	40,703,478
Flasher		121,414	121,414	107,000
Hankinson		100,000	95,000	87,000
Ellendale		734,842	734,842	674,000
Fargo		1,640,000	1,497,105	1,487,105
Watford City		808,588	808,588	740,000
		68,883,424	45,445,881	45,120,457
Subpart 18	**2009**			
Tappen		179,761	179,761	165,000
Casselton		1,931,688	1,835,104	1,832,104
Mandan		1,705,100	1,590,154	1,456,054
Mandan		1,000,000	304,930	224,930
Stutsman Rural Water District		5,500,000	4,410,131	4,150,131
Lisbon		1,435,000	1,242,211	517,870
Cavalier		487,315	487,315	460,000
Lake Metigoshe Recreation Service District		517,400	517,400	250,000
Velva		501,032	321,032	0
Hazen		290,000	233,686	205,686
Enderlin		800,000	735,903	405,680
Glenburn		824,900	548,273	155,362
Davenport		400,000	359,677	132,330
Munich		1,200,120	1,200,120	239,469
Edgeley		1,720,000	1,543,624	161,626
Valley City		480,000	193,484	170,484
Strasburg		1,600,000	1,211,189	156,451
		20,572,316	16,913,994	10,683,177

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 19	**2010**			
Hillsboro		134,519	123,141	118,141
Drayton		2,262,345	1,292,583	1,166
Michigan		1,697,336	1,442,332	342,332
Northwood		2,363,000	2,275,500	949,898
Fargo		853,974	344,580	303,606
Wishek		185,547	185,547	178,547
Mapleton		825,800	533,283	533,283
Hankinson		585,000	533,289	533,289
Fargo		3,149,575	2,590,835	2,590,835
Hunter		192,500	129,578	129,578
Dickinson		853,958	569,354	569,354
Langdon		240,000	143,734	143,734
Kulm		100,000	54,409	54,409
		13,443,554	10,218,165	6,448,172
Total		$ 307,595,079	$ 276,222,220	$ 177,160,007

Drinking Water State Revolving Fund Program

Part G

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 1	**1999**			
Wahpeton		$ 345,715	$ 345,715	$ 160,000
Park River		261,000	261,000	95,000
New Rockford		281,102	281,102	125,000
Sawyer		136,000	136,000	41,000
Walsh Rural Water District		3,000,000	3,000,000	1,685,000
Tioga		44,004	44,004	0
Williston		3,901,331	3,901,331	2,385,000
St. John		399,388	399,388	221,000
		8,368,540	8,368,540	4,712,000
Subpart 2	**2000**			
Grand Forks		11,542,236	11,542,236	6,370,000
Lisbon		912,115	912,115	510,000
Stutsman Rural Water Users		666,168	666,168	375,000
State Water Commission		1,500,000	1,500,000	825,000
Cooperstown		300,000	300,000	170,000
Harwood		866,514	866,514	535,000
Mayville		1,025,000	1,025,000	620,000
		16,812,033	16,812,033	9,405,000
Subpart 3	**2001**			
Hankinson		405,000	405,000	230,000
Finley		2,479,994	2,479,994	1,512,800
Enderlin		195,000	195,000	100,000
Valley City		1,444,139	1,444,139	880,000
Grand Forks		10,050,000	10,050,000	6,130,000
Oxbow		475,657	475,657	290,000
Lisbon		460,381	460,381	285,000
Nome		22,465	22,465	0
Southeast Water Users		60,000	60,000	36,000
		15,592,636	15,592,636	9,463,800

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 4	**2002**			
Lisbon		$ 413,522	$ 413,522	265,000
Harvey		427,076	427,076	280,000
Grafton		285,616	285,616	190,000
Mandan		4,197,565	4,197,565	2,688,000
Ramsey County WRD		3,482,000	3,482,000	2,382,000
Enderlin		87,500	87,500	58,000
Linton		563,063	563,063	370,000
Cleveland		206,406	206,406	123,000
Langdon		522,796	522,796	340,000
Drayton		132,362	132,362	42,000
Larimore		1,991,805	1,991,805	1,290,000
Wahpeton		1,890,000	1,890,000	1,421,000
Grafton		1,130,229	1,130,229	830,000
		15,329,940	15,329,940	10,279,000
Subpart 5	**2003**			
Southeast Water District		1,446,906	1,446,906	955,000
Grand Forks - Traill Water District		3,991,780	3,991,780	2,630,000
North Valley Water District		4,138,000	4,138,000	2,765,000
Williston		3,693,344	3,693,344	2,605,000
Barnes Rural Water District		816,000	816,000	580,000
Argusville		360,718	360,718	270,000
Casselton		1,272,000	1,272,000	920,000
Aneta		171,340	171,340	125,400
Stutsman Rural Water District		201,651	201,651	151,000
		16,091,739	16,091,739	11,001,400
Subpart 6	**2004**			
Oakes		147,652	147,652	108,000
Cass Rural Water District		1,890,923	1,890,923	1,435,000
Leeds		179,000	179,000	130,000
Hazen		1,000,000	1,000,000	750,000
Tioga		418,727	418,727	310,000
Lincoln		307,681	307,681	230,000
Lincoln		447,000	447,000	216,500
Abercrombie		244,002	244,002	183,000
Lisbon		410,000	410,000	320,000
Williston		5,000,000	5,000,000	0
Harvey		676,556	676,556	520,000
Noonan		39,602	39,602	32,000
Williams County Rural Water		1,500,000	1,500,000	1,190,000
Williston		18,000,000	17,593,143	14,785,000
Jamestown		2,534,604	2,534,604	1,990,000
		32,795,747	32,388,890	22,199,500

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 7	**2005**			
Argusville		217,304	217,304	168,000
Park River		746,100	746,100	614,000
Mapleton		83,754	83,754	64,000
Bottineau		750,000	750,000	587,000
Southeast Water Users District		808,411	808,411	645,000
		2,605,569	2,605,569	2,078,000
Subpart 8	**2006**			
Walcott		159,112	159,112	131,000
Stutsman Rural Water District		1,164,020	1,164,020	943,000
Wildrose		52,291	52,291	41,500
Velva		1,616,123	1,616,123	1,175,000
Cooperstown		320,000	294,634	228,634
Riverdale		762,138	762,138	542,000
Pick City		224,260	211,926	172,926
Braddock		16,610	16,610	0
Center		358,800	328,070	268,070
Page		95,975	95,975	80,000
Harvey		91,581	91,581	75,000
Hillsboro		1,151,563	1,151,563	935,000
Washburn		1,977,000	1,858,802	1,530,802
Southeast Water Users District		4,655,000	4,655,000	3,899,000
Portal		50,000	50,000	42,000
Park River		517,600	517,600	455,000
Central Plains Water District		1,661,967	1,661,967	1,388,000
Columbus		57,000	57,000	37,000
Southeast Water Users District		186,902	186,902	154,000
		15,117,942	14,931,314	12,097,932
Subpart 9	**2007**			
McLean-Sheridan Rural Water		519,104	519,104	457,000
Walsh Rural Water District		1,796,902	1,796,902	1,555,000
North Prairie Water District		5,700,000	5,700,000	5,169,000
Mayville		324,341	324,341	270,000
Southeast Water Users District		5,418,000	5,418,000	2,630,000
South Central Regional Water		8,000,000	8,000,000	7,030,000
Jamestown		2,076,816	2,076,816	1,795,000
Devils Lake		4,000,000	3,800,000	3,320,000
North Valley Water District		2,617,000	2,617,000	2,299,000
Christine		219,015	219,015	200,000
Grand Forks Traill Water District		1,200,000	1,200,000	1,050,000
All Seasons Water Users District		211,950	211,950	185,000
		32,083,128	31,883,128	25,960,000

Borrower	Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 10 2008			
Southeast Water Users District	595,000	595,000	523,000
Hazelton	261,000	158,801	144,000
Lisbon	1,165,000	683,544	593,544
Mapleton	1,149,088	1,149,088	1,064,000
Mandan	4,511,900	4,385,141	4,030,241
Fargo	2,500,000	2,386,356	2,156,356
Cass Rural Water District	1,376,605	1,376,605	1,223,605
Fargo	29,240,000	8,273,731	8,263,731
Tri-County Water District	300,000	285,000	261,000
Lakota	199,802	199,802	184,000
Crosby	2,361,275	433,383	247,108
Hankinson	95,000	90,250	82,250
Hannaford	53,748	53,748	49,000
South Central Regional Water	4,000,000	4,000,000	3,690,000
Ray	1,452,760	1,452,760	1,330,000
Parshall	1,487,500	1,413,125	1,298,125
Mandan	8,600,000	5,766,751	5,136,751
Leeds	37,076	37,076	35,000
	59,385,754	32,740,161	30,311,711
Subpart 11 2009			
Traill Rural Water District	3,246,880	3,145,032	3,140,152
Carrington	240,117	240,117	221,000
Lisbon	330,000	292,703	266,703
Watford City	347,464	347,464	319,000
Bismarck	16,320,000	6,367,187	5,662,187
Lisbon	1,860,000	1,606,912	1,531,912
Ray	864,000	820,800	0
Southeast Water Users District	1,800,000	819,740	779,740
Southeast Water Users District	1,165,000	237,395	222,395
Barnes Rural Water District	2,050,000	2,050,000	1,950,000
Velva	454,074	347,919	329,919
All Seasons Water Users District	206,675	154,433	146,433
Wimbledon	258,353	258,353	243,353
Hope	175,000	175,000	168,000
Enderlin	3,000,000	1,719,287	1,604,287
Garrison	425,000	158,222	120,222
Wildrose	1,780,000	1,469,385	0
Karlsruhe	873,100	750,085	134,839
Strasburg	2,230,000	1,935,822	348,630
	37,625,663	22,895,856	17,188,772

Borrower		Approved Loan Amount	Funded Loan Amount	Outstanding Loan Amount
Subpart 12	**2010**			
Hillsboro		299,413	265,337	253,337
Washburn		4,668,000	3,779,291	1,789,645
South Central Regional WD		4,600,000	2,912,115	2,912,115
BDW Water Systems		2,500,000	1,301,984	0
State Line Water Coop		275,000	68,772	58,772
Valley City		4,646,000	2,058,532	806,754
Hillsboro		1,351,400	979,129	783,454
Mandan		7,000,000	1,556,096	1,556,096
Kenmare		500,000	397,772	397,772
Buffalo		98,922	98,922	98,922
Jamestown		5,650,000	1,334,009	1,334,009
Kulm		35,000	24,910	24,910
		31,623,735	14,776,869	10,015,786
Total		$ 283,432,426	$ 224,416,675	$ 164,712,901

Industrial Development Bond Program Loans

Part H

Borrower		Funded Loan Amount	Outstanding Loan Amount
Subpart 1	**2006**		
Prairie Gold Real Estate, LLC		$ 1,360,000	$ 1,219,583
Subpart 2	**2008**		
ND Natural Beef, LLC		2,000,000	1,962,611
Subpart 3	**2009**		
Giant Snacks Inc.		1,500,000	1,459,583
ND Natural Beef, LLC		65,269	65,269
		1,565,269	1,524,852
Total		$ 4,925,269	$ 4,707,047

Direct Loans

Part I

Borrower		Funded Loan Amount	Outstanding Loan Amount
Subpart 1	**1992**		
Ft. Clark Irrigation		$ 20,750	$ 0
Subpart 2	**1993**		
Solen		9,000	0
Subpart 3	**1995**		
Plaza PSD		16,000	0
Mooreton		30,000	0
Garrsion PSD		110,000	0
Beulah Airport Authority		35,000	0
		191,000	0
Subpart 4	**1996**		
Christine		27,000	0
McHenry		24,000	0
Sims PSD		17,000	0
		68,000	0
Subpart 5	**1997**		
Ward County		80,000	0
Traill County Rural Water Users		40,000	0
Christine		17,500	7,000
Manvel		28,000	0
		165,500	7,000
Subpart 6	**1998**		
Berthold		45,000	0
Page		60,000	8,000
Ransom Sargent Water Users Inc.		87,000	0
Upper Souris Water Users Association		75,000	0
Hannaford		20,000	0
		287,000	8,000
Subpart 7	**1999**		
Forest River		50,000	0

Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 8	**2000**		
New Town PSD		$ 500,000	$ 0
Sanborn		13,500	0
Havana		120,000	0
		633,500	0
Subpart 9	**2001**		
Fort Pembina Airport Authority		117,000	44,000
Sims PSD		100,000	0
		217,000	44,000
Subpart 10	**2002**		
Kulm		21,360	0
Southeast Water Users		640,000	0
Solen PSD		200,000	0
		861,360	0
Subpart 11	**2003**		
Solen PSD		200,000	0
Traill County Rural Water Users		50,000	0
St. John		85,000	28,500
		335,000	28,500
Subpart 12	**2004**		
Solen PSD		200,000	0
New Town PSD		60,000	0
		260,000	0
Subpart 13	**2005**		
Enderlin		92,000	0
Columbus		57,000	0
Solen PSD		200,000	0
Gackle		75,000	0
Portal		185,000	0
Surrey Township		42,500	0
		651,500	0
Subpart 14	**2006**		
Solen PSD		200,000	0
Subpart 15	**2007**		
Emerado		186,288	0

Borrower		Original Loan Amount	Outstanding Loan Amount
Subpart 16	**2008**		
Sterling PSD		100,000	0
Cass Rural Water District		330,000	115,000
Watford City		405,000	0
Casselton		685,000	0
		1,520,000	115,000
Subpart 17	**2009**		
Northood PSD		1,500,000	600,000
Hazen		215,000	0
Solen PSD		390,000	318,000
		2,105,000	918,000
Subpart 18	**2010**		
Drayton		405,000	405,000
Drayton		278,000	278,000
		683,000	683,000
Total Direct Loans		$ 8,443,898	$ 1,803,500

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
BONDS ISSUED 1977 THROUGH 2010

Part A 1977 General Bond Resolution

		Initial Bond Amount	Outstanding Bond Amount
1977 Series A		$ 15,000,000	$ 0
1979 Series A		16,590,000	0
1983 Series A		11,680,000	0
	Subtotal	43,270,000	0

Part B Local Governmental Assistance Program

1985 Series A		35,290,000	0

Part C Insured Water System Revenue Bonds

1989 Series A		11,650,000	0
1989 Series B		1,410,000	0
	Subtotal	13,060,000	0

Part D Government Assistance Program

1990 Series A		765,000	0
1990 Series B		1,241,704	0
	Subtotal	2,006,704	0

Part E Taxable Insured Water System Refunding Bonds

1999 Series A		8,875,000	755,000
1999 Series B		1,410,000	1,410,000
	Subtotal	10,285,000	2,165,000

Part F Capital Financing Program

1990 Series A	400,000	0
1990 Series B	185,000	0
1990 Series C	95,000	0
1990 Series D	155,000	0
1990 Series E	680,000	0
1990 Series F	100,000	0
1990 Series G	250,000	0

Part F Cont.	Initial Bond Amount	Outstanding Bond Amount
1990 Series H	$ 220,000	$ 0
1990 Series I	230,000	0
1990 Series J	140,000	0
1990 Series K	85,000	0
1990 Series L	770,000	0
1990 Series M	70,000	0
1990 Series N	35,000	0
1990 Serues O	335,000	0
1991 Series A	225,000	0
1991 Series B	1,300,000	0
1991 Series C	410,000	0
1991Series D	560,000	0
1991 Series E	265,000	0
1991 Series F	345,000	0
1991 Series G	380,000	0
1991 Series H	280,000	0
1991 Series I	2,460,000	0
1992 Series A	565,000	0
1992 Series B	820,000	0
1992 Series C	2,650,000	0
1992 Series D	115,000	0
1992 Series E	1,870,000	0
1992 Series F	3,260,000	0
1992 Series G	290,000	0
1992 Series H	395,000	0
1992 Series I	535,000	0
1992 Series J	2,500,000	0
1992 Series K	535,000	0
1993 Series A	150,000	0
1993 Series B	880,000	175,000
1993 Series C	1,975,000	0
1993 Series D	1,465,000	165,000
1993 Series E	505,000	0
1993 Series F	2,930,000	365,000
1994 Series A	5,335,000	0
1994 Series B	525,000	0
1994 Series C	445,000	0
1995 Series A	1,700,000	0
1995 Series B	425,000	0
1995 Series C	380,000	0
1996 Series A	500,000	0
1996 Series B	930,000	10,000
1996 Series C	1,585,000	0
1996 Series D	350,000	0
1997 Series A	540,000	5,000

Part F Cont.		Initial Bond Amount	Outstanding Bond Amount
1997 Series B		$ 3,350,000	$ 0
1997 Series C		300,000	0
1997 Series D		1,750,000	0
1997 Series E		4,705,000	0
1997 Series F		375,000	85,000
1997 Series G		1,050,000	0
1997 Series H		3,275,000	715,000
1998 Series A		945,000	290,000
1998 Series B		6,685,000	865,000
1998 Series C		565,000	190,000
1998 Series D		1,050,000	0
1998 Series E		450,000	260,000
1999 Series A		1,075,000	0
1999 Series B		260,000	0
1999 Series C		100,000	0
1999 Series D		1,100,000	0
1999 Series E		1,710,000	0
1999 Series F		285,000	205,000
2000 Series A		1,115,000	0
2000 Series B		3,100,000	0
2001 Series A		735,000	485,000
2002 Series A		1,700,000	1,125,000
2003 Series A		1,495,000	1,225,000
2004 Series A		880,000	480,000
2006 Series A		1,385,000	955,000
2009 Series A		2,125,000	2,060,000
	Subtotal	85,695,000	9,660,000

Part G	State Revolving Fund Program		
1990 Series A	[1]	5,520,000	0
1993 Series A	[2, 5]	20,220,000	0
1995 Series A	[3]	6,975,000	0
1996 Series A	[3]	29,845,000	200,000
1998 Series A	[5, 6]	35,965,000	5,625,000
2000 Series A	[4]	16,725,000	0
2001 Series A		23,725,000	13,740,000
2003 Series A		26,795,000	19,420,000
2003 Series B		20,455,000	13,945,000
2004 Series A		11,790,000	11,335,000
2005 Series A		36,210,000	29,595,000
2008 Series A		46,100,000	42,400,000
	Subtotal	280,325,000	136,260,000

[1] A portion of the proceeds of the 1993 Series A SRF Bonds was used to defease and refund the 1990 Series A SRF Bonds.

[2] A portion of the proceeds of the 2001 Series A SRF Bonds was used to defease and refund the 1993 and 1995 Series A SRF Bonds.

[3] The proceeds of the 2003 Series B SRF Bonds was used to defease and refund the 1996 Series A SRF Bonds.

[4] The proceeds of the 2004 Series A SRF Bonds was used to defease and refund the 2000 Series A SRF Bonds.

[5] A portion of the proceeds of the 2005 Series A SRF Bonds was used to defease and refund the 1993 and 1998 Series A SRF Bonds.

[6] A portion of the proceeds of the 2008 Series A SRF Bonds was used to defease and refund 1998 Series A SRF Bonds.

		Initial Bond Amount	Outstanding Bond Amount
Part H	**Industrial Development Bond Program**		
2006 Series A		1,360,000	1,240,000
2008 Series A		2,000,000	1,930,000
2008 Series A		1,500,000	1,480,000
		4,860,000	4,650,000
Total All Bonds		$ 474,791,704	$ 152,735,000

NORTH DAKOTA PUBLIC FINANCE AUTHORITY

Industrial Commission of North Dakota

Jack Dalrymple
Governor
Chairman

Wayne Stenehjem
Attorney General

Doug Goehring
Agriculture Commissioner

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TESTIMONY TO THE SENATE APPROPRIATIONS COMMITTEE

MARCH 14, 2011

ENGROSSED HOUSE BILL 1014

ERIC HARDMEYER - BANK OF NORTH DAKOTA

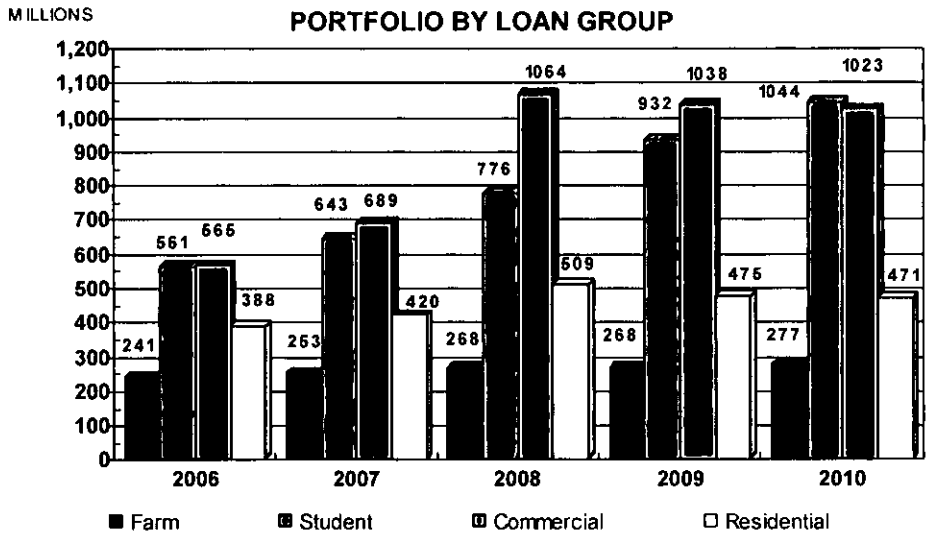
The Bank of North Dakota (BND) is the only state-owned bank in the nation. Its mission, established by legislative action in 1919, is to encourage and promote agriculture, commerce and industry in North Dakota. In this role, BND acts as a funding resource in partnership with other financial institutions, economic development groups and guaranty agencies. BND also acts as a secondary market for residential loans for ND banks that choose not to hold their residential loans. BND provides cash management services to other state agencies and North Dakota financial institutions. We provide check clearing services and liquidity programs for over 100 ND financial institutions.

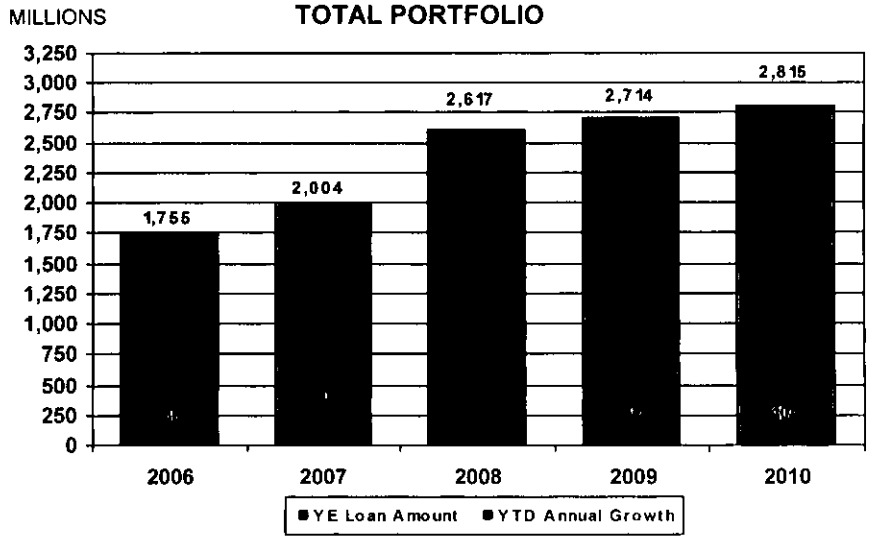
12-31 Year-End BND Financial Highlights (millions)

	2007	2008	2009	2010	Projected 2011
Assets	$2,779	$3,517	$3,960	$4,030	$4,775
Loans	$2,004	$2,618	$2,714	$2,815	$2,872
Deposits	$1,871	$2,645	$2,939	$3,058	$3,650
Capital	$ 192	$ 224	$ 272	$ 327	$ 383
C/A Ratio	7.19%	6.79%	7.19%	7.96%	8.00%
Income	$51.1	$57.0	$58.1	$61.9	$64.8
Transfer	$30.0	$30.0	$15.0	$ 5.0	$ 8.0
% transfer	58.7%	52.6%	25.8%	8.1%	12.3%
ROE	26.6%	25.4%	21.4%	18.9%	17.0%

Assets have grown 45% since year-end 2007. This growth generally can be attributed to the overall strength of North Dakota's economy. As tax and fee incomes grow, they are deposited at BND. Those deposits are then deployed into various asset types: loans, investments, or short term securities.

Total loan volume has increased each year with over a 40% increase in net loans since 2007. The $2.8 billion loan portfolio is diversified and breaks into four main categories as shown below.





The Bank of North Dakota is adequately capitalized with equity of $327 million or 7.96% of average assets. According to Federal Reserve regulations, to qualify as "well-capitalized", a financial institution must have at least 5% capital. A nation-wide average for banks of similar size is 9.32%, while the North Dakota average for all banks is 9.14%. Our internal goal has been to have equity of 8%; essentially we have achieved this at year-end 2010. This largely has been accomplished by retaining a significant portion of our earnings and careful stewardship of our balance sheet.

As you know much of the country has been entrenched in a financial crisis that has brought increased attention to the financial industry. This, of course has resulted in significant scrutiny and regulatory change. While BND has performed well throughout

this crisis, a result of the crisis will likely be to increase regulatory required capital levels. While BND is not federally regulated, we are, however, examined by state regulators and hold an independent rating from Standards & Poor's (A+/stable). Consequently, it is prudent on our part to increase our benchmark capital to asset ratio to 8.5%. We believe this can be achieved by year-end 2011.

Earnings have been strong over the last four years, with BND achieving record profits the last seven years. For 2010, we had budgeted earnings to be $60 million; however, as a result of a growing deposit base and stable loan demand, earnings were approximately $62 million. For the 2009-11 biennium, total BND earnings will be approximately $120 million.

The return on equity ratio, which averages 23% for the last four years, represents the state's return on its investment in the Bank.

Student Loans

As many of you know, effective July 1, 2010 the Federal Family Education Loan (FFEL) program was eliminated and now is delivered by the US Department of Education through the Direct Loan program. The FFEL program has been the hallmark of the Bank of North Dakota's student loan program for over 40 years with a total student loan portfolio just recently surpassing $1 billion.

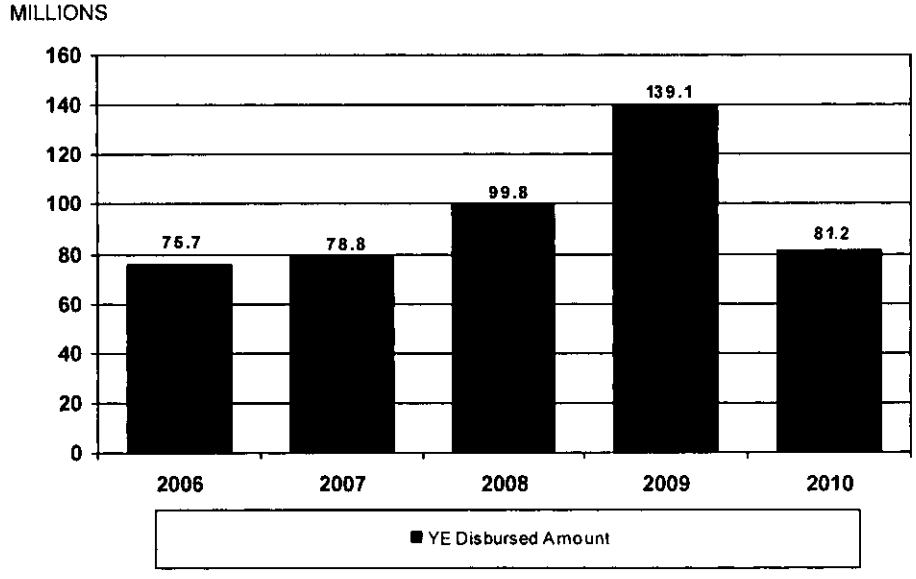
BND has 54 employees working in the student loan area. This includes both the lending function and the Guaranty Agency. Responsibilities include: loan origination, servicing, default prevention activity, education and outreach activities.

At this point we are going through a methodical process of analyzing the impact of the loss of the FFEL program in regards to our FTE count. This is somewhat complicated by the fact that we are in the process of a system conversion with our existing student loan system to a new more robust system that will provide greater efficiency. Additionally, we will continue to provide the Dakota Education Alternative Loan (DEAL) Program. This is a Bank of North Dakota program that is designed to fill in gaps around the federal student loan program. As detailed in the graphs provided, this program has experienced significant growth for BND and we believe that trend will continue.

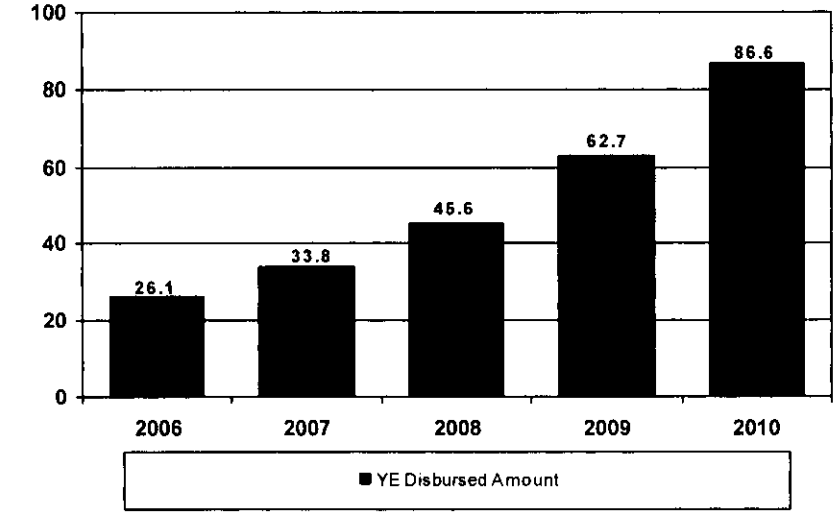
BND has other opportunities to utilize existing student loan staff. In 2010, we were designated by Governor Hoeven as the agency to receive the College Access Grant. This grant provides funding for education and outreach for low to moderate income areas in regards to financing education; it might also include funds to assist with counseling and default prevention. Additionally, in 2011, BND will become eligible to service Direct Student loans on behalf of the Federal Government. The Department of Education will open up contracts to non-profit state agencies to service up to 100,000 accounts. This would allow BND to potentially carve out North Dakota and surrounding areas. This is very preliminary at this point and much due diligence will need to be completed before we can go forward.

At this time, I don't see a significant reduction in our FTE count as we work through the conversion, College Access Grant and a potential service contract. However, there may be some reduction through attrition and shift of job duties for others. In the meantime, we will continue to seek new ways to deploy assets to continue to meet our mission to promote and encourage industry, commerce, and agriculture

FFELP LOAN TOTALS



DEAL LOANS



BANK OF NORTH DAKOTA
HOUSE BILL 1014, SECTION 1
OPERATIONS

As you know, BND is a special fund agency, consequently; all appropriated expenses are funded by revenues generated through operations. Profits are available to provide capital or make transfers to the General Fund. Our goal as we put this budget together was to **provide a hold-even budget** in line with the governor's recommendation. Outside of the increase in expenditures associated with the College Access Grant we have achieved that goal.

The Bank of North Dakota's 20011-13 proposed operations budget is comprised of two major line items: operations and capital assets. Included in the operations line item are salaries & benefits, operating expense, and contingency.

MAJOR LINE ITEM EXPENSE CATEGORIES:

OPERATIONS

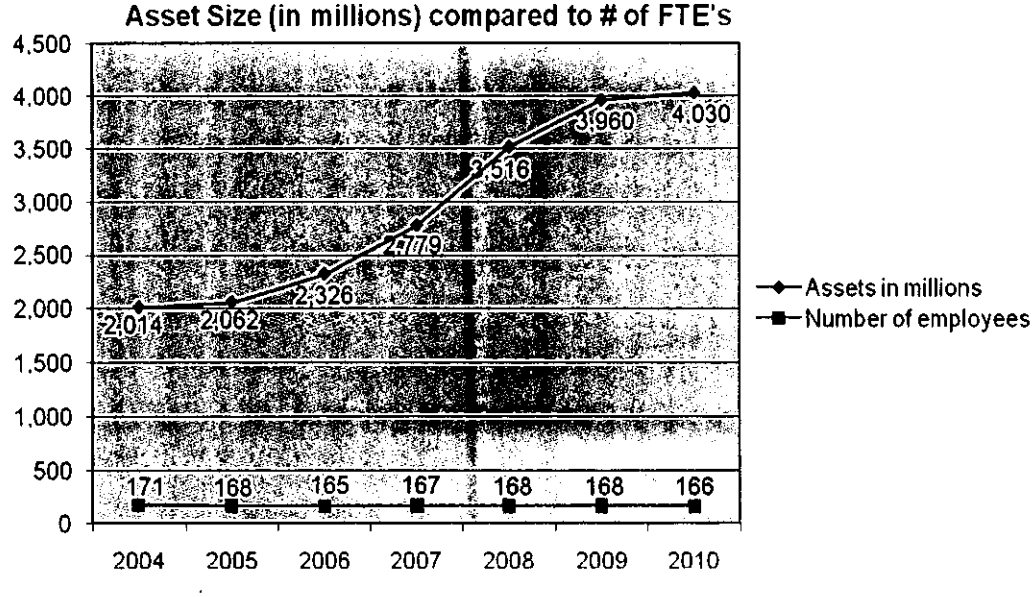
Budget 2011-2013	$45,587,155	Appropriation
Budget 2009-2011	$41,762,274	Base level
	$ 3,824,881	Enhancement

SALARIES AND BENEFITS

Budget 2011-2013	$25,716,399	Appropriation
Budget 2009-2011	23,712,874	Base level
	$ 2,003,525	Enhancement

The salaries and wages line item increase represents the salary increases of 3% for 2011 and 2012 as proposed in the Governor's budget. This also reflects the increase in medical insurance and other benefits as proposed in the Governor's executive budget.

As demonstrated on the graph below, BND's total assets have grown from $2.0 billion in 2004 to over $4.0 billion for 2010, more than doubling our size over the past seven years. This outstanding growth has been managed with fewer employees in 2010 than in 2004 as represented in the graph below:



BND continues to monitor efficiency ratios for salaries and wages and also in regard to the number of employees. At BND, expenditures for salaries and benefits are .31% of average assets compared to over 1.2% for peer banks in ND. There are $24.2 million in assets per employee at BND compared to $4.1 million for the same peer group.

Our efficient use of staff resources has enabled us to grow the bank while reducing the number of employees, and our business practice includes a diligent requisition process to evaluate every vacancy that occurs. We have gained efficiencies in some areas of the bank by the implementation of computer processes or streamlining efforts, and have been able to deploy affected employees to other areas of need. This practice has served us well and has allowed us to become an efficient business partner who provides substantial value to our customers and the State of North Dakota.

With our authorized staffing level at 176.5 FTEs and **year-end 2010 count at 166**, a current review of resources has brought us to the point in time where the following issues are being planned for in order to effectively manage bank business:

- Student Loans
  - Guarantor - Our guarantee agency was affected due to recent federal legislation which eliminated our involvement under the Federal Family Education Loan (FFEL) program. However, we have been awarded a grant from the Department of Education to provide college information/resources to low income, minority, and first generation students. Funding is in place to provide this grant for five years, so we have been able to refocus our efforts and maintain staff utilizing these resources.
  - Lender
    - Our DEAL (Dakota Education Alternative Loan) portfolio has grown substantially over the past few years with potential need for employees in the customer service area. Future efficiencies due to a recent migration to a new computer system for the student loan lender are yet to be seen and we are focused on identifying these before any additions are made. The use of temporary staff where appropriate has helped us meet our customer needs in the meantime.
    - Another potential impact to this area is the pursuit of a Direct Loan Servicing contract with the Department of Education. According to estimates, our staffing needs could increase by approximately **10** FTE's to meet the needs of borrowers under this contract.

- Mortgage Lending – Legislation is being proposed (SB 2078) to originate mortgage loans on residential real property which would require the addition of **2** FTE's to manage the process.

- Correspondent Bank of Choice – To meet our strategic imperative to become the correspondent bank of choice, we see the potential need for **1** FTE to manage bank-wide projects for the best utilization of staff and resources.

All of these areas point to our need for flexibility in managing staffing levels. We have a proven track record of efficiently and effectively managing this so far.

OPERATING EXPENSES

Budget 2011-2013	$16,670,756	Appropriation
Budget 2009-2011	$14,049,400	Base level
	$ 2,621,356	Enhancement

Operating expenses include things like data processing, training and development, supplies, postage, etc. The major increase, nearly $2,000,000 is the authorization to spend the ND College Access Grant monies. As noted earlier this is money received from the US Department of Education to assist with educational outreach to low and moderate families.

A key industry benchmark for gauging the efficiency of a financial institution is the efficiency ratio. This measures non-interest expense as percentage of income. Anything below 50% is considered to be excellent. BND is operating with a 21.5% efficiency ratio, which is nearly three times better the industry average of 60.9%.

CONTINGENCY

Budget 2011-2013	$ 3,200,000	Appropriation
Budget 2009-2011	4,000,000	Base level
	$ (800,000)	Enhancement

Of the $3,200,000 requested for contingency, **$2,200,000 is earmarked for a student loan servicing project.** In conformity with law, this project was submitted to the Senior Information Technology Advisory Committee (SITAC) and was ranked third in priority for replacement. The remaining balance is to ensure funding for an unforeseen event.

CAPITAL ASSETS

Budget 2011-2013	$ 1,266,000	Appropriation
Budget 2009-2011	1,455,000	Base level
	$ (189,000)	Enhancement

Moneys appropriated for capital assets consist of funds for replacement servers for core banking system, software upgrades, and hardware replacement.

BANK OF NORTH DAKOTA
HOUSE BILL 1014, SECTION 1
ECONOMIC DEVELOPMENT

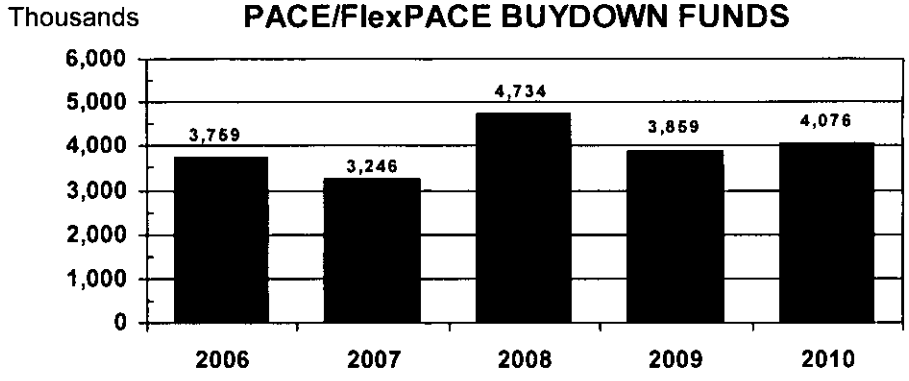
PACE FUND

Budget 2011-2013	$ 6,000,000	Appropriation
Budget 2009-2011	8,000,000	Base level
	$ (2,000,000)	Enhancement

The PACE Fund was established to buy-down the interest rate on loans to assist North Dakota communities in expanding their economic base by providing local jobs development. The program is available to all cities and counties throughout North Dakota for business projects involved in manufacturing, processing, value-added processes and targeted service industries. In 2005, the PACE program was expanded to include a special limited provision called Flex PACE. This special program allows local communities to set their own standards for use of the program including business retention or essential services. In the 2009-11 biennium, $6 million of PACE funding was earmarked for Flex PACE.

The PACE Fund began in 1991. Money provided to the PACE Fund by biennium is as follows:

1991-1993	$5,700,000	
1993-1995	4,700,000	
1995-1997	4,500,000	
1997-1999	4,600,000	
1999-2001	6,000,000	
2001-2003	6,000,000	
2003-2005	5,700,000	
2005-2007	5,700,000	
2007-2009	8,000,000	
2009-2011	8,000,000	
2011-2013	6,000,000	Proposed
Total	$64,900,000	



A total of 10 PACE loans were funded in 2010 in comparison to 19 in 2009. A total of 53 Flex PACE Loans were funded in 2010 compared to 36 Flex PACE loans funded in 2009.

2009-2011 Biennium Buy-down Fund

Total Available Appropriated Funds	$12,328,953
PACE Buy-down Funds - Funded/Committed Loans	2,889,011
Flex PACE Buy-down Funds - Funded/Committed Loans	5,739,777
Remaining Buy-down Funds	$ 3,700,165

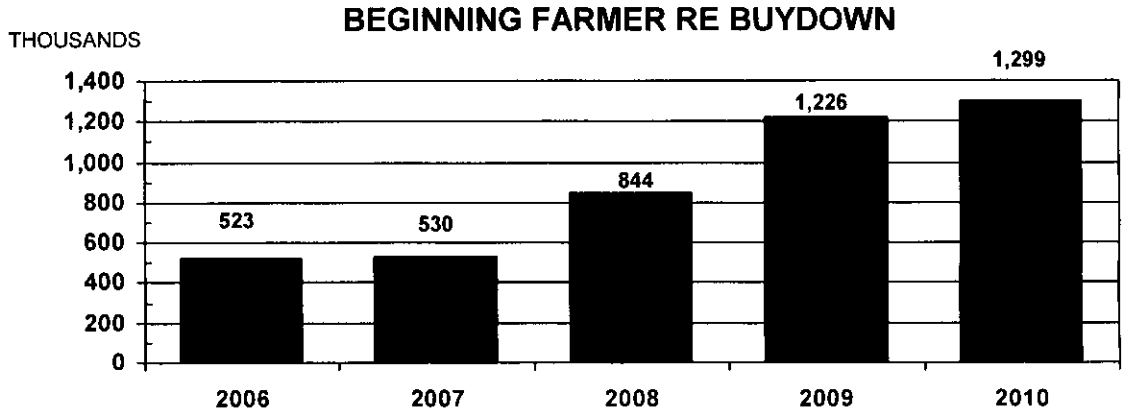
BEGINNING FARMER REVOLVING LOAN FUND

Budget 2011-2013	$1,400,000	Appropriation
Budget 2009-2011	950,000	Base level
	$ 450,000	Enhancement

Since the 2005-07 biennium, buydown funds for the Beginning Farmer Program were taken directly from the Beginning Farmer Revolving Loan Fund; consequently, no general fund appropriation has been needed or requested. With a cash balance of $1,762,611, BND has determined that the Beginning Farmer Revolving Loan (BFRL) Fund will now need to be funded through a general fund appropriation as it was from 1991 to 2005.

General Fund dollars appropriated for buying down the interest rate on these loans by biennium are as follows:

1991-1993	$1,000,000	
1993-1995	1,000,000	
1995-1997	950,000	
1997-1999	921,500	
1999-2001	1,000,000	
2001-2003	1,000,000	
2003-2005	950,000	
2005-2007	0	
2007-2009	0	
2009-2011	0	
2011-2013	1,400,000	Proposed
Total	$8,221,500	



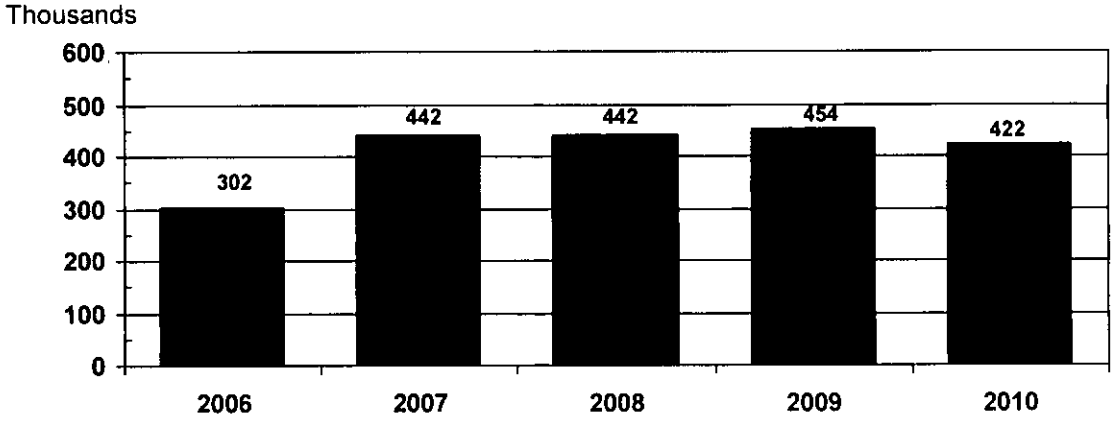
A total of 64 Beginning Farmer Real Estate Loans were funded in 2010 in comparison to 71 in 2009. The number of Beginning Farmer Real Estate loans funded has increased and the loan amounts are larger with a higher total loan maximum and increased land values.

2009-2011 Biennium Beginning Farmer Buy-down Fund

Total Available Cash Balance	$4,368,929*
Buy-down - Funded/RE Committed Loans	2,295,156
Buy-down - Funded/Chattel Committed Loans	783,560

*As stated in statute the entire cash balance in the Beginning Farmer Revolving Fund is available for buy-down purposes. As of 12-31-10 there was about $ 1.7 million in cash available.

BEGINNING FARMER CHATTEL BUYDOWN



The program's inception date was July 1, 2001. A total of 63 Beginning Farmer Chattel Loans were funded in 2010 as was also the case in 2009.

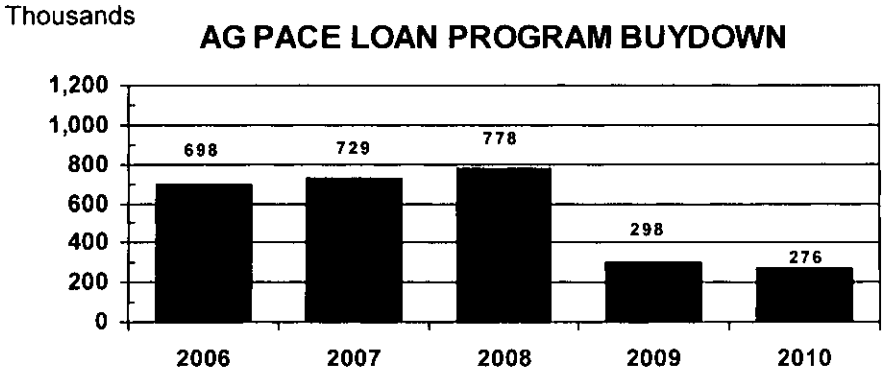
AG PACE FUND

Budget 2011-2013	$ 1,000,000	Appropriation
Budget 2009-2011	1,400,000	Base level
	$ (400,000)	Enhancement

The AG PACE Fund was established to buy-down the interest rate on loans to on-farm businesses. The program is available to businesses which are integrated into the farm operation and will supplement farm income.

The AG PACE Fund began in 1991. Money provided to the AG PACE Fund by biennium is as follows:

1991-1993	$ 996,000
1993-1995	400,000
1995-1997	380,000
1997-1999	397,100
1999-2001	1,500,000
2001-2003	1,500,000
2003-2005	1,425,000
2005-2007	0
2007-2009	1,400,000
2009-2011	1,400,000
2011-2013	1,000,000 Proposed
Total	$10,398,100



A total of 18 Ag PACE loans were funded in 2010 compared to 19 in 2009.

2009-2011 Biennium Buy-down Fund

Total Available Appropriated Funds	$1,663,068
Buy-down Funds - Funded/Committed Loans	$ 323,506
Remaining Buy-down Funds	$ 1,339,562

BIO-FUELS PACE FUND

Budget 2011-2013	$1,000,000	Appropriation
Budget 2009-2011	0	Base level
	$1,000,000	Enhancement

2009-2011 Biennium Buy-down Fund

Total Available Appropriated Funds	$2,413,461
Buy-down Funds - Funded/Committed Loans	$1,143,315
Remaining Buy-down Funds	$1,270,146

The demand for Biofuels PACE funds has generally been for livestock operations with 28 loans funded since 2008.

HOUSE BILL 1014, SECTION 6
Transfer to the Industrial Commission

BND provides funding to the Industrial Commission each biennium for its operations including administrative and clerical costs.

HOUSE BILL 1014, SECTION 7
Appropriation Transfer

This language is included to clarify that appropriations for the PACE Program, AGPACE, and Bio-fuels PACE go directly to the fund, not to BND for its operations. BND is an enterprise fund, not a general fund agency, that is, it generates revenues to cover all of its own operations. The appropriations for the PACE Programs are passed through BND because it manages the PACE funds.

Senate Appropriations Committee

House Bill No. 1014 Budget No. 475

North Dakota Mill & Elevator Association

March 14, 2011

Mr. Chairman and Senators:

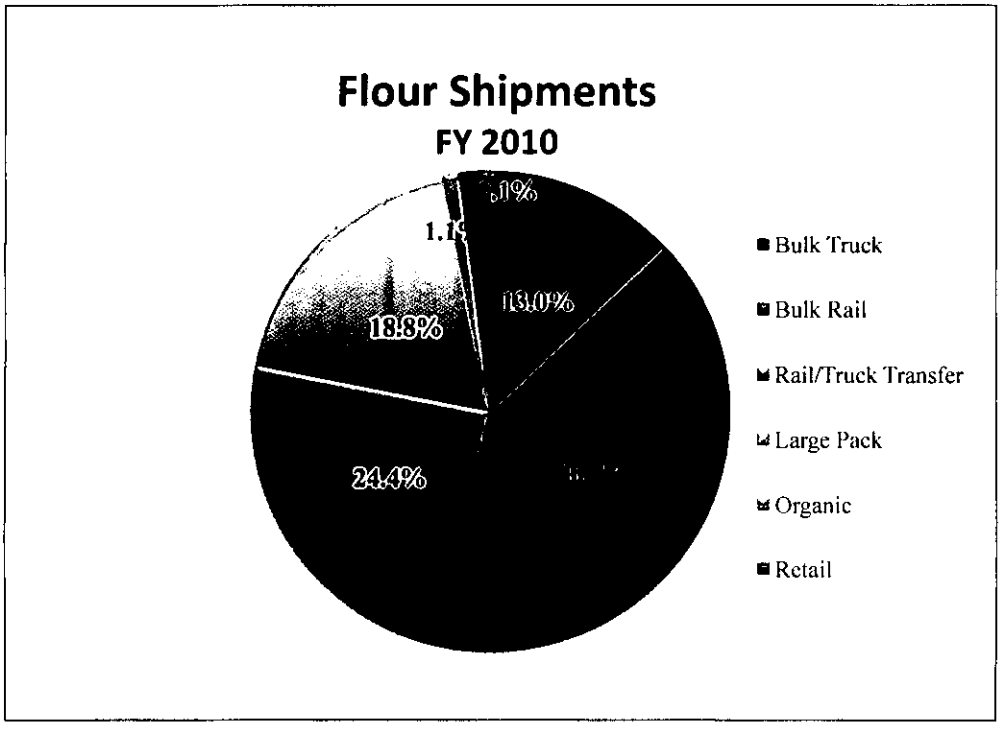
I am Vance Taylor, President and General Manager of the North Dakota Mill and Elevator. With me today is Ed Barchenger, our Controller and Finance Manager.

The North Dakota Mill and Elevator Association, located in Grand Forks, is presently the largest single site wheat flour mill and the 11th largest wheat milling company in the United States with sales of over $222 million per year.

Our milling complex includes 7 milling units with the capacity to produce 3.6 million lbs. of finished product per day, a terminal elevator with total available storage of over 4,000,000 bu. of grain and a packaging center and warehouse capable of producing, storing and shipping large quantities of various sized bags of milled products. We process over 80,000 bu. of top quality North Dakota spring wheat and durum per day, adding value to approximately 23,000,000 bu. per year. All facilities are located in Grand Forks.

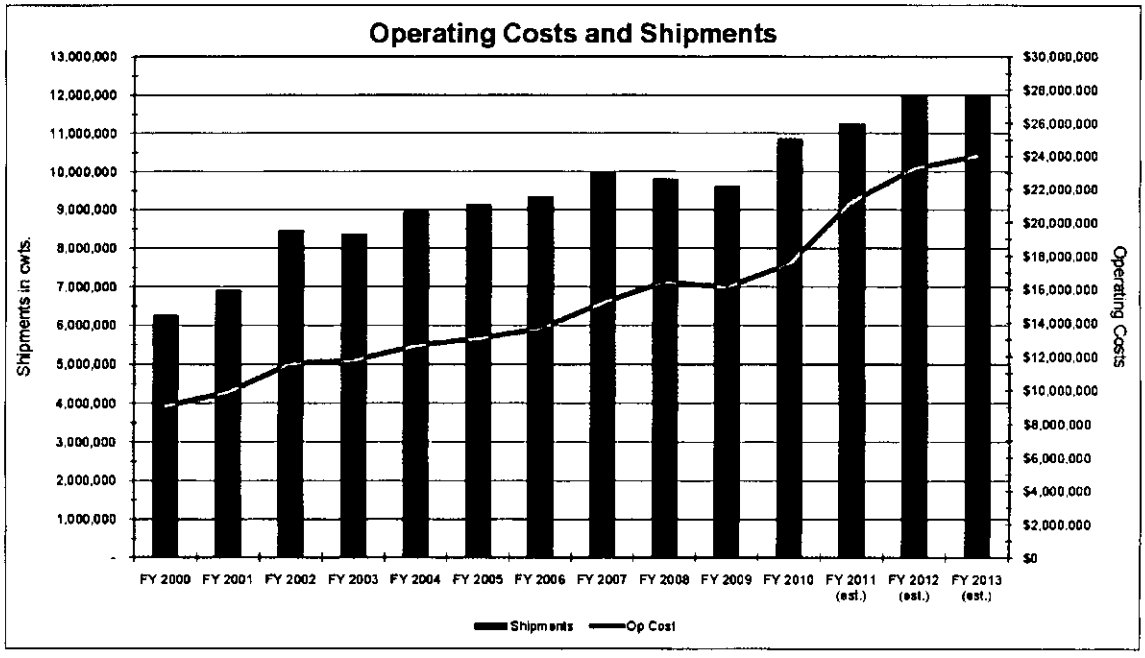
The Mill normally operates 24 hours per day, 5 to 7 days per week. Our total current staffing is 131 full time employees.

We mill both spring wheat and durum, shipping 90% spring wheat products and 10% durum products. About 75% of our products are shipped in bulk trucks or railcars and 25% is shipped in bags or totes. The Mill produces conventional and organic products. At present organic products make up about 1% of our total shipments.



Business Growth

Our Renovation and Expansion Project was completed during fiscal year 2002, at a cost of $19.5 million. This project provided for various upgrades resulting in a production capacity increase of 4,000 cwts. per day and an increase in average milling yields. In fiscal year 2005 we replaced our whole-wheat milling unit with a larger, more automated milling unit. During fiscal year 2007 the K Mill was expanded and a new C Mill was completed further increasing spring wheat milling capacity and yields. In fiscal year 2009 our new E Mill was completed adding 1000 cwts. per day of spring wheat capacity and in fiscal year 2010 the D Mill was expanded adding 1000 cwts. per day of durum capacity. These most recent expansions increased the daily capacity of the Mill to 3.6 million pounds of flour a day. Our need to expand has been driven by increasing demand from our current customers and the addition of several new customers. The completion of these major projects has been vital for the North Dakota Mill to continue to compete effectively and provide a more significant economic impact to the State.


Operating Costs and Shipments
Shipments in cwts.
Operating Costs
13,000,000
12,000,000
11,000,000
10,000,000
9,000,000
8,000,000
7,000,000
6,000,000
5,000,000
4,000,000
3,000,000
2,000,000
1,000,000
-
$30,000,000
$28,000,000
$26,000,000
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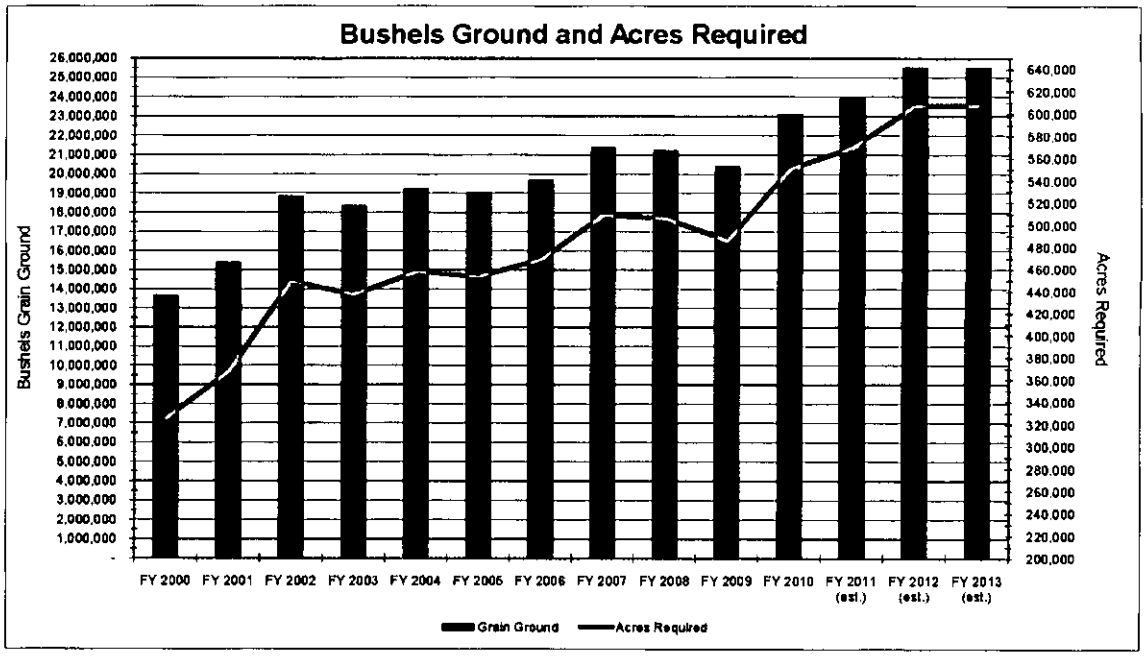
$18,000,000
$16,000,000
$14,000,000
$12,000,000
$10,000,000
$8,000,000
$6,000,000
$4,000,000
$2,000,000
$0
FY 2000
FY 2001
FY 2002
FY 2003
FY 2004
FY 2005
FY 2006
FY 2007
FY 2008
FY 2009
FY 2010
FY 2011 (est.)
FY 2012 (est.)
FY 2013 (est.)
Shipments
Op Cost


Bushels Ground and Acres Required
Bushels Grain Ground
Acres Required
26,000,000
25,000,000
24,000,000
23,000,000
22,000,000
21,000,000
20,000,000
19,000,000
18,000,000
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640,000
620,000
600,000
580,000
560,000
540,000
520,000
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480,000
460,000
440,000
420,000
400,000
380,000
360,000
340,000
320,000
300,000
280,000
260,000
240,000
220,000
200,000
FY 2000
FY 2001
FY 2002
FY 2003
FY 2004
FY 2005
FY 2006
FY 2007
FY 2008
FY 2009
FY 2010
FY 2011 (est.)
FY 2012 (est.)
FY 2013 (est.)
Grain Ground
Acres Required

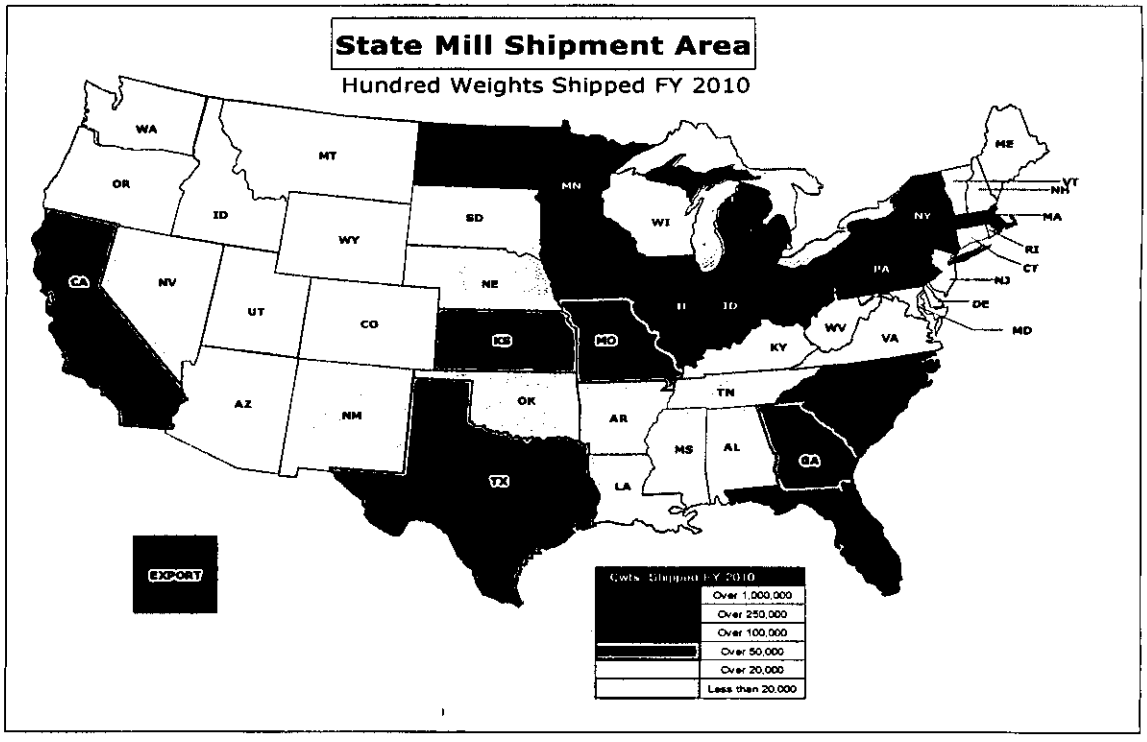
Markets and Competition

Our bulk and large package shipping area is diverse but more concentrated in the Ohio River Valley and on the East Coast. We also export product to the Caribbean Islands, and the Pacific Rim. Our customers include bakery flour distributors, retail distributors, large bakeries and pasta companies. Sales are made by our in-house sales staff and food brokers.

We compete with large milling companies such as Horizon Milling, ADM, ConAgra, General Mills and others. The outstanding quality of our products, verified by our ISO 9001-2008 certification, allows us to be very competitive against these companies. To improve food safety management we are also currently pursuing an ISO 22000 certification.

Going forward, we intend to continue to maximize production volume; increase the percentage of bagged products sold; continue to aggressively market family flour and retail mixes; grow our organic flour business and investigate new markets, new products and extensions of current product lines.

We will continue to leverage our greatest strength – our employees, whose efforts have given us an excellent reputation for product quality and customer service in the market place.



Economic Impact

A North Dakota State University study stated that for every dollar in direct economic activity from wheat processing, another $2.32 was generated in secondary economic activity. For the past two fiscal years, the Mill produced $163,239,000 in direct economic activity resulting in an additional $378,714,000 in secondary economic activity. This results in a total economic impact to the region of more than $541,953,000 over the last fiscal year.

Strategic Plan 2011

Working with the UND Office of Work Force Development, the State Mill management team has developed the following strategic objectives for fiscal year 2011:

- Promote and Support ND Agriculture, Commerce and Industry
- Identify and Respond to Emerging Issues in the Flour Milling Industry
- Increase Profitability
- Grow our Customer Base
- Invest in our Employees

Budget Request

All operating funds are generated internally at the Mill. Short or long-term needs are met by borrowing from the Bank of North Dakota. No funds or financial assistance is received from the State.

Engrossed House Bill 1014 includes a total appropriation of $46,539,135. This is a decrease of $202,286 from the Executive Budget request of $46,741,421. Since we appeared before the House of Representatives we have been informed that the Mill's electrical expense will be increased by an additional $564,064. **We are requesting that the funding for the new positions removed by the House in the amount of $262,286 be reinstated and that the operating line be increased by $564,064 for a total appropriation of $47,365,485 which is an increase of $7,308,243 or 18.2% over the 2009-2011 biennium budget.**

With the inclusion of the new positions noted above, wages and benefits increase $3,712,292 or 16.4% over the current budget. The Mill is in the second year of a five-year contract with the Local Union No. 167G, Unit 135 of the Bakery, Confectionery, Tobacco Workers and Grain Millers International. This contract expires June 30, 2014. The Union represents approximately 65% of the employees at the Mill.

The four (4) positions we are requesting for the next biennium include two additional employees for the plant and two in the office – a sales staff position and a lab tech position.

- Two railcar checker positions to staff another shift in order to ensure adequate number of railcars are cleaned and available to keep up with the increased production and sales.
- One lab technician to meet the increasing workload due to the increased production and sales. Quality control is very important in food products and we anticipate additional requirements that will need to be met in the next couple of years.
- One Sales Representative to promote continued sales growth. Currently we have three Sales Representatives and a Sales Manager producing more than $250,000,000 in total sales (FY 2010). This addition of one Sales Representative will allow our sales staff to efficiently increase sales to 12MM cwts. per year from the current 10.8 MM cwts.

With the increase noted above operating expenses excluding wages and benefits increase $3,460,951 or 20.4%. Utilities expense increase $1,764,064 over the current budget. The largest portion of our utility bill is the electrical expense. The Western Area Power Administration (WAPA) supplies a significant portion of our electrical power. We budgeted part of the electrical expense increase based on the historical increases received from WAPA. The remaining portion of our electrical power comes from Nodak Electric. On February 21, 2011 they informed us that our rate will increase by 30% effective March 20, 2011. They had previously indicated a 10-15% increase was likely. **Therefore, we are requesting that the**

operating line of the Mill's appropriation in Engrossed House Bill 1014 be increased by $564,064.

Repairs expense increased $750,000 over the current budget. Increases in the number of rail cars leased and as the milling equipment purchased in fiscal year 2001 begins to get older higher maintenance costs will drive this expense higher.

Insurance expense increased by $480,000. In addition to insurance rates increasing, the higher wheat prices have driven up our grain and flour inventory values. In addition, as we have increased cwts. of production and sales, we have increased the volume of flour inventory carried. This has resulted in an increased cost for insurance for these higher inventory values.

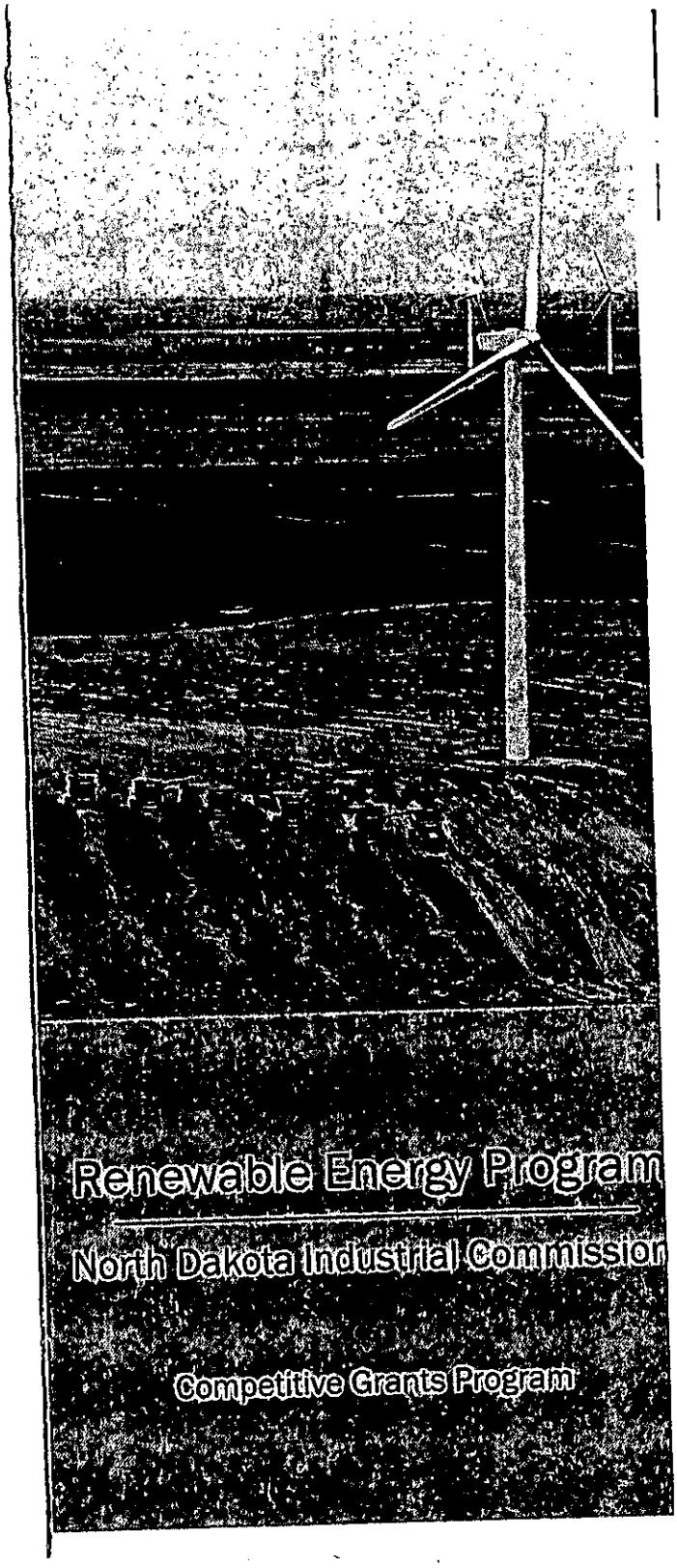
The House of Representatives increased the agriculture promotion line item by $60,000 to provide funding for a grant to Rural Leadership North Dakota.

Five items, wages and benefits, utility expense, repair expense, insurance expense and agriculture promotion reflect the increase of $6,766,356 in our requested appropriations. A large share of these expenses is driven by the volume of production and sales at the Mill. The Mill set a new record of sales in cwts. of flour sold in fiscal year 2010 reaching 10,876,000 cwts., a 13% increase over the previous fiscal year. In the first six months of fiscal year 2011 we have achieved sales of 5,843,596 cwts., which is 8.4% higher than in fiscal year 2010.

The Mill currently transfers 5% of the profits to the Agricultural Fuel Tax Fund and 50% of the remaining profits to the General Fund. In fiscal year 2010, the Mill transferred $658,996 to the Agricultural Fuel Tax Fund and $6,260,457 to the General Fund.

In the 2011-2013 biennium, there is $6,650,000 budgeted to be transferred to the General Fund and $700,000 transferred to the Agricultural Fuel Tax Fund.

Thank you for your time and consideration of our budget request. I will be happy to answer any questions.


Renewable Energy Program
North Dakota Industrial Commission
Competitive Grants Program

North Dakota's Renewable Energy Program (REP) was established by the Legislature in 2007. The law provides that the Industrial Commission shall consult with the Renewable Energy Council (REC). The REC is made up of 7 individuals including the Commerce Commissioner, who serves as chairman, and representatives from the following 6 industries: agriculture, biomass, biodiesel, wind, ethanol and sugar beet based ethanol. The Department of Commerce provides technical assistance on the management of this program.

The mission of the Renewable Energy Council (REC) is to promote the growth of North Dakota's renewable energy industries through research, development, marketing, and education.

Blue Flint Ethanol E85 Blending Facility

Blue Flint Ethanol, LLC (BFE)

BFE installed facilities that allow for in-line blending of E85. BFE is marketing E85 to retail fuel stations in the state. It is believed that consistent availability of an E85 product that is blended into the truck as opposed to splash or tank blended will grow retail market use of this product. The grant award of $50,000 consisted of approximately 43% of the total cost of the project.

Feasibility Study of a Biomass Supply for the Spiritwood Industrial Park

Great River Energy (GRE) along with: Great Plains Institute, North Dakota Association of Rural Electric Cooperatives, North Dakota Department of Agriculture, North Dakota Farmers Union, North Dakota Natural Resources Trust.

This project performed a technical evaluation of the prospects for integrating a biomass supply into Spiritwood Station. The grant award of $109,000 consisted of approximately 23% of the project cost.

ComPAKer

ComPAKco, LLC

This project will develop a mechanical device which will increase the density of biomass in order to transport and utilize it efficiently. The unique design and use of supplemental binder material in the proposed ComPAKer will result in less power requirements and a lower cost than pellet making machines currently available. The produced biomass "PAK" is uniform in size and shape and can be handled and transported much more efficiently than the raw biomass and further will allow the "PAK" to be easily integrated into both conventional combustion and biomass gasification systems. The grant award of $72,275 consisted of 50% of the total project cost.

Small Wind Turbine Training Center

Energy & Environmental Research Center (EERC)

The small wind turbine training center will consist of two small wind turbines less than 20 kW in size. The facility will provide educational opportunities to a wide range of participants including grade school through college-level students and the general public. The facility will allow the EERC to provide technical training workshops related to the installation, operation, and maintenance of small wind turbines. The grant award of $50,000 consisted of 50% of the total project cost.

Renewable Electrolytic Nitrogen Fertilizer Production

Energy & Environmental Research Center (EERC)

This project will optimize processes for producing nitrogen fertilizers using biomass gasification-derived synthesis gas (biosyngas), nitrogen extracted from air and electricity. As the

processes have been demonstrated to operate with low-cost biosyngas rather than high-cost hydrogen derived from natural gas, they offer the potential for lower-cost and smaller-scale fertilizer production. Commercialization of the processes would enable regionally produced fertilizer to compete economically with imports and simultaneously develop a new fertilizer production industry. The grant award of $200,000 consisted of approximately 49% of the total project cost.

Abundant Energy: A Proposal for Wind Power Development & Technical Education

Lake Region State College

This project will site and erect an operating 1.65 W wind turbine and design and implement a wind bine training technician program. Lake Region proposes to utilize the wind turbine to provide most of the electricity required by the campus. The grant award of $500,000 consisted of approximately 12% of the total project cost.

Ethanol Fuels Promotion

American Lung Association of ND & ND Ethanol Producers Association

This project will implement an education and promotion campaign to build ND consumer awareness of the benefits of ethanol and move consumers to increase ethanol usage. The grant award of $30,000 was approximately 41% of the total project cost.

Fischer-Tropsch (FT) Fuels Development

Energy & Environmental Research Center (EERC)

This project prepared pilot-scale testing equipment and performed testing in the areas of FT liquid production, catalyst development, catalyst testing, product upgrade, and process simulation. Biomass-derived syngases were used for testing. The development of FT technologies to produce liquid transportation fuels from biomass, waste and coal will provide a new industry for North Dakota. The grant award of $189,034 consisted of approximately 21% of the total project cost.

Developing a Biomaterials Industry in ND

North Agricultural Experiment Station, North Dakota State University

This project completed a front end engineering and design (FEED) study for a pilot scale plant to demonstrate the commercial potential of technology to produce materials and fuel from biomass feedstock. produce bio-based cellulose nanowhiskers. The grant award of $800,000 consisted of approximately 45% of the total cost of the project.

Corn Oil Extraction

Headwaters Inc., & Great River Energy

Equipment to extract corn oil, a product not currently harnessed in ND, will be set up at Blue Flint Ethanol. The oil will be sold to create biodiesel. A grant award of $500,000 consisted of 25% of the total project cost.

Renewable Oil Refinery

Energy & Environmental Research Center (EERC)

This project will provide a complete, ready-for-bid design of a pilot-scale renewable oil refinery capable of producing diesel fuel, jet fuel, and naptha. By utilizing crambe, it can provide a sustainable market for crops suited for areas of North Dakota with a shorter growing season, arid conditions, and suboptimal soil. The grant award of $500,000 consisted of 50% of the total project cost.

Biomass Enhanced Refined Lignite Demonstration

ComPAKco

This project will optimize the design and operation of the ComPAKer to blend lignite with biomass in "PAKs". The PAKs are anticipated to provide a high value solid fuel for home and commercial furnaces. A grant award of $275,000 consisted of 45% of the total project cost.

Renewable Electrolytic Ammonia Production from Water and Nitrogen

Energy & Environmental Research Center (EERC)

EERC will develop and demonstrate a one-step electrolytic process for renewable ammonia production that utilizes inputs of water, air-separated nitrogen, and wind-generated electricity.

A grant award of $250,000 consisted of 42% of the total project cost.

Evaluation of ND Perennial Herbaceous Biomass Crops

ND Natural Resources Trust

Phase II of a 10 year study, the project will contribute to long-term data that will ultimately determine the most productive grass species, optimal harvest methods, and best practices to maintain productive perennial biomass stands in ND. A grant award of $280,000 consisted of 67% of the total project cost.

Dakota Turbines

Posilock Puller, LLC

This project will create the most reliable, cost-effective and efficient small wind turbine on the market and is scalable from 5 - 100 kW. A grant award of $178,500 provided 36% of the total project cost.

Bulk Energy Storage for ND Wind Energy

Dakota Salts, LLC

The goal of this project is to utilize compressed air energy storage (CAES) to store wind energy in ND. If successful, CAES will provide a way to harness and utilize wind energy in a more consistent manner thereby reducing transmission requirements. A grant award of $225,000 provided 39% of the total project cost.

Energy Beet Research

Green Vision Group

This project aims to advance the creation of an energy beet biofuel industry in five regional locations across North Dakota. Tasks include burn tests, yield trials, processing research, and education. A grant award of $165,000 provided 50% of the total project cost.

Biomass Testing Laboratory

North Dakota State University

A Biomass Testing Laboratory will be established to evaluate physical and thermal characteristics of diverse ND feedstock and the densified biomass products. The lab is a joint venture between NDSU and USDA-ARS in Mandan. An award of $225,000 will provide 40% of the project cost.

Renewable Oil Refinery Pilot Plant Construction

Energy & Environmental Research Center (EERC)

Funds from the REP will be used for EERC costs associated with conducting the bid process and overseeing and facilitating construction of the pilot plant. The pilot plant would be located at the Tesoro Refinery in Mandan. The refinery will create 500,000 gallons of renewable jet fuel and renewable diesel combined in the first year by utilizing a variety of ND feedstocks. An award of $500,000 will provide 8% of the project cost.

Dakota Spirit AgEnergy Cellulosic Biorefinery

Great River Energy (GRE)

Funds will help pay for the development phase of a cellulosic biorefinery, including a Pre-FEED study and financial model. The biorefinery will be located adjacent to GRE's Spiritwood Station, a combined heat and power (CHP) facility under construction near Spiritwood, ND. Utilizing proven Danish technology, the biorefinery will convert wheat straw and/or corn stover to higher value energy products such as cellulosic ethanol, C5 molasses and purified lignin pellets. The REP provided $500,000, 40% of the total project costs.

Promoting Standardization of Combustion Characteristics for Biofuels

Energy & Environmental Research Center (EERC)

Standardized methods to test the chemical and combustion characteristics of biomass feedstocks will be established. Standards that establish the quality of materials will help advance the biomass industry in North Dakota. The REP provided $50,000, 45% of the total project costs.

For More Information

Call the Industrial Commission at 701-328-3722 or visit us on the web:

Oil and Gas Research Program

North Dakota Industrial Commission

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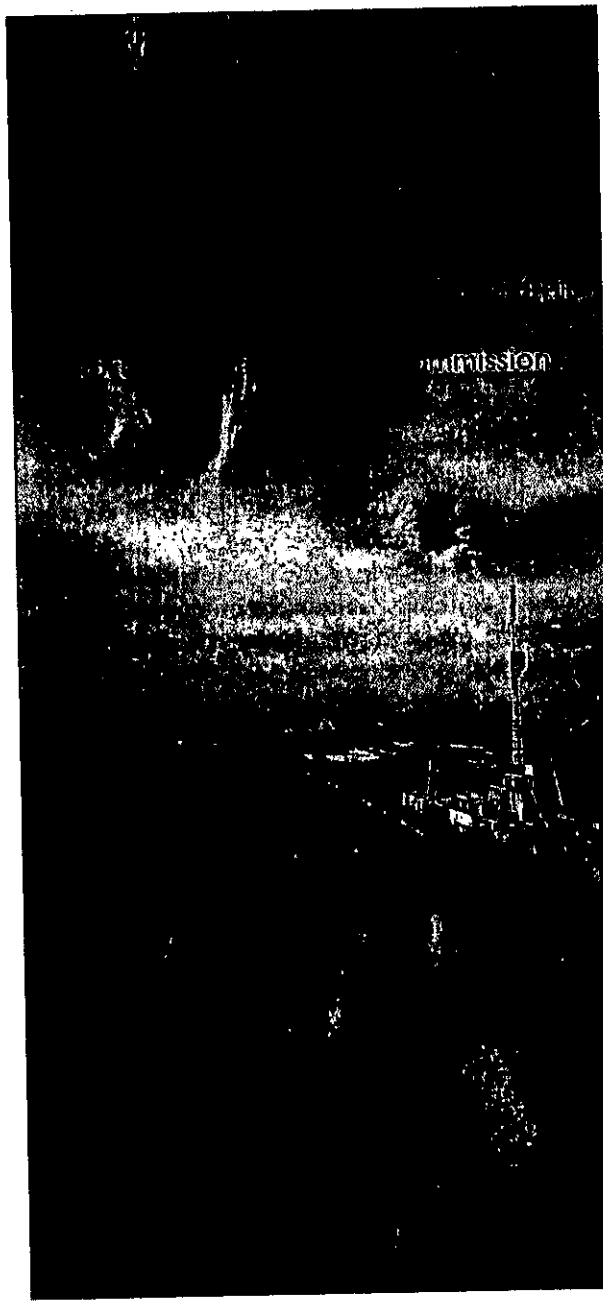


www.oilresearch.nd.gov

Optimizing Oil Recovery

Continental Resources

The objective of this project is to determine if the Middle Bakken and Three Forks production are separate and distinct reservoirs. If the two intervals are actually separate and distinct, producible reserves per spacing unit would greatly increase with proper development. The success of this project will be measured by the development of a dataset and performance of reservoir modeling that leads to the establishment of evidence regarding relationship, or lack thereof, between the Three Forks-Sanish and Middle Bakken oil producing zones. Understanding the degree of communication is key in determining the number of wells and where they should be drilled to optimize recovery from each zone. This work tested whether wells should be drilled directly over or beneath an existing producer in the Bakken or Three Forks-Sanish zones or whether one well would be able to adequately drain both zones.

Environmental Practices

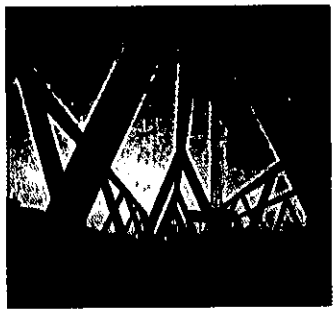
Energy & Environmental Research Center (EERC), Grand Forks, ND

The objective of this project is to investigate the recycling of water flowed-back after Bakken fracture stimulation. The project has the following two phases under the Northern Great Plains Water Consortium program. The first phase is to assess the technical and economic potential of recycling frac flowback water. The second phase consists of a field demonstration of a mobile frac flowback water recycling technology.

Training Program

Train ND Northwest, Williston State College, Williston, ND

Funding will be used to purchase two simulators and a trailer for the simulators to allow the training to be delivered at various locations. The Commercial Drivers License Program is a three-week, 135 hour course. The training includes: classroom instruction and behind the wheel driving. This program offers the best opportunity to learn by presenting information in hands on situations from behind the wheel and from experienced instructors in the classroom. Access to the simulators will provide an additional training environment. Students will be able to have hands-on driving experiences in the safety of a classroom, before they get behind the wheel of a semi-truck.



Oil and Gas Research Program

Recycled Energy Project

Blaise Energy, Dickinson, ND

Blaise Energy's Solution conserves a valuable resource by transforming otherwise wasted wellhead flare gas into high quality, reliable, environmentally friendly electricity. The Blaise Solution consists of diverting the wellhead gas before it is flared and burning it more efficiently in an on-site generator, sending the electricity back into the local grid. Classified as "Recycled Energy" in North Dakota, Blaise Energy's electricity demonstrates the efficient use of resources and reduces green house gas emissions through reduced flaring. Every additional megawatt generated in this clean fashion displaces an equivalent amount of electricity produced by less environmentally friendly sources.
This project consists of a single well currently being flared due to lack of pipeline facilities. The Blaise Solution will consume the gas as is which is enough to support a 300 KW generator and in the process will prevent the wasting of 38 Billion BTU per year.

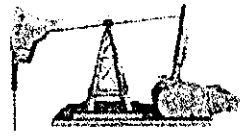
Automated Regulatory Center

Pedigree Technologies, Fargo, ND

Pedigree has developed capabilities to allow for remote data collection from injection well sites allowing or continuous monitoring of those sites as well as providing reportable injection data to government agencies. The system regularly monitors and records pressure readings which is stored at and made accessible from a remote location at Pedigree Technologies' data center. From this data, reports will be automatically generated meeting State of North Dakota reporting requirements.

Maximizing Market Potential

Bakken Express, LLC



The purpose of this project is to evaluate compressed natural gas technologies as an economic method to capture and transport produced natural gas and gas liquids to market. Over the course of 12 months, Bakken Express will demonstrate the economic viability of capturing and transporting wellhead gas for both the producers (and mineral owners) and the companies providing this service.

UPDATE February 7, 2011
Significant progress has been made during the past two months as a contract has been secured with a producer.

Bakken Express, LLC Cont.

In addition, the applicant has improved the economic model to help producers and pipeline companies calculate the economic benefit of applying this technology. The tool takes into account the cost of the equipment and operating costs, then factors in a well's gas production rate and the distance to be travelled, to determine the expected 'cost per MCF' for a given operation. The model shows that for many locations where the flowrates are high and the commute time is reasonable the all-in costs for gas capture and transport are very economic.

Enhanced Oil Recovery—Data Sharing

Enerplus

This project proposes to drill and then simultaneously fracture stimulate two horizontal Middle Bakken wells on the Fort Berthold Indian Reservation (FBIR) in order to validate a completion technique maximizing oil recovery. This technique/data is used to educate and encourage the use of new technologies by all FBIR operators and others in similar geologic settings within the Bakken petroleum system. The successful completion of this program and subsequent data evaluation by other operators will effectively help to prevent waste provide critical data for proper planning of both present and future development and have positive economic impact by proving up an economically attractive methodology for maximizing reserve recoveries from this resource.

Project Solicitations

Currently, the program is soliciting project applications in the following areas:

1. Demonstration the safeguards and effectiveness of the regulatory system in hydraulic fracturing techniques.

2. Demonstrations/study of the technical viability of a proppant by conducting analysis of sand, ceramic, and/or resin-coated applications in a hydraulic fracturing treatment.

3. Demonstration of the technical and economic viability of a bi-fuel system to reduce diesel consumption at drilling rigs by conducting a pilot project of a natural gas bi-fuel system at one of North Dakota's Bakken drilling rigs with specific focus being on:

- Safety and environmental impacts
- Suitability of raw Bakken well gas as a bi-fuel.
- Engine maintenance issues
- Initial cost to modify the enfines
- Costs, reliability and logistics of transporting natural gas
- Engines reaction to interruptions in the gas flow.

For more information visit:

www.oilresearch.nd.gov

THE UNIVERSITY OF NORTH DAKOTA

ADVANCED POWER SYSTEMS INITIATIVE: LIGNITE FEASIBILITY STUDY

Final Draft Report – Executive Summary

Submitted to:

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North Dakota Industrial Commission
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Submitted by:

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Grand Forks, ND 58202-7101

Envergex LLC

Burns & McDonnell

December 30, 2010

EXECUTIVE SUMMARY

Introduction

The need to replace the aging fleet of university and hospital district steam generating systems in North Dakota prompted this study to determine the feasibility of a lignite-fired advanced combined heat and power system. Also included in this study was the feasibility of utilizing the system to provide education and training opportunities for the next generation of energy experts and provide a testing platform for demonstrating emerging energy production and emissions control technologies. Another factor that recently emerged that could impact the timing for replacing these aging systems is the Environmental Protection Agency (EPA) proposed new maximum achievable control technology (MACT) emission standards for industrial scale systems. If these new standards are implemented, new air pollution control systems will need to be added to all of the coal-fired industrial scale boilers in the ND fleet. EPA seeks to finalize the standards by April 2012. As a result of the proposed EPA Industrial MACT we have included air pollution controls to meet the proposed emissions standards.

Background

Currently the steam plant at University of North Dakota (UND) produces 170,000 lbs/hr steam on average during the winter months and 47,000 lbs/hr of steam in the summer. The system fires approximately 56,000 tons of sub-bituminous coal from Montana.

Proposed System

We have developed an advanced system to efficiently and cleanly produce steam, electricity, and value-added products from lignite and other fuel/waste resources from North Dakota. Based on this study, the preferred configuration as illustrated in Figure ES-1 consists of the following components:

1. Single train Multiple Hearth Furnace designed to use North Dakota Lignite or North Dakota-sourced biomass to produce around 20,000 tons per year of activated carbon and cogenerate a synthetic fuel gas product for combustion in a boiler to make steam. Revenues for activated carbon product ($ 30 million, annual).
2. A state-of-the art pulverized coal (PC) boiler capable of producing 125,000 lb/hr of steam while operating on any blend of fuel from 100% synthetic gas to 100% solid North Dakota Lignite.
3. A state-of-the art circulating fluidized bed (CFB) boiler capable of producing 55,000 lb/hr of steam while operating on North Dakota Lignite or a blend of North Dakota biomass and North Dakota Lignite.
4. Self-production of electricity (~30,000 MWh/y) with a high efficiency 4 MW_e backpressure topping steam turbine that extracts energy from the high pressure

superheated steam generated in the new boilers and exhausts low pressure steam for utilization by the University and its customers. This results in reduced electricity purchases ($ 1.5 million versus $2.9 million).

5. Reduction in emissions for all pollutants from current operation. Best of breed air pollution control system to reduce pollutants to exceed the levels required by the new EPA Industrial MACT standards and to exceed those found in the majority of comparable production facilities worldwide.
6. Utilization of the existing natural gas fired auxiliary boilers at the University for supplemental steam to meet peak demands, and to provide back-up steam generation for the new boilers to improve reliability.
7. Annual net positive income ($1.7 million) versus annual cost for "upgraded" ongoing operation ($15.7 million); or per 1000 pounds of steam generated, a credit of $2.29 for proposed facility versus cost of $21.5 for "upgraded" current facility.

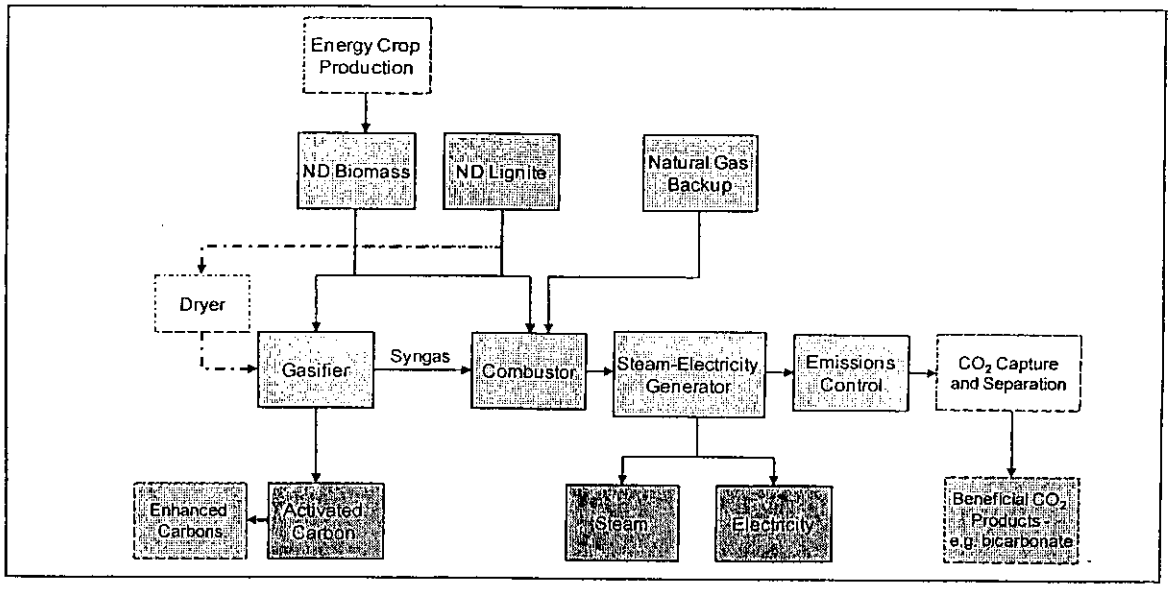


Figure ES 1.Block Diagram of the Advanced System for Production of Steam, Power, and Value-Added Products

Advantages

The advantages of the system developed as part of this program include:

- Designed system will have the capability of producing 180,000 lb/hr of steam and 4 MW_e of electric power with thermal and electric efficiency of over 80%.
- High reliability (two fuel-flexible boilers). The combustion system consists of one 125,000 lb/hr pulverized coal-fired boiler that is capable of firing 100% pulverized lignite to 100% gasification-derived fuel gas and a 55,000 lb/hr circulating fluid bed boiler capable of firing lignite, biomass, and waste materials.
- Lower CO_2 emissions of about 15% for baseline design compared to current operation; flexibility to further reduction to match emissions from a natural gas-fired system.
- Significant economic benefits with the ability to co-produce 20,000 tons per year of activated carbon (activated carbon, market value of about $1500/ton); activated carbon has broad application in various end- use markets and a growing demand with the emergence of a projected $1 billion market for mercury control.
- North Dakota lignite will be the primary fuel, boosting its consumption to about 110,000 tons per year with the additional use for carbon production. This will replace coal currently imported from Montana.
- This advanced system located on the UND campus will be used as a platform to educate the next generation of energy experts and perform research, development and demonstration of emerging energy production and emissions control technologies.
- The market for our proposed advanced energy system is large, not only confined to combined heat and power systems for college and other public institution campuses (11 such facilities) but also other industrial facilities such as ethanol plants.

Project Team

The project was conducted by a team of expert University of North Dakota personnel from the Facilities (extensive experience in steam plant operations and maintenance), Campus Planning, Chemical Engineering Department (extensive experience in lignite properties and their performance in combustion, gasification, and value-added product development), Envergex LLC (expertise in combustion, gasification, activated carbon systems development), and Burns & McDonnell (engineering firm designing commercial scale power and steam generation facilities).

Operating Characteristics and Economics

Details of fuel consumption, emissions, and economic characteristics for the proposed facility are indicated in Table ES-1 below. The operation proposed is the case tagged as Base. This case presents the most economical operation of the facility. The characteristics are compared to the same characteristics for a retrofit and continued operation of the existing facilities. As indicated, the proposed facility using lignite as the primary fuel has significant advantages in nearly all categories including economics.

The revenues or values related to the outputs of the system include those from steam, electricity and activated carbon. The current plant generates only steam for the campus. A unit cost of $21.5 per 1000 pounds of steam is estimated with the current system. A net credit of $2.29 per 1000 lbs of steam is projected for the new system, accounting for the revenue benefit from sales of activated carbon ($30 million annually). The above economic values include all fixed and variable operating costs and include a levelized cost of capital. The total capital cost of the proposed system is estimated to be $204 million. We anticipate applying for grants from U.S. Department of Energy and industry support to partially fund the cost of constructing the state of the art facility. A commitment from State of North Dakota to support this program for $50,000,000 is anticipated as cost share for the project.

It is worth mentioning that the quality of this estimation is that for a feasibility analysis and the costs will be further refined further in next round of evaluation. Annual operating and maintenance costs (not including fuel costs) are estimated at $9 million, compared to current costs of $6.1 million. The increased costs are related to the production of the additional electricity and carbon and are more than offset by revenues accruing from those products.

Additional operating scenarios for the proposed facility are also presented to indicate the capabilities of the proposed system. These scenarios target a further reduction in carbon footprint. The first option, HIGH BIOMASS, consists of maximizing the biomass input to the CFB boiler while still maximizing activated carbon production through utilization of lignite in the hearth furnace. The carbon footprint reduction increases from 14% to 21% relative to current operation without a significant impact to the economics. The second option, MAX BIOMASS, decreases the carbon footprint even further by utilizing biomass in the hearth furnace in lieu of North Dakota lignite, but at the sacrifice of activated carbon quality and production rates and associated economics. Both these cases present an increase in operating risks associated with biomass availability and seasonal constraints with the latter introducing an activated carbon market value risk. Finally, the last option presented, CO_2 CAPTURE, includes addition of a post combustion CO_2 capture system that converts a portion of the carbon dioxide in the flue gas to a mineral-based byproduct. Again, this option shows a significant impact to project economics and introduces new technical risks associated with a technology not yet proven today.

From these results, it is reasonable to project that operation of the hearth furnace on lignite 65% of the year and biomass 35% of the year would accomplish the goal of natural gas

equivalency for carbon footprint. Such would also mitigate some of the biomass availability risks as the unit could be switched over to biomass as the biomass is available. However, activated carbon production would be impacted as would the associated economics of the facility.

Table ES-1. Operating Characteristics and Economics

	Existing Facility (w/MACT Controls)	Proposed Facility BASE	Proposed Facility HIGH BIOMASS	Proposed Facility Max. Biomass	Proposed Facility CO_2 Capture
Annual University Energy Consumption					
Steam Demand, klb/yr	732,457	732,457	732,457	732,457	732,457
Electical Demand, MWh/yr	76,200	44,800	44,800	44,900	47,500
Annual Operating Inputs / Products					
Coal Input, MMBtu/yr	916,597	0	0	0	0
Natural Gas Input, MMBtu/yr	10,902	35,998	46,084	38,210	35,998
Lignite Into Hearth Furnace, MMBtu/yr		1,167,269	1,167,269	0	1,167,269
Lingite Into Boiler, MMBtu/yr		243,828	148,669	96,583	243,828
Lignite Input, MMBtu/yr	0	1,411,097	1,315,938	96,583	1,411,097
Biomass Into Hearth Furnace, MMBtu/yr		0	0	1,038,428	0
Biomass Into Boiler, MMBtu/yr		99,080	184,748	112,580	99,080
Biomass Input, MMBtu/yr	0	99,080	184,748	1,151,008	99,080
Net Power Generation, MWh/yr	0	32,495	32,495	32,397	32,495
Activated Carbon Production, tons/yr	0	20,416	20,416	10,207	20,416
Annual Emissions / Carbon Footprint	Current MACT				
Nitrous Oxides, tons/yr	234 138	76	74	62	76
Sulfur Dioxide, tons/yr	612 28	45	45	37	45
Particulate Matter (PM10), tons/yr	69 7	11	11	9	11
Carbon Monoxide, tons/yr	133 92	113	111	93	113
Carbon Dioxide, tons/yr	118,635	102,992	93,804	3,296	64,774
Capital Investment					
Total Anticipated Capital Investment, $MM	$37	$204	$204	$204	$246
Anticipated Grants, $MM	$0	$50	$50	$50	$50
Net Capital Investment, $MM	$37	$154	$154	$154	$196
Annual Operating Costs ($2010)					
Coal Fuel, $/yr	$2,566,472	$0	$0	$0	$0
Natural Gas Fuel, $/yr	$81,764	$269,985	$345,626	$286,576	$269,985
Lignite Fuel, $/yr	$0	$3,697,074	$3,447,756	$253,047	$3,697,074
Biomass Fuel, $/yr	$0	$495,399	$923,738	$5,755,038	$495,399
Activated Carbon Cost (Revenue), $/yr	$0	($30,624,483)	($30,624,483)	($15,310,171)	($30,624,483)
Total Effective Fuel Cost, $/yr	$2,648,236	($26,162,024)	($25,907,362)	($9,015,510)	($26,162,024)
Levelized Cost of Capital, $/yr	$4,030,378	$13,962,288	$13,962,288	$13,962,288	$17,754,114
Fixed Operating Costs, $/yr	$4,600,000	$6,055,000	$6,055,000	$6,055,000	$7,566,455
Variable Operating Costs, $/yr	$1,500,256	$2,923,170	$2,842,679	$1,246,226	$12,523,170
University Electricity Demand Charges, $/yr	$924,956	$833,668	$833,668	$833,668	$845,768
University Electricity Energy Purchases, $/yr	$2,019,403	$712,922	$712,922	$716,996	$823,440
Total Annual Cost, $/yr	$15,723,229	($1,674,976)	($1,500,805)	$13,798,668	$13,350,924
Total Annual Costs, $/klb of Steam	**$21.47**	**($2.29)**	**($2.05)**	**$18.84**	**$18.23**

Milestones and Schedule

A schedule and milestones for the next phases of the project are summarized below. This is provided as an example of timing for next steps of the project.

Activity Description	Milestone Date
A. Funding for Continued Development	1-Mar-2011
1. Finalize Major Plant Configuration / Sizing	15-Jul-2011
2. Start Air Permit Application	15-Jul-2011
3. Complete Key Project Definition Design Documents	31-Dec-2011
4. Receive Air Permit	15-Mar-2012
5. Major Equipment Bids Negotiated and Ready to Award	1-Nov-2012
6. Complete Project Definition Report and Application for Approval	1-Dec-2012
B. Funding for Full Project	8-Jan-2013
1. Major Equipment Full Notice to Proceed	15-Jan-2013
2. Start Construction	1-Jun-2013
3. Boilers / Furnace Delivery To Site	18-Mar-2014
4. Mechanical Completion / Start of Commissioning	17-Dec-2014
5. Commissioning Complete and Ready to Operate	18-Jun-2015

Risks and Mitigation

Major risks and proposed mitigation include:

1. Biomass availability in general and seasonal constraints in particular - This risk is mitigated by minimizing the necessity for firing biomass and having a full-lignite firing capability should biomass not be available. Further, natural gas is available to supplement the lignite through utilization of the auxiliary boilers.
2. Achieving CO_2 emission goals – The proposed unit has flexibility to allow for increases in biomass utilization should the biomass supply support it. In addition, the facility has the capability of being retrofitted with a CO_2 capture technology and the next phase will evaluate emerging technologies with potential beneficial end use products.
3. Suitability of the biomass if used for activated carbon manufacturing; the next phase will investigate quality and availability of North Dakota biomass with suitable supply and characteristics to produce a marketable grade activated carbon.

4. Activated carbon demand and price - The proposed facility activated carbon production will be a very small fraction of the market demand and as such will not impact overall demand-supply balance. The market price for activated carbon can drop by nearly 30% from that assumed before we achieve the "break even" price. Even then the remaining benefits of the project are still realized.

Next Steps

Following approval of funding for continued development, the project team will proceed with the following activities to further define the project and prepare for final approval and project implementation:

- Study plant configuration, capabilities, and sizing, optimize facility and define project scope
- Evaluate biomass fuel availability and quality to determine seasonal constraints and impacts to plant design and operations
- Establish key project design criteria (fuel capability ranges, capacities, fuel gas composition) using specific testing and models
- Evaluate lignite drying and CO_2 scrubber options – design, cost determination, testing
- Develop key project design and definition documents
- Prepare/submit applications for project permits; coordinate applications through approval process
- Complete definitive capital cost estimate and project implementation schedule. Assemble these and the key definition documents into project definition report to be used as a basis for approvals and project controls during implementation
- Bid, negotiate and award major equipment (boilers, hearth furnace, steam turbine, drying equipment, and emissions control equipment) under a minimal obligation Letter of Intent with Full Notice to Proceed pending project final approval
- Prepare secondary equipment procurement specifications and solicit bids on select equipment as required to improve the project schedule and accuracy of the definitive estimate
- Progress detailed design of the facility to the extent practical

A budget for the next phase of work is provided below.

Budget. Technology Testing, Design, and Permitting

Activities	Participants	Budget
Coordination • Personnel in key positions engineering, development, environmental to provide coordination, reporting, and analysis	ChE, Facilities, Planning, Consulting	$750,000
Assessments and Demonstrations • Fuel assessment – availability of biomass and lignite properties • CFB testing with biomass and lignite – bed agglomeration ash deposition • Gasification testing with multiple hearth – gas quality and Activated Carbon for demonstration testing • Drying system testing	ChE, Facilities, Planning, Consultants, CFB testing (EERC), Multiple Hearth (IFCO)	$2,500,000
Integrated Facility • Initial design, layout • Permitting activities	ChE, Facilities, Planning, Consultants, A&E	$6,750,000
Total Budget		**$10,000,000**

Final project approval will release the project team for full implementation of the project including the following activities to accomplish full commercial operation:

- Immediate release of major equipment for Full Notice to Proceed
- Completion of detailed design of the facility
- Award and release the balance of equipment for the facility
- Award of construction contracts and release of construction activities
- Management of the construction contractors
- Commissioning and start-up of the facility
- Facility performance and emissions testing

NDARE TESTIMONY IN SUPPORT OF HB 1014

ND SENATE APPROPRIATIONS COMMITTEE

MONDAY, MARCH 14, 2011

Submitted by: Patrice Lahlum, Chair

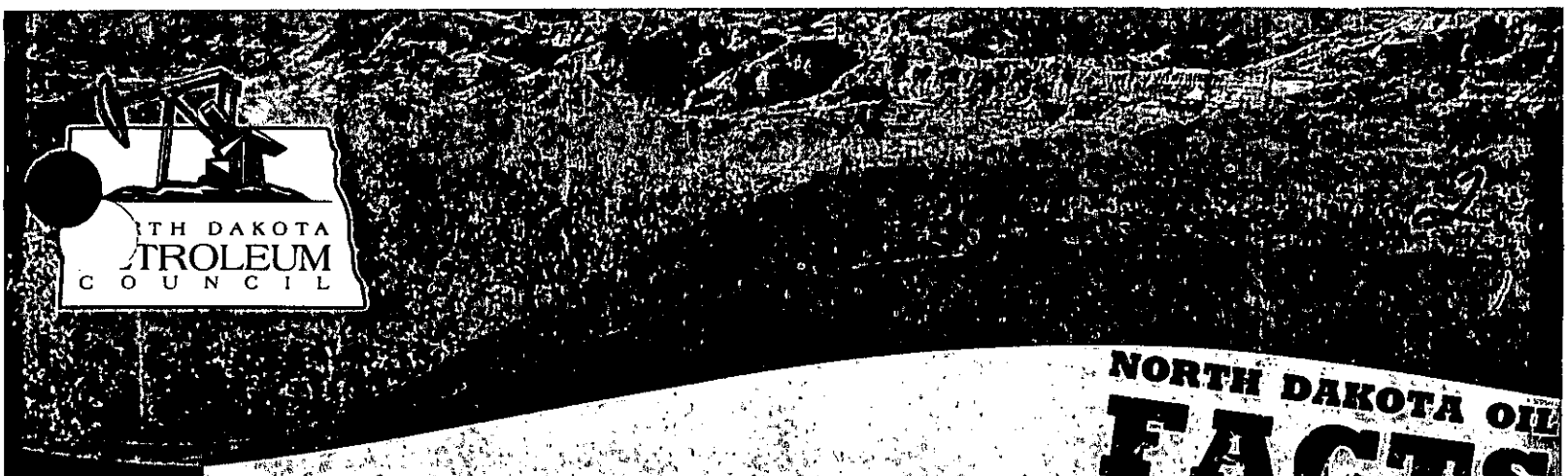
Chairman Holmberg and members of the Senate Appropriation Committee:

On behalf of the North Dakota Alliance for Renewable Energy (NDARE), I would urge your consideration in reinstating the $3 million in funding for the Renewable Energy Program in HB 1014.

NDARE is an advocacy organization with members representing growers groups, investor-owned utility companies, rural electric cooperatives, state agencies, economic development groups, colleges and universities, banks, manufacturers, and the general public. Its purpose is to find common ground, explore opportunities, and develop strategies to make North Dakota the preeminent state for development and use of renewable energy.

The Renewable Energy Program is a successful program that has played an important role in the growth of North Dakota's renewable energy industry and is vital to future industry success. Since its inception in 2007, the program has funded 23 projects, including two projects that were funded from the Biomass Incentive Research Fund. The total amount of Renewable Energy Program funding committed to the 23 approved projects as of December 31, 2010, was $6,104,929. Each of these projects has match funding, which means that the Renewable Energy Program funding has been leveraged to result in projects totaling over $22.5 million.

We thank you for your support of the Renewable Energy Program in the past, and hope you will consider amendments to bring the funding for the program back in line with the original version of the bill.

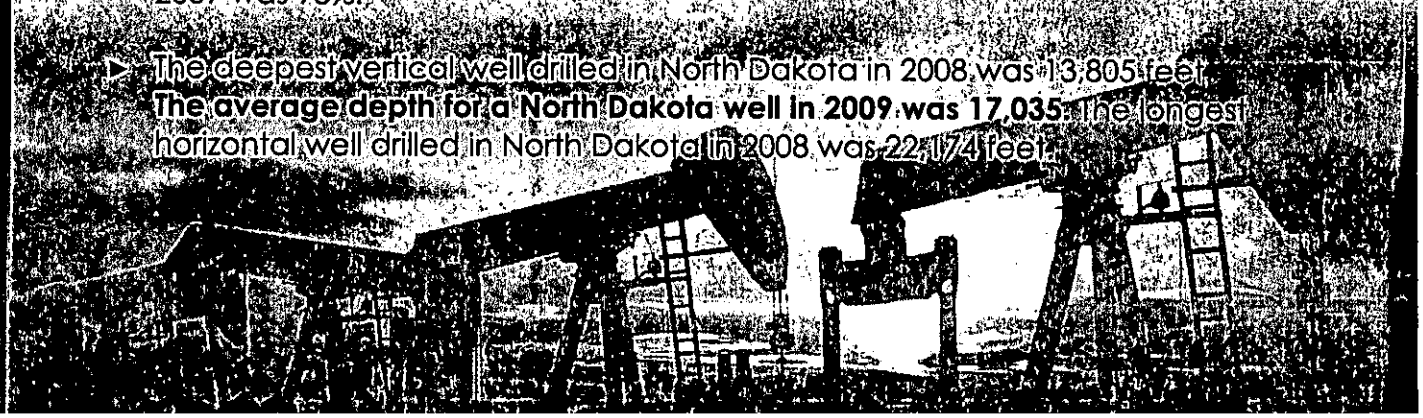


TH DAKOTA
TROLEUM
COUNCIL

NORTH DAKOTA OIL FACTS

Did You Know?

- **North Dakota is the fourth largest oil producing state.** The state's average production in 2009 was more than 218,000 barrels of oil per day, totaling nearly 80 million barrels for the year, up more than 17 million from 2008.
- All-time production of crude oil in North Dakota amounts to more than 1.7 billion barrels.
- At the end of 2009, there were 5,200 wells capable of producing oil and gas in North Dakota. The average North Dakota well produced approximately 47 barrels per day.
- During 2009, **92.5 billion cubic feet of natural gas were produced** and 56.4 billion cubic feet of natural gas were processed in North Dakota.
- The drilling rig count, a prime barometer for measuring new oil and gas activity, averaged 52 rigs a day in 2009. The peak year for drilling rigs was 1981, with an average monthly rig count of 119. The all-time high was in October of 1981, with 146 operating rigs.
- There were 627 drilling permits issued during 2009, down 319 from 2008. Approximately 517 wells were completed in 2009.
- **Horizontal, or directional, drilling accounted for 95% of the new wells drilled in 2009** and 84.7% of the state's total oil production.
- The success ratio for new wells in existing fields in 2009 was 99% and for wildcat wells was 94%. A wildcat well is a new well drilled at least one mile from existing production. The overall industry success rate for new wells in North Dakota for 2009 was 98%.
- The deepest vertical well drilled in North Dakota in 2008 was 13,805 feet. **The average depth for a North Dakota well in 2009 was 17,035.** The longest horizontal well drilled in North Dakota in 2008 was 22,174 feet.



MAY NOT BE RESOLD

- The average cost of completing an oil well in North Dakota was approximately **$5.6 million** during 2009. The average cost of completing a well in 2008 was about $5.4 million.

- There were **17 counties in the state in 2009 with commercial oil production.** Oil and gas exploration has occurred at some point in every county in the state except Traill County.

- **Mountrail County** was the top-producing county in 2009, accounting for 37% of the state's oil production. The other top-producing counties were Bowman, McKenzie, Dunn and Williams.

Employment

- The state averaged more than **5,508 North Dakotans** at work in the oil patch in fiscal year 2008-09. Peak oil field employment occurred in late 1981, when more than 10,000 people were working in the oil patch.

- **Each drilling rig results in approximately 120 direct and indirect jobs.**

- Other sectors of the petroleum industry include refineries, gas plants, pipelines, retail gasoline stations, wholesalers, and transporters. The industry altogether employed approximately 12,747 people in North Dakota during fiscal year 2008-09.

- In 2008, Job Service North Dakota reported the average yearly wage in the oil and gas extraction industry was **$82,803.** That wage is 132.5% above the statewide average wage of $35,618.

Oil Tax Revenues

- Production tax revenues for 2009 were more than $392.9 million, representing a 25% decrease from 2008.

- Over the past 57 years, **the State of North Dakota has received more than $791 million from oil and gas leases, bonuses, royalties and rentals on state land.** During 2009, more than $36.4 million went to the Lands and Minerals Trust and more than $120 million to the Board of University and School Lands Trust.

- U.S. Forest Service administered lands in the Little Missouri National Grasslands provided federal oil and gas revenues of $34,184,078 during fiscal year 2009. Of that amount, one fourth, or $8,546,019, was returned to McKenzie, Billings, Golden Valley and Slope Counties for schools and roads. In addition, Bureau of Land Management administered land produced $54,067,250 during fiscal year 2009. Approximately half of that amount, $26,492,948 (adjusted for new receipts sharing), was returned to the state's general fund and is the first money expended for education statewide.

North Dakota Petroleum Council
120 N. 3rd St. Suite 200, Bismarck, ND 58501
Phone: (701) 223-6380 Fax: (701) 222-0006

Prepared by the North Dakota Legislative Council staff for Senate Appropriations
March 4, 2011

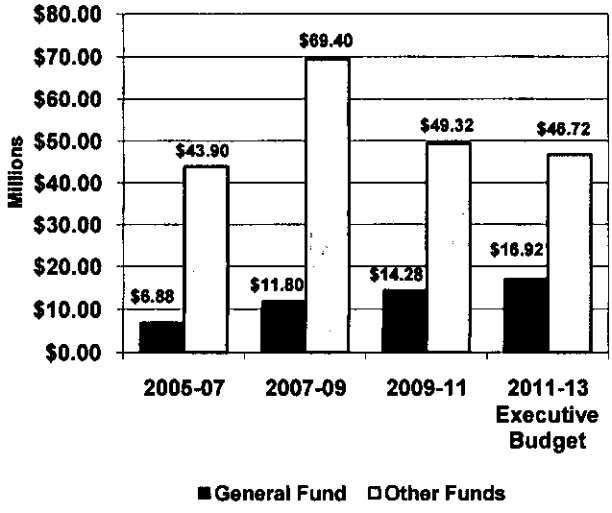
Department 405 - Industrial Commission
House Bill No. 1014

	FTE Positions	General Fund	Other Funds	Total
2011-13 Executive Budget	73.06	$16,917,628	$46,716,149	$63,633,777
2009-11 Legislative Appropriations	61.06[1]	14,275,254	49,317,984	63,593,238[2]
Increase (Decrease)	12.00	$2,642,374	($2,601,835)	$40,539

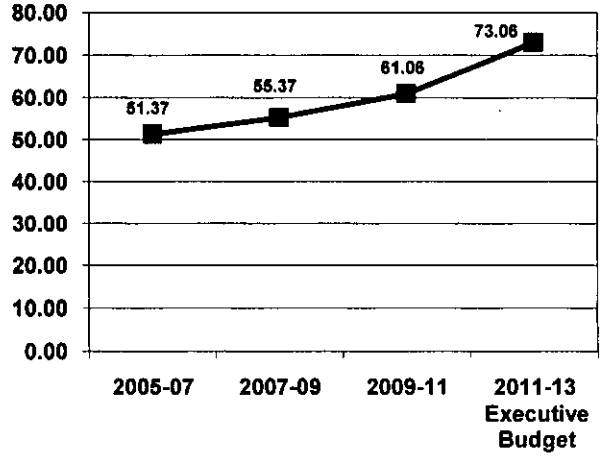
[1]The number of FTE positions for the 2009-11 biennium has not been adjusted to reflect the additional 2 FTE positions authorized by Emergency Commission action during the 2009-11 biennium.

[2]The 2009-11 appropriation amounts include $484,500, $475,000 of which is from the general fund, for the agency's share of the $16 million funding pool appropriated to the Office of Management and Budget for special market equity adjustments for executive branch employees.

Agency Funding



FTE Positions



Ongoing and One-Time General Fund Appropriations

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2011-13 Executive Budget	$13,740,228	$3,177,400	$16,917,628
2009-11 Legislative Appropriations	10,597,102	3,678,152	14,275,254
Increase (Decrease)	$3,143,126	($500,752)	$2,642,374

First House Action

Attached is a summary of first house changes.

Executive Budget Highlights (With First House Changes in Bold)

	General Fund	Other Funds	Total
1. Adds funding for operating expenses ($44,946) and temporary salaries ($290,880)	$335,826		$335,826
2. Adds one-time funding for a sand deposit study	$50,000		$50,000
3. Adds one-time funding to continue the shallow gas study	$25,000		$25,000
4. Adds one-time funding for an analysis of oil-bearing rocks	$40,000		$40,000
5. Adds one-time funding for paleontology preparation work to transfer fossil specimens to a new laboratory in the expanded Heritage Center	$62,400		$62,400
6. Adds one-time funding for a transfer from the general fund to the renewable energy development fund to continue renewable energy research, development, and education programs. **The House reduced this funding to $1 million.**	$3,000,000		$3,000,000

7. Adds funding for increased operating expenses due to anticipated inflationary increases	$158,317		$158,317
8. Changes the funding source and adds 2 FTE positions for the Department of Mineral Resources. In the 2009-11 biennium these positions were contingent and funded from the lands and minerals trust fund, including $249,819 for salaries and wages and $69,400 for related operating expenses. (The positions were authorized to be filled by the Emergency Commission in the 2009-11 biennium.)	$319,219	($319,219)	$0
9. Adds funding for salary equity increases for geologists and engineers	$255,819		$255,819
10. Adds 1 FTE petroleum engineer position ($138,356) and related operating expenses ($61,500)	$199,865		$199,865
11. Adds 6 FTE engineering technician field inspector positions ($564,336) and related operating expenses ($276,750). **The House added $45,000 to fund 1 FTE engineering technician field inspector position for the full biennium.**	$841,086		$841,086
12. Adds 1 FTE engineering technician measurement specialist position ($124,871) and related operating expenses ($61,500)	$186,371		$186,371
13. Adds 1 FTE production analyst position ($116,341) and related operating expenses ($8,500)	$124,841		$124,841
14. Adds 1 FTE subsurface geologist position ($159,814) and related operating expenses ($61,500)	$221,314		$221,314
15. Decreases funding for bond payments to reflect bonds which have matured. **The House added funding for a contingent bond payment for the Veterans' Home federal subsidy of $116,475 and reduced funding for bond payments for the State Department of Health ($34,805) and Job Service North Dakota ($31,783).**		($2,102,739)	($2,102,739)
16. Removes one-time funding provided in the 2009-11 biennium for the renewable energy program, recruitment and retention bonuses, the state facility lignite feasibility demonstration project, and shallow gas and fracture sand studies	($3,678,152)		($3,678,152)

Other Sections in Bill

Legislative Management study - The House added a section to provide for a Legislative Management study on primacy in the administration of Environmental Protection Agency regulations.

Contingent appropriation - The House added a section to provide a contingent appropriation from the permanent oil tax trust fund for the Department of Mineral Resources to hire additional FTE positions based on drilling rig counts.

Continuing Appropriations

Fossil excavation and restoration fund - North Dakota Century Code Section 54-17.4-09.1 - Excavation and restoration of fossils.

Cartographic products fund - Section 54-17.4-10 - Topographic map sales and purchases.

Global positioning system community base station - Section 54-17.4-12 - For maintenance of base station.

Oil and gas reservoir data fund - Section 38-08-04.6 - Oil and gas reservoir data.

Abandoned oil and gas reclamation fund - Section 38-08-04.5 - Abandoned oil and gas reclamation.

Cash bond fund - Section 38-08-04.11 - For defraying costs incurred in plugging and reclamation of abandoned oil and gas wells and related activities.

Oil and gas research fund - Chapter 57-51.1 - Oil and gas research and education.

Lignite research fund - Section 57-61-01.5 - Research, development, and marketing for lignite industry.

North Dakota Pipeline Authority administrative fund - Section 54-17.7-11 - For operations of the North Dakota Pipeline Authority.

Renewable energy development fund - Section 54-63-04 - Renewable energy research, development, and education.

Geophysical, geothermal, subsurface minerals, and coal exploration fund - Chapter 38-21 - Reclamation of orphaned facilities and exploration holes.

Geological data preservation fund - Section 54-17.4-13 - Data preservation.

Carbon dioxide storage facility administration fund - Section 38-22-05 - For defraying costs of processing applications for regulating carbon dioxide storage facilities.

Carbon dioxide storage facility trust fund - Section 38-22-15 - For costs associated with long-term monitoring and management of a closed carbon dioxide storage facility.

Significant Audit Findings

The operational audit for the Industrial Commission conducted by the State Auditor's office during the 2009-10 interim identified no significant audit findings.

Major Related Legislation

Senate Bill No. 2032 - Oil and Gas Research Council purposes. This bill expands the purposes of the Oil and Gas Research Council to allow the promotion of innovation in safety, enhancement of environment, an increase in education concerning the distribution of petroleum products and allows the Industrial Commission, as manager of the Oil and Gas Research Council, to provide financial assistance for processes and activities directly related to the refining industry and petroleum marketing industry.

ATTACH:1

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1014 - Funding Summary

	Executive Budget	House Version	Senate Changes	Senate Version
Industrial Commission				
Salaries and wages	$11,844,607	$11,874,607	$337,013	$12,211,620
Operating expenses	3,478,744	3,493,744		3,493,744
Grants - Lignite research	19,971,300	19,971,300		19,971,300
Grants - Bond payments	25,339,126	25,389,733		25,389,733
Renewable energy development	3,000,000	1,000,000	1,000,000	2,000,000
Carbon Dioxide Storage Fund		532,000		532,000
Mineral resources contingency		743,972		743,972
Total all funds	$63,633,777	$63,005,356	$1,337,013	$64,342,369
Less estimated income	46,716,149	47,522,658	(11,930)	47,510,728
General fund	$16,917,628	$15,482,698	$1,348,943	$16,831,641
FTE	73.06	74.06	0.00	74.06
Bank of North Dakota				
Capital assets	$1,266,000	$1,266,000		$1,266,000
Bank of North Dakota operations	45,587,155	45,587,155		45,587,155
PACE fund	6,000,000	6,000,000		6,000,000
Ag PACE fund	1,000,000	1,000,000		1,000,000
Beginning farmer loan fund	1,400,000	1,400,000		1,400,000
Biofuels PACE fund	1,000,000	1,000,000		1,000,000
Total all funds	$56,253,155	$56,253,155	$0	$56,253,155
Less estimated income	46,853,155	46,853,155	0	46,853,155
General fund	$9,400,000	$9,400,000	$0	$9,400,000
FTE	176.50	176.50	0.00	176.50
Housing Finance Agency				
Salaries and wages	$6,516,277	$6,516,277		$6,516,277
Operating expenses	5,114,849	5,114,849		5,114,849
Grants	26,858,920	26,858,920		26,858,920
HFA contingencies	100,000	100,000		100,000
Total all funds	$38,590,046	$38,590,046	$0	$38,590,046
Less estimated income	38,590,046	38,590,046	0	38,590,046
General fund	$0	$0	$0	$0
FTE	46.00	46.00	0.00	46.00
Mill and Elevator				
Salaries and wages	$26,311,616	$26,049,330	$262,286	$26,311,616
Operating expenses	19,879,805	19,879,805	564,064	20,443,869
Contingencies	400,000	400,000		400,000
Agriculture promotion	150,000	210,000		210,000
Total all funds	$46,741,421	$46,539,135	$826,350	$47,365,485
Less estimated income	46,741,421	46,539,135	826,350	47,365,485
General fund	$0	$0	$0	$0
FTE	135.00	131.00	4.00	135.00
Bill Total				
Total all funds	$205,218,399	$204,387,692	$2,163,363	$206,551,055
Less estimated income	178,900,771	179,504,994	814,420	180,319,414
General fund	$26,317,628	$24,882,698	$1,348,943	$26,231,641
FTE	430.56	427.56	4.00	431.56

House Bill No. 1014 - Industrial Commission - House Action

	Executive Budget	House Changes	House Version
Salaries and wages	$11,844,607	$30,000	$11,874,607
Operating expenses	3,478,744	15,000	3,493,744
Grants - Lignite research	19,971,300		19,971,300
Grants - Bond payments	25,339,126	50,607	25,389,733
Renewable energy development	3,000,000	(2,000,000)	1,000,000
Carbon Dioxide Storage Fund		532,000	532,000
Mineral resources contingency		743,972	743,972
Total all funds	$63,633,777	($628,421)	$63,005,356
Less estimated income	46,716,149	806,509	47,522,658
General fund	$16,917,628	($1,434,930)	$15,482,698
FTE	73.06	1.00	74.06

Department 405 - Industrial Commission - Detail of House Changes

	Increases Funding for Engineering Technician[1]	Adds Funding for Carbon Dioxide Storage[2]	Adjusts Bond Payments[3]	Reduces Funding for Renewable Energy[4]	Adds Funding for Contingency Appropriation[5]	Total House Changes
Salaries and wages	30,000					30,000
Operating expenses	15,000					15,000
Grants - Lignite research						
Grants - Bond payments			50,607			50,607
Renewable energy development				(2,000,000)		(2,000,000)
Carbon Dioxide Storage Fund		532,000				532,000
Mineral resources contingency					743,972	743,972
Total all funds	$45,000	$532,000	$50,607	($2,000,000)	$743,972	($6
Less estimated income	0	0	62,537	0	743,972	8
General fund	$45,000	$532,000	($11,930)	($2,000,000)	$0	($1,434,930)
FTE	0.00	1.00	0.00	0.00	0.00	1.00

[1] The salaries and wages line item and the operating expenses line item are increased to provide funding for 1 FTE engineering technician position for 24 months of the biennium rather than for only 18 months of the biennium.

[2] This amendment adds funding for the carbon dioxide storage facility administrative fund and authorizes 1 FTE position to administer the provisions of Chapter 38-22. Sections are added relating to the use of the funding and allowing the funding to be available prior to July 1, 2011.

[3] This amendment provides for a contingent bond payment for the Veterans' Home federal subsidy of $116,475 and reduces funding for bond payments for the State Department of Health ($34,805) and Job Service North Dakota ($31,783).

[4] This amendment reduces one-time funding provided in the executive budget recommendation for renewable energy development from $3 million to $1 million.

[5] A contingent appropriation from the permanent oil tax trust fund is added for the Department of Mineral Resources to hire additional FTE positions based on drilling rig counts. A section is added providing the criteria for accessing the contingent funding.

A section is added for a Legislative Management study on primacy in the administration of Environmental Protection Agency regulations.

House Bill No. 1014 - Industrial Commission - Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Salaries and wages	$11,844,607	$11,874,607	$337,013	$12,211,620
Operating expenses	3,478,744	3,493,744		3,493,744
Grants - Lignite research	19,971,300	19,971,300		19,971,300
Grants - Bond payments	25,339,126	25,389,733		25,389,733
Renewable energy development	3,000,000	1,000,000	1,000,000	2,000,000
Carbon Dioxide Storage Fund		532,000		532,000
Mineral resources contingency		743,972		743,972
Total all funds	$63,633,777	$63,005,356	$1,337,013	$64,342,369
Less estimated income	46,716,149	47,522,658	(11,930)	47,510,728
General fund	$16,917,628	$15,482,698	$1,348,943	$16,831,641
FTE	73.06	74.06	0.00	74.06

Department 405 - Industrial Commission - Detail of Senate Changes

	Adds Funding for Retention of Employees[1]	Adds Funding for Temporary Employees[2]	Restores Funding for Renewable Energy[3]	Changes Funding Source for Bond Payments[4]	Total Senate Changes
Salaries and wages	247,013	90,000			337,013
Operating expenses					
Grants - Lignite research					
Grants - Bond payments					
Renewable energy development			1,000,000		1,000,000
Carbon Dioxide Storage Fund					
Mineral resources contingency					
Total all funds	$247,013	$90,000	$1,000,000	$0	$1,337,013
Less estimated income	0	0	0	(11,930)	(11,930)
General fund	$247,013	$90,000	$1,000,000	$11,930	$1,348,943
FTE	0.00	0.00	0.00	0.00	0.00

[1] This amendment adds funding for retention of Department of Mineral Resources staff.

[2] This amendment adds funding for temporary employees for the Geological Survey Division.

[3] This amendment restores $1 million of the $2 million of funding removed by the House for renewable energy development to provide a total of $2 million.

[4] This amendment adjusts funding for bond payments to reflect a decrease in special funds rather than the general fund as provided in the House version.

This amendment adds sections relating to a transfer from the permanent oil tax trust fund to the oil and gas research fund and to the authority of the Board of University and School Lands. The section relating to the Board of University and School Lands was removed by the Senate.

House Bill No. 1014 - Bank of North Dakota - House Action

A section of legislative intent is added providing that the Bank of North Dakota ensure lands adjacent to the Bank are developed for use consistent with the mission and purpose of the Bank.

House Bill No. 1014 - Bank of North Dakota - Senate Action

Senate did not change the House version for the Bank of North Dakota.

House Bill No. 1014 - Housing Finance Agency - House Action

The House did not change the executive recommendation for the Housing Finance Agency.

House Bill No. 1014 - Housing Finance Agency - Senate Action

The Senate did not change the House version for the Housing Finance Agency.

House Bill No. 1014 - Mill and Elevator - House Action

	Executive Budget	House Changes	House Version
Salaries and wages	$26,311,616	($262,286)	$26,049,330
Operating expenses	19,879,805		19,879,805
Contingencies	400,000		400,000
Agriculture promotion	150,000	60,000	210,000
Total all funds	$46,741,421	($202,286)	$46,539,135
Less estimated income	46,741,421	(202,286)	46,539,135
General fund	$0	$0	$0
FTE	135.00	(4.00)	131.00

Department 475 - Mill and Elevator - Detail of House Changes

	Removes FTE Positions[1]	Adds Funding for Rural Leadership Grant[2]	Total House Changes
Salaries and wages	(262,286)		(262,286)
Operating expenses			
Contingencies			
Agriculture promotion		60,000	60,000
Total all funds	($262,286)	$60,000	($202,286)
Less estimated income	(262,286)	60,000	(202,286)
General fund	$0	$0	$0
FTE	(4.00)	0.00	(4.00)

[1] This amendment removes the following FTE positions included in the executive budget recommendation:

- 2 FTE car checker positions.
- 1 FTE sales representative position.
- 1 FTE laboratory technician position.

[2] This amendment adds funding for a grant to Rural Leadership North Dakota.

House Bill No. 1014 - Mill and Elevator - Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Salaries and wages	$26,311,616	$26,049,330	$262,286	$26,311,616
Operating expenses	19,879,805	19,879,805	564,064	20,443,869
Contingencies	400,000	400,000		400,000
Agriculture promotion	150,000	210,000		210,000
Total all funds	$46,741,421	$46,539,135	$826,350	$47,365,485
Less estimated income	46,741,421	46,539,135	826,350	47,365,485
General fund	$0	$0	$0	$0
FTE	135.00	131.00	4.00	135.00

Department 475 - Mill and Elevator - Detail of Senate Changes

	Restores FTE Positions and Funding Removed by House[1]	Adds Funding for Increased Energy Costs[2]	Total Senate Changes
Salaries and wages	262,286		262,286
Operating expenses		564,064	564,064
Contingencies			
Agriculture promotion			
Total all funds	$262,286	$564,064	$826,350
Less estimated income	262,286	564,064	826,350
General fund	$0	$0	$0
FTE	4.00	0.00	4.00

[1] This amendment restores funding for 4 FTE positions removed by the House, including 2 car checker positions, 1 sales representative position, and 1 laboratory technician position.

[2] This amendment increases funding for operating expenses due to increased energy costs.

	Service Dt	Yrs Svc	Current Salary% of JSND		Job Service Data 2010	90% JSND Target Annual	Market Salary Increase	95% JSND Target Annual	Market Salary Increase	100% JSND Target Annual	M
Industrial Commission		**13.5**									
Trudi Hogue	11/1/2007	2.2	Typical	98%	33,333 Administrative Assistants, p 96						
Tracy Heilman	9/1/1983	26.8	Exp'd	102%	40,644 Administrative Assistants, p 96						
Bethany Schmidt	8/16/2010	-0.1		100%	42,139						
Karen Gutenkunst	12/1/1975	34.5	Exp'd	88%	73,358 Business Operations Specialist p14						
Kyle Joersz	4/1/2000	10.2	Typical	73%	66,574 Database Administrators, p19						
James Martel	12/1/2001	8.5	Exp'd	83%	57,877 Computer Programmers p 17						
Rodney Genrich	6/1/2008	1.9	Typical	82%	49,744 Engineering Techs, except drafters p 25						
David Tabor	3/21/2007	0.2	Entry	76%	44,600 Engineering Techs, except drafters p 25						
Ryan Ellis		0.7	Entry	92%	44,600 Engineering Techs, except drafters p 25						
Nathaniel Kirby	3/1/2005	5.3	Exp'd	84%	54,308 Engineering Techs, except drafters p 25						
David Hvinden	3/1/1983	27.3	Exp'd	95%	76,194 Administrative Services Managers, p4						
Elroy Kadrmas	9/2/1997	12.8	Exp'd	99%	49,070 Surveying and Mapping Tech, p 26						
Kenneth Urlacher	3/1/2000	10.3	Typical	103%	33,807 Surveying and Mapping Tech, p 26						
Steve Kranich	5/1/1984	26.2	Typical	112%	33,807 Surveying and Mapping Tech, p 26						
Tim Neshiem		0.0	Entry	124%	43,035 Geoscientists, p. 28						
Rebecca Gould	5/1/2008	2.1	Typical	85%	51,286 Geoscientists, p. 28	46,157	2,357	48,722	4,922	51,286	7,486
Jeffrey Person	2/1/2008	2.4	Exp'd	76%	72,998 Geoscientists, p. 28	65,698	9,898	69,348	13,548	72,998	17,198
Stephan Nordeng	10/1/2006	3.7	Exp'd	92%	72,998 Geoscientists, p. 28			69,348	2,348	72,998	5,998
Fred Anderson	1/1/2004	6.5	Exp'd	92%	72,998 Geoscientists, p. 28			69,348	2,348	72,998	5,998
Lorraine Manz	10/1/2001	8.7	Exp'd	80%	72,998 Geoscientists, p. 28	65,698	7,198	69,348	10,848	72,998	14,498
Julie LeFever	10/1/1984	29.8	Typical	81%	88,443 Natural Sciences Managers, p 9	79,599	7,799	84,021	12,221	88,443	16,643
John Hoganson	3/1/1981	29.4	Exp'd	90%	94,618 Natural Sciences Managers, p 9			89,887	5,087	94,618	9,818
Rich Suggs	9/1/1980	1.7	Entry	82%	57,283 Mining & Geological Engineers, p 23	51,555	4,655	54,419	7,519	57,283	10,383
Edward Murphy	7/1/1980	32.1	Exp'd	96%	98,268 Natural Sciences Managers, p 9					98,268	3,668
James Lindholm	12/1/1981	28.6	Exp'd	107%	67,532 Network & Computer Systems Administrators p 19						
Russell Prange	3/1/1985	25.3	Typical	81%	42,816 Life, Physical & Social Science Techs, p 31						
Kent Hollands	7/1/1991	19.6	Exp'd	91%	44,311 Life, Physical & Social Science Techs, p 31						
Lisa Peterson	11/1/1990	0.7	Entry	97%	25,979 Office & Admin Support Workers p 99						
Jeanette Bean	12/1/2007	2.6	Typical	79%	35,907 Office & Admin Support Workers p 99						
Karla Lorentzen	9/1/1989	20.8	Typical	74%	35,907 Office & Admin Support Workers p 99						
Donna Bauer	10/1/1986	23.8	Typical	81%	35,907 Office & Admin Support Workers p 99						
Evelyn Roberson	8/1/1984	26.1	Exp'd	84%	40,644 Administrative Assistants, p 96						
Daryl Gronfur	9/1/1985	24.8	Exp'd	93%	54,308 Engineering Techs, except drafters p 25						
Annette Fetzer	1/1/1984	26.5	Exp'd	86%	54,308 Engineering Techs, except drafters p 25						
Tomas Torstenson	5/1/2002	8.1	Entry	87%	53,732 Geoscientists, p. 28						
Kevin Conners	10/4/2010	-0.3	Entry	82%	57,283 Mining & Geological Engineers, p 23	51,555	4,555	54,419	7,419	57,283	10,283
Jennifer Bickler		0.1	Entry	82%	57,283 Mining & Geological Engineers, p 23	51,555	4,555	54,419	7,419	57,283	10,283
Vacant		0.9	Entry	84%	57,283 Mining & Geological Engineers, p 23	51,555	3,255	54,419	6,119	57,283	8,983
Nicole Nelson		0.8	Entry	84%	57,283 Mining & Geological Engineers, p 23	51,555	3,255	54,419	6,119	57,283	8,983
Jessica Stalker		0.7	Entry	84%	57,283 Mining & Geological Engineers, p 23	51,555	3,255	54,419	6,119	57,283	8,983
Jim Potts	7/21/2008	1.9	Entry	86%	57,283 Mining & Geological Engineers, p 23	51,555	2,355	54,419	5,219	57,283	8,083
Jason Hicks	8/1/2007	2.8	Entry	88%	57,283 Mining & Geological Engineers, p 23	51,555	1,355	54,419	4,219	57,283	7,083
Richard Dunn	8/1/2006	3.8	Average	67%	77,024 Mining & Geological Engineers, p 23	69,322	17,422	73,173	21,273	77,024	25,124
Thomas Schumacher	8/1/2006	3.9	Average	78%	77,024 Mining & Geological Engineers, p 23	69,322	9,622	73,173	13,473	77,024	17,324
Cody VanderBusch	5/1/2006	4.1	Average	72%	77,024 Mining & Geological Engineers, p 23	69,322	13,822	73,173	17,673	77,024	21,524
Nathaniel Erbele	8/1/2005	4.9	Entry	98%	57,283 Mining & Geological Engineers, p 23					57,283	883
Scott Ladner	4/1/2001	9.2	Average	73%	77,024 Mining & Geological Engineers, p 23	69,322	12,822	73,173	16,673	77,024	20,524
Scott Dihle	1/1/2001	9.5	Average	73%	77,024 Mining & Geological Engineers, p 23	69,322	12,722	73,173	16,573	77,024	20,424
Thomas Delling	7/1/1981	29.0	Average	87%	77,024 Mining & Geological Engineers, p 23	69,322	2,322	73,173	6,173	77,024	10,024
Todd Holweger	9/1/1996	13.8	Typical	91%	81,297 Mining & Geological Engineers, p 23			77,232	3,432	81,297	7,497
Richard Hutchens	11/1/1981	28.7	Typical	94%	81,297 Mining & Geological Engineers, p 23			77,232	432	81,297	4,497
John Axtman	8/1/1981	28.9	Typical	93%	81,297 Mining & Geological Engineers, p 23			77,232	1,432	81,297	5,497
Robert Garbe	7/1/1979	31.0	Typical	100%	81,297 Mining & Geological Engineers, p 23						
David McCusker	6/1/1991	19.1	Exp'd	79%	87,750 Mining & Geological Engineers, p 23	78,975	9,675	83,363	14,063	87,750	18,450
Mark Bohrer	4/1/1986	24.3	Exp'd	101%	87,750 Mining & Geological Engineers, p 23						
Glenn Wollan	6/1/1979	31.1	Exp'd	105%	87,750 Mining & Geological Engineers, p 23						
Bruce Hicks	7/1/1980	30.0	Exp'd	108%	106,793 Engineering Managers, p 8						
					3,531,970 Annual salary		132,895		212,669		306,139
					Biennium Salary = 90% of JSND - Current		**$265,789**		**$425,337**		**$612,278**
					Benefits multiplier		118.2%		118.2%		18.2%
							$314,215		$502,832		832

1014.4.13.118

Fine, Karlene K.

From: Vance Taylor [VTaylor@NDMILL.com]
Sent: Tuesday, April 12, 2011 2:55 PM
To: Fine, Karlene K.
Subject: FW: RATE CHANGE NOTIFICATION
Attachments: Policy 501-2a-02-21-2011.pdf; electrical increase sent to legislators.xlsx; Outbound Shipments.xls

Karlene,
Here are copies of the Rate Change Notification email from Nodak Electric, a copy of their new rate policy and Ed's spreadsheet showing the resulting cost increase for the biennium.
Also attached is a graph and table showing the increases in NDM rail shipments over the last few years. We will ship nearly 5000 flour and feed railcars this year, all of which must be checked and cleaned prior to shipment (5000 railcars lined up end to end would stretch over 60 miles). We expect rail shipments to increase by at least 6% in the next biennium. Our average number of railcars shipped per day is listed at the bottom of the table and is based on shipping out railcars an average of 6 days per week due to fumigations, holidays, etc.
Please let me know if you need anything further.
Thanks, Vance

From: Ed Barchenger (ebarchenger)
Sent: Tuesday, April 12, 2011 1:14 PM
To: Vance Taylor
Subject: FW: RATE CHANGE NOTIFICATION

Vance

... addition to this email I am forwarding to you regarding the electrical rate increase I have attached the spreadsheet document we discussed.

Ed

From: Blaine A. Rekken [mailto:brekken@nodakelectric.com]
Sent: Monday, February 21, 2011 11:49 AM
To: Ed Barchenger (ebarchenger)
Cc: Connie M. Gierszewski
Subject: RATE CHANGE NOTIFICATION

February 21, 2011

ATTN: ED BARCHENGER
NORTH DAKOTA MILL
PO BOX 13078
GRAND FORKS, ND 58208

Account: 2128700
Location: 147-330-999

Dear Ed,

We regret to inform you of a rate change that will take effect March 20, 2011 to all commercial & industrial (C&I) accounts. These changes will appear on the April statement that you will receive in late April or early May.

The reason for the change is to cover a 29.8% wholesale rate increase from Nodak Electric's power supplier, Minnkota Power Cooperative, Inc. (MPC). MPC increased their rate to help pay for debt service and operating costs from their investment in the generating stations for environmental compliance measures. In addition, MPC's fuel costs have increased 10% to operate the boilers for the generators. Since eighty cents from each dollar received from Nodak's customers is to pay for the wholesale cost of power, we realize this increase will have a significant impact on the customers. The net retail rate change to Nodak's members will be approximately 17%.

The facility charge has been increased from $106.25 to $124.50 per month, energy charge from $0.0338 /kWh to $0.042/kWh and summer coincidental demand from $10.65/kW to 13.90/kW. A change in the way MPC bills transmission demand has prompted us to create a new line item for the transmission demand charge that is to be billed over 12 months instead of adding it to the winter coincidental demand, which was formerly done. As a result, the winter coincidental demand will drop from $16.35/kW to $13.90/kW and the new transmission demand charge will be $3.75/kW. Fixed substation charges have decreased from $1,705/Sub/Mo. to $1,650/Sub/Mo. while the variable substation charged as increased from $0.16/kW/Mo. to $0.31/kW/Mo. Please refer to the section, "Transmission Demand Charge" from the attached policy for more information on the calculation change.

For your convenience, the revised substation delivery C&I Rate policy 501.2a has been enclosed. Please refer to www.nodakelectric.com for the most up to date rate.

We apologize for the lack of lead time to notify you of the rate change since MPC's wholesale rate changes were approved January 28th. If you have questions regarding these changes, please give me a call. I would be more than happy to discuss them further, or if you wish, we could schedule a time to visit in person.

Yours truly,

Blaine A. Rekken
Energy Services Supervisor

Enc: Policy Bulletin No. 501.2a

BLAINE A. REKKEN
Nodak Electric Cooperative Inc.
P.O. Box 13000
4000 32nd Avenue South
Grand Forks, ND 58208-3000
1-800-732-4373 or 701-746-4461

NODAK ELECTRIC COOPERATIVE, INC.
Grand Forks, North Dakota

Policy Bulletin No. **501.2a**

Commercial/Industrial – Substation Delivery:

Rate:

Facility Charge:

The facility charge shall include an appropriate share of the wholesale substation charge plus the multiphase facility charge.

Multi-Phase Service	$124.50/Month

Energy Charge:

Substation Delivery: All KWH	$0.042/KWH
Renewable Energy Market Adjustment (Added to All Above Energy Rates)	$.005/KWH

Coincidental Demand Charge:	Winter component	$13.90KW/Month
	Summer component	$13.90/KW/Month

The coincidental demand charge will be based on the buyer's average 15-minute demand level registered during Minnkota Power Cooperative's winter and summer seasonal system billing demand measurement periods. The winter system peak will be established during the period from November 20 of a given year and March 20 of the following year. The winter coincidental demand charge will apply to the 6-month period beginning March 20. The summer system peak will be established between May 1 and September 20 each year. The summer coincidental demand charge will apply to the six-month period beginning September 20.

Transmission Demand Charge: $3.75/KW/Month

The transmission demand for the current 12 month billing period, March 20 - March 20, will be based on the weighted average of the Winter Coincidental Demand and the 12 CP Demand. The 12 CP Demand is an average of 12 monthly demands that are recorded at the time of Minnkota's monthly peak load during the immediate previous calendar year.

A three year phase-in of the 12 CP load shall be used, and thus the transmission demand calculation will be weighted as follows:

Date	Adjusted Winter Metered Demand	12 CP
03/20/2011	83.3%	16.7%

03/20/2012	66.7%	33.3%
03/20/2013	50.0%	50.0%

New C&I Substation Delivery accounts will be initially billed according to the C&I Rate (501.2a); however, all usage will be billed at the following energy only rate with no demand charge until the account meets the C&I criteria for a complete season. At the end of the season, the account will then be placed on the C&I Substation Delivery Rate using the previous season's coincidental demand for billing purposes.

All Kwh - $0.06/kWh

Load Management Options -
Two options are available to C/I customers who wish to lower their coincidental demand charges by participating in the Load Management Program.

1. Full load management -
   Under full load management, the customer is expected to curtail load during all hours of load management. Under this option, the customer can avoid all seasonal coincidental demand charges.

2. Incremental pricing -
   Customers also have the option of purchasing energy during certain control periods. Nodak will provide a signal at the load management receiver indicating whether or not incremental energy is available. The customer is responsible to monitor the load management system status. If the customer chooses to operate through periods when incremental energy is available, coincidental demand charges will not accrue; however, an incremental adder will be charged for each kilowatt-hour consumed during those hours. These charges are as follows:

   Incremental adder up to *$0.095/Kwh
   *This rate will vary based on the average purchase price of the IPP energy

   The incremental energy adder will be calculated following each season based upon the amount of energy used and the established price for that energy.

Power Factor Adjustment:
The customer agrees to maintain unity (100%) power factor as nearly as practicable. The Cooperative reserves the right to measure such power factor at any time. Should such measurements indicate that the power factor at the time of the maximum monthly demand is less than 95 percent leading or lagging, the monthly demand for billing purposes shall be the demand as indicated or recorded by the KW demand meter multiplied by 95 percent and divided by the actual percent power factor at the time the maximum monthly demand occurred.

Qualified Cogeneration Standby Service:
Please refer to Policy Bulletin No. 501.7, Qualified Cogeneration Standby Service Rate.

Electrical Use - KWH

	FY 2011 Est.	FY 2012	FY 2013	Biennium
WAPA	22,806,000	22,806,000	22,806,000	45,612,000
NoDak	33,528,080	35,977,388	35,977,388	71,954,775
Total KWH	56,334,080	58,783,388	58,783,388	117,566,775
cwts sold	11,500,000	12,000,000	12,000,000	24,000,000

Original Electrical Cost

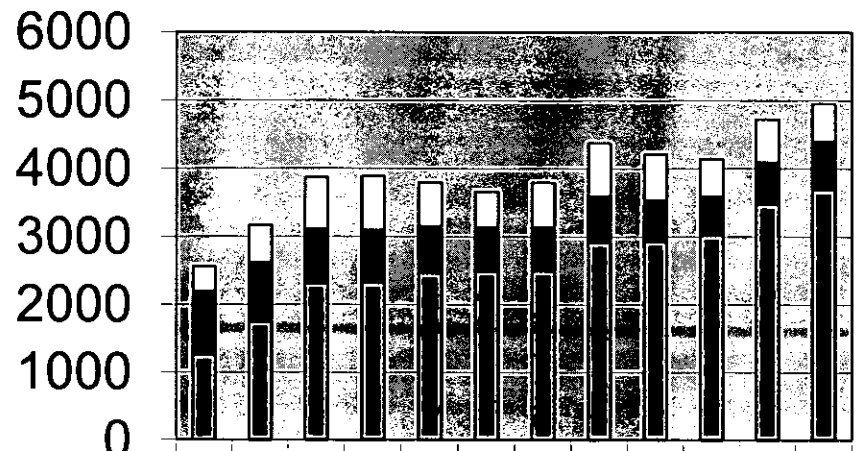
WAPA	$ 805,539	$ 942,855	$ 1,103,578	$ 2,046,433
NoDak	$ 1,321,616	$ 1,644,709	$ 1,907,445	$ 3,552,154
Total KWH	$ 2,127,155	$ 2,587,564	$ 3,011,023	$ 5,598,587

Revised Electrical Cost

WAPA	$ 805,539	$ 942,855	$ 1,103,578	$ 2,046,433
NoDak	$ 1,321,616	$ 1,914,520	$ 2,201,698	$ 4,116,218
Total KWH	$ 2,127,155	$ 2,857,375	$ 3,305,277	$ 6,162,651

CHANGE IN THE BUDGET REQUEST **$ 564,064**

Outbound NDM Rail Shipments



	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011 *est.
Feed Cars	364	552	758	792	649	523	662	773	680	557	627	552
Boxcars (Bagged Flour)	938	872	797	776	693	655	639	684	602	565	620	707
Bulk Flour	1252	1732	2302	2312	2450	2478	2483	2905	2918	3008	3462	3680
Cars / Day avg 6 days/wk	8.16	10.1	12.3	12.4	12.1	11.7	12.1	13.9	13.4	13.2	15	15.3

Fiscal Year

1014.4.13.11B

House Bill 1014
North Dakota Mill Information
for
House and Senate Conferees

The four (4) positions the State Mill is requesting for the next biennium include two additional employees for the plant and two in the office – a sales staff position and a lab tech position.

- Two railcar checker positions to staff another shift in order to ensure adequate number of railcars are cleaned and available to keep up with the increased production and sales.
- One lab technician to meet the increasing workload due to the increased production and sales. Quality control is very important in food products and we anticipate additional requirements that will need to be met in the next couple of years.
- One Sales Representative to promote continued sales growth. Currently we have three Sales Representatives and a Sales Manager producing more than $250,000,000 in total sales (FY 2010). This addition of one Sales Representative will allow our sales staff to efficiently increase sales to 12MM cwts. per year from the current 10.8 MM cwts.

North Dakota Mill
Profits and Transfers

Year	Profits	Total Transfers
6/30/2000	$ 1,850,241	$ -
6/30/2001	$ 330,083	$ 3,000,000
6/30/2002	$ 1,924,595	$ -
6/30/2003	$ 2,003,460	$ 6,000,000
6/30/2004	$ 5,636,473	$ -
6/30/2005	$ 5,806,156	$ 5,000,000
6/30/2006	$ 6,225,560	$ -
6/30/2007	$ 5,114,465	$ 5,000,000
6/30/2008	$ (821,607)	$ -
6/30/2009	$ (9,697,053)	$ -
6/30/2010	$ 13,179,910	$ 6,919,453
Average FY 00-10	$ 2,868,389	$ 2,356,314

11.8157.02005
Title.03000
Fiscal No. 1

Prepared by the Legislative Council staff for
Senate Appropriations
April 5, 2011

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1014

Page 1, line 2, after the semicolon insert "to create and enact a new section to chapter 15-02 of the North Dakota Century Code, relating to the authority of the board of university and school lands;"

Page 1, line 4, after the second semicolon insert "to provide for budget section approval;"

Page 1, replace line 16 with:

"Salaries and wages	$9,321,995	$2,889,625	$12,211,620"

Page 2, replace lines 1 through 4 with:

"Renewable energy development	0	2,000,000	2,000,000
Total all funds	$59,430,586	$4,911,783	$64,342,369
Less estimated income	49,308,484	(1,797,756)	47,510,728
Total general fund	$10,122,102	$6,709,539	$16,831,641"

Page 3, replace lines 3 and 4 with:

"Salaries and wages	$22,599,324	$3,712,292	$26,311,616
Operating expenses	16,982,918	3,460,951	20,443,869"

Page 3, replace lines 7 and 8 with:

"Total from mill and elevator fund	$40,057,242	$7,308,243	$47,365,485
Full-time equivalent positions	131.00	4.00	135.00"

Page 3, replace lines 23 through 25 with:

"Grand total general fund	$19,522,102	$6,709,539	$26,231,641
Grand total special funds	174,516,769	5,802,645	180,319,414
Grand total all funds	$194,038,871	$12,512,184	$206,551,055"

Page 4, replace line 5 with:

"Renewable energy development program	3,000,000	2,000,000"

Page 4, replace lines 11 through 13 with:

"Total all funds	$35,738,726	$2,709,400
Total special funds	30,360,574	0
Total general fund	$5,378,152	$2,709,400"

Page 4, after line 17, insert:

"**SECTION 3.** A new section to chapter 15-02 of the North Dakota Century Code is created and enacted as follows:

Authority to accept Lake Sakakawea lands.

If, through federal legislation, the United States army corps of engineers returns excess lands around Lake Sakakawea above an elevation of one thousand eight hundred fifty-four feet [565.098 meters] mean sea level and excess lands around Lake Oahe about one thousand six hundred twenty feet [493.766 meters] mean sea level, the board of university and school lands may accept the land on behalf of the state of North Dakota."

Page 7, after line 4, insert:

"**SECTION 13. TRANSFER TO OIL AND GAS RESEARCH FUND FROM PERMANENT OIL TAX TRUST FUND - GRANTS - BUDGET SECTION APPROVAL.** During the biennium beginning July 1, 2011, and ending June 30, 2013, the director of the office of management and budget shall transfer $4,000,000 from the permanent oil tax trust fund to the oil and gas research fund for the oil and gas research program. The moneys may be transferred only if the industrial commission has awarded grants totaling $4,000,000 from the oil and gas research fund during the 2011-13 biennium and upon approval by the industrial commission and budget section."

Page 7, line 15, replace "12" with "14"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1014 - Summary of Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Industrial Commission				
Total all funds	$63,633,777	$63,005,356	$1,337,013	$64,342,369
Less estimated income	46,716,149	47,522,658	(11,930)	47,510,728
General fund	$16,917,628	$15,482,698	$1,348,943	$16,831,641
Bank of North Dakota				
Total all funds	$56,253,155	$56,253,155	$0	$56,253,155
Less estimated income	46,853,155	46,853,155	0	46,853,155
General fund	$9,400,000	$9,400,000	$0	$9,400,000
Housing Finance Agency				
Total all funds	$38,590,046	$38,590,046	$0	$38,590,046
Less estimated income	38,590,046	38,590,046	0	38,590,046
General fund	$0	$0	$0	$0
Mill and Elevator				
Total all funds	$46,741,421	$46,539,135	$826,350	$47,365,485
Less estimated income	46,741,421	46,539,135	826,350	47,365,485
General fund	$0	$0	$0	$0
Bill total				
Total all funds	$205,218,399	$204,387,692	$2,163,363	$206,551,055
Less estimated income	178,900,771	179,504,994	814,420	180,319,414
General fund	$26,317,628	$24,882,698	$1,348,943	$26,231,641

House Bill No. 1014 - Industrial Commission - Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Salaries and wages	$11,844,607	$11,874,607	$337,013	$12,211,620
Operating expenses	3,478,744	3,493,744		3,493,744
Grants - Lignite research	19,971,300	19,971,300		19,971,300
Grants - Bond payments	25,339,126	25,389,733		25,389,733
Renewable energy development	3,000,000	1,000,000	1,000,000	2,000,000
Carbon Dioxide Storage Fund		532,000		532,000
Mineral resources contingency		743,972		743,972
Total all funds	$63,633,777	$63,005,356	$1,337,013	$64,342,369
Less estimated income	46,716,149	47,522,658	(11,930)	47,510,728
General fund	$16,917,628	$15,482,698	$1,348,943	$16,831,641
FTE	73.06	74.06	0.00	74.06

Department No. 405 - Industrial Commission - Detail of Senate Changes

	Adds Funding for Retention of Employees[1]	Adds Funding for Temporary Employees[2]	Restores Funding for Renewable Energy[3]	Changes Funding Source for Bond Payments[4]	Total Senate Changes
Salaries and wages	$247,013	$90,000			$337,013
Operating expenses					
Grants - Lignite research					
Grants - Bond payments					
Renewable energy development			1,000,000		1,000,000
Carbon Dioxide Storage Fund					
Mineral resources contingency					
Total all funds	$247,013	$90,000	$1,000,000	$0	$1,337,013
Less estimated income	0	0	0	(11,930)	(11,930)
General fund	$247,013	$90,000	$1,000,000	$11,930	$1,348,943
FTE	0.00	0.00	0.00	0.00	0.00

[1] This amendment adds funding for retention of Department of Mineral Resources staff.

[2] This amendment adds funding for temporary employees for the Geological Survey Division.

[3] This amendment restores $1 million of the $2 million of funding removed by the House for renewable energy development to provide a total of $2 million.

[4] This amendment adjusts funding for bond payments to reflect a decrease in special funds rather than the general fund as provided in the House version.

This amendment adds sections relating to a transfer from the permanent oil tax trust fund to the oil and gas research fund and to the authority of the Board of University and School Lands.

House Bill No. 1014 - Mill and Elevator - Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Salaries and wages	$26,311,616	$26,049,330	$262,286	$26,311,616
Operating expenses	19,879,805	19,879,805	564,064	20,443,869
Contingencies	400,000	400,000		400,000
Agriculture promotion	150,000	210,000		210,000
Total all funds	$46,741,421	$46,539,135	$826,350	$47,365,485
Less estimated income	46,741,421	46,539,135	826,350	47,365,485

General fund	$0	$0	$0	$0
FTE	135.00	131.00	4.00	135.00

Department No. 475 - Mill and Elevator - Detail of Senate Changes

	Restores FTE Positions and Funding Removed by House[1]	Adds Funding for Increased Energy Costs[2]	Total Senate Changes
Salaries and wages	$262,286		$262,286
Operating expenses		564,064	564,064
Contingencies			
Agriculture promotion			
Total all funds	$262,286	$564,064	$826,350
Less estimated income	262,286	564,064	826,350
General fund	$0	$0	$0
FTE	4.00	0.00	4.00

[1] This amendment restores funding for 4 FTE positions removed by the House, including 2 car checker positions, 1 sales representative position, and 1 laboratory technician position.

[2] This amendment increases funding for operating expenses due to increased energy costs.

Prepared by the Legislative Council staff for
Senate Appropriations
April 5, 2011

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1014

Page 1, line 4, after the second semicolon insert "to provide for budget section approval;"

Page 1, replace line 16 with:

"Salaries and wages	$9,321,995	$2,889,625	$12,211,620"

Page 2, replace lines 1 through 4 with:

"Renewable energy development	0	2,000,000	2,000,000
Total all funds	$59,430,586	$4,911,783	$64,342,369
Less estimated income	49,308,484	(1,797,756)	47,510,728
Total general fund	$10,122,102	$6,709,539	$16,831,641"

Page 3, replace lines 3 and 4 with:

"Salaries and wages	$22,599,324	$3,712,292	$26,311,616
Operating expenses	16,982,918	3,460,951	20,443,869"

Page 3, replace lines 7 and 8 with:

"Total from mill and elevator fund	$40,057,242	$7,308,243	$47,365,485
Full-time equivalent positions	131.00	4.00	135.00"

Page 3, replace lines 23 through 25 with:

"Grand total general fund	$19,522,102	$6,709,539	$26,231,641
Grand total special funds	174,516,769	5,802,645	180,319,414
Grand total all funds	$194,038,871	$12,512,184	$206,551,055"

Page 4, replace line 5 with:

"Renewable energy development program	3,000,000	2,000,000"

Page 4, replace lines 11 through 13 with:

"Total all funds	$35,738,726	$2,709,400
Total special funds	30,360,574	0
Total general fund	$5,378,152	$2,709,400"

Page 7, after line 4, insert:

"SECTION 12. TRANSFER TO OIL AND GAS RESEARCH FUND FROM PERMANENT OIL TAX TRUST FUND - GRANTS - BUDGET SECTION APPROVAL.

During the biennium beginning July 1, 2011, and ending June 30, 2013, the director of the office of management and budget shall transfer $4,000,000 from the permanent oil tax trust fund to the oil and gas research fund for the oil and gas research program. The moneys may be transferred only if the industrial commission has awarded grants totaling $4,000,000 from the oil and gas research fund during the 2011-13 biennium and upon approval by the industrial commission and budget section."

Page 7, line 15, replace "12" with "13"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1014 - Summary of Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Industrial Commission				
Total all funds	$63,633,777	$63,005,356	$1,337,013	$64,342,369
Less estimated income	46,716,149	47,522,658	(11,930)	47,510,728
General fund	$16,917,628	$15,482,698	$1,348,943	$16,831,641
Bank of North Dakota				
Total all funds	$56,253,155	$56,253,155	$0	$56,253,155
Less estimated income	46,853,155	46,853,155	0	46,853,155
General fund	$9,400,000	$9,400,000	$0	$9,400,000
Housing Finance Agency				
Total all funds	$38,590,046	$38,590,046	$0	$38,590,046
Less estimated income	38,590,046	38,590,046	0	38,590,046
General fund	$0	$0	$0	$0
Mill and Elevator				
Total all funds	$46,741,421	$46,539,135	$826,350	$47,365,485
Less estimated income	46,741,421	46,539,135	826,350	47,365,485
General fund	$0	$0	$0	$0
Bill total				
Total all funds	$205,218,399	$204,387,692	$2,163,363	$206,551,055
Less estimated income	178,900,771	179,504,994	814,420	180,319,414
General fund	$26,317,628	$24,882,698	$1,348,943	$26,231,641

House Bill No. 1014 - Industrial Commission - Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Salaries and wages	$11,844,607	$11,874,607	$337,013	$12,211,620
Operating expenses	3,478,744	3,493,744		3,493,744
Grants - Lignite research	19,971,300	19,971,300		19,971,300
Grants - Bond payments	25,339,126	25,389,733		25,389,733
Renewable energy development	3,000,000	1,000,000	1,000,000	2,000,000
Carbon Dioxide Storage Fund		532,000		532,000
Mineral resources contingency		743,972		743,972
Total all funds	$63,633,777	$63,005,356	$1,337,013	$64,342,369
Less estimated income	46,716,149	47,522,658	(11,930)	47,510,728
General fund	$16,917,628	$15,482,698	$1,348,943	$16,831,641
FTE	73.06	74.06	0.00	74.06

Department No. 405 - Industrial Commission - Detail of Senate Changes

Adds Funding for Retention of	Adds Funding for Temporary	Restores Funding for	Changes Funding Source	Total Senate Changes

	Employees[1]	Employees[2]	Renewable Energy[3]	for Bond Payments[4]	
Salaries and wages	$247,013	$90,000			$337,013
Operating expenses					
Grants - Lignite research					
Grants - Bond payments					
Renewable energy development			1,000,000		1,000,000
Carbon Dioxide Storage Fund					
Mineral resources contingency					
Total all funds	$247,013	$90,000	$1,000,000	$0	$1,337,013
Less estimated income	0	0	0	(11,930)	(11,930)
General fund	$247,013	$90,000	$1,000,000	$11,930	$1,348,943
FTE	0.00	0.00	0.00	0.00	0.00

[1] This amendment adds funding for retention of Department of Mineral Resources staff.

[2] This amendment adds funding for temporary employees for the Geological Survey Division.

[3] This amendment restores $1 million of the $2 million of funding removed by the House for renewable energy development to provide a total of $2 million.

[4] This amendment adjusts funding for bond payments to reflect a decrease in special funds rather than the general fund as provided in the House version.

This amendment adds sections relating to a transfer from the permanent oil tax trust fund to the oil and gas research fund and to the authority of the Board of University and School Lands.

House Bill No. 1014 - Mill and Elevator - Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Salaries and wages	$26,311,616	$26,049,330	$262,286	$26,311,616
Operating expenses	19,879,805	19,879,805	564,064	20,443,869
Contingencies	400,000	400,000		400,000
Agriculture promotion	150,000	210,000		210,000
Total all funds	$46,741,421	$46,539,135	$826,350	$47,365,485
Less estimated income	46,741,421	46,539,135	826,350	47,365,485
General fund	$0	$0	$0	$0
FTE	135.00	131.00	4.00	135.00

Department No. 475 - Mill and Elevator - Detail of Senate Changes

	Restores FTE Positions and Funding Removed by House[1]	Adds Funding for Increased Energy Costs[2]	Total Senate Changes
Salaries and wages	$262,286		$262,286
Operating expenses		564,064	564,064
Contingencies			
Agriculture promotion			
Total all funds	$262,286	$564,064	$826,350
Less estimated income	262,286	564,064	826,350
General fund	$0	$0	$0
FTE	4.00	0.00	4.00

[1] This amendment restores funding for 4 FTE positions removed by the House, including 2 car checker positions, 1 sales representative position, and 1 laboratory technician position.

[2] This amendment increases funding for operating expenses due to increased energy costs.

1014.4.16.11A

11.8157.02008
Title.
Fiscal No. 1

Prepared by the Legislative Council staff for
Representative Brandenburg
April 16, 2011

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1014

That the Senate recede from its amendments as printed on pages 1491-1494 of the House Journal and pages 1243-1246 of the Senate Journal and that Engrossed House Bill No. 1014 be amended as follows:

Page 1, replace line 16 with:

"Salaries and wages	$9,321,995	$2,889,625	$12,211,620"

Page 2, replace lines 1 through 4 with:

"Renewable energy development	0	1,500,000	1,500,000
Total all funds	$59,430,586	$4,411,783	$63,842,369
Less estimated income	49,308,484	(1,797,756)	47,510,728
Total general fund	$10,122,102	$6,209,539	$16,331,641"

Page 3, replace lines 3 and 4 with:

"Salaries and wages	$22,599,324	$3,650,006	$26,249,330
Operating expenses	16,982,918	3,460,951	20,443,869"

Page 3, replace lines 7 and 8 with:

"Total from mill and elevator fund	$40,057,242	$7,245,957	$47,303,199
Full-time equivalent positions	131.00	0.00	131.00"

Page 3, replace lines 23 through 25 with:

"Grand total general fund	$19,522,102	$6,209,539	$25,731,641
Grand total special funds	174,516,769	5,740,359	180,257,128
Grand total all funds	$194,038,871	$11,949,898	$205,988,769"

Page 4, replace line 5 with:

"Renewable energy development program	3,000,000	1,500,000
Temporary employees - Core library	0	90,000"

Page 4, replace lines 11 through 13 with:

"Total all funds	$35,738,726	$2,299,400
Total special funds	30,360,574	0
Total general fund	$5,378,152	$2,299,400"

Page 7, after line 4, insert:

"**SECTION 12. LEGISLATIVE INTENT - CORE LIBRARY HOUSING.** It is the intent of the sixty-second legislative assembly that the industrial commission not construct a new building or an expansion for the core library. If the existing location of the core library does not have sufficient space, the industrial commission may relocate the library to an existing state-owned facility."

Page 7, line 15, replace "12" with "13"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1014 - Summary of Conference Committee Action

	Executive Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Industrial Commission						
Total all funds	$63,633,777	$63,005,356	$837,013	$63,842,369	$64,342,369	($500,000)
Less estimated income	46,716,149	47,522,658	(11,930)	47,510,728	47,510,728	0
General fund	$16,917,628	$15,482,698	$848,943	$16,331,641	$16,831,641	($500,000)
Bank of North Dakota						
Total all funds	$56,253,155	$56,253,155	$0	$56,253,155	$56,253,155	$0
Less estimated income	46,853,155	46,853,155	0	46,853,155	46,853,155	0
General fund	$9,400,000	$9,400,000	$0	$9,400,000	$9,400,000	$0
Housing Finance Agency						
Total all funds	$38,590,046	$38,590,046	$0	$38,590,046	$38,590,046	$0
Less estimated income	38,590,046	38,590,046	0	38,590,046	38,590,046	0
General fund	$0	$0	$0	$0	$0	$0
Mill and Elevator						
Total all funds	$46,741,421	$46,539,135	$764,064	$47,303,199	$47,365,485	($62,286)
Less estimated income	46,741,421	46,539,135	764,064	47,303,199	47,365,485	(62,286)
General fund	$0	$0	$0	$0	$0	$0
Bill total						
Total all funds	$205,218,399	$204,387,692	$1,601,077	$205,988,769	$206,551,055	($562,286)
Less estimated income	178,900,771	179,504,994	752,134	180,257,128	180,319,414	(62,286)
General fund	$26,317,628	$24,882,698	$848,943	$25,731,641	$26,231,641	($500,000)

House Bill No. 1014 - Industrial Commission - Conference Committee Action

	Executive Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Salaries and wages	$11,844,607	$11,874,607	$337,013	$12,211,620	$12,211,620	
Operating expenses	3,478,744	3,493,744		3,493,744	3,493,744	
Grants - Lignite research	19,971,300	19,971,300		19,971,300	19,971,300	
Grants - Bond payments	25,339,126	25,389,733		25,389,733	25,389,733	
Renewable energy development	3,000,000	1,000,000	500,000	1,500,000	2,000,000	(500,000)
Carbon Dioxide Storage Fund		532,000		532,000	532,000	
Mineral resources contingency		743,972		743,972	743,972	
Total all funds	$63,633,777	$63,005,356	$837,013	$63,842,369	$64,342,369	($500,000)
Less estimated income	46,716,149	47,522,658	(11,930)	47,510,728	47,510,728	0
General fund	$16,917,628	$15,482,698	$848,943	$16,331,641	$16,831,641	($500,000)
FTE	73.06	74.06	0.00	74.06	74.06	0.00

Department No. 405 - Industrial Commission - Detail of Conference Committee Changes

	Adds Funding for Retention of Employees[1]	Adds Funding for Temporary Employees[2]	Restores Funding for Renewable Energy[3]	Changes Funding Source for Bond Payments[4]	Total Conference Committee Changes
Salaries and wages	$247,013	$90,000			$337,013
Operating expenses					
Grants - Lignite research					
Grants - Bond payments					
Renewable energy development			500,000		500,000
Carbon Dioxide Storage Fund					
Mineral resources contingency					
Total all funds	$247,013	$90,000	$500,000	$0	$837,013
Less estimated income	0	0	0	(11,930)	(11,930)
General fund	$247,013	$90,000	$500,000	$11,930	$848,943
FTE	0.00	0.00	0.00	0.00	0.00

[1] This amendment adds funding for retention of Department of Mineral Resources staff. The same as the Senate version.

[2] One-time funding is added for temporary employees for the Geological Survey Division. The same as the Senate version. A section is added to provide legislative intent regarding the housing of the core library.

[3] This amendment restores $500,000 of the $2 million of funding removed by the House for renewable energy development to provide a total of $1.5 million. The Senate restored $1 million.

[4] Funding for bond payments is adjusted to reflect a decrease in special funds rather than the general fund as provided in the House version. The same as the Senate version.

This amendment does not include a section added by the Senate relating to a transfer from the permanent oil tax trust fund to the oil and gas research fund.

House Bill No. 1014 - Bank of North Dakota - Conference Committee Action

The conference committee did not change the House version for the Bank of North Dakota. The Senate also did not make any changes to the House version.

House Bill No. 1014 - Housing Finance Agency - Conference Committee Action

The conference committee did not change the House version for the Housing Finance Agency. The Senate also did not make any changes to the House version.

House Bill No. 1014 - Mill and Elevator - Conference Committee Action

	Executive Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Salaries and wages	$26,311,616	$26,049,330	$200,000	$26,249,330	$26,311,616	($62,286)
Operating expenses	19,879,805	19,879,805	564,064	20,443,869	20,443,869	
Contingencies	400,000	400,000		400,000	400,000	
Agriculture promotion	150,000	210,000		210,000	210,000	
Total all funds	$46,741,421	$46,539,135	$764,064	$47,303,199	$47,365,485	($62,286)
Less estimated income	46,741,421	46,539,135	764,064	47,303,199	47,365,485	(62,286)

General fund	$0	$0	$0	$0	$0	$0
FTE	135.00	131.00	0.00	131.00	135.00	(4.00)

Department No. 475 - Mill and Elevator - Detail of Conference Committee Changes

	Provides Funding for Temporary Employees[1]	Adds Funding for Increased Energy Costs[2]	Total Conference Committee Changes
Salaries and wages	$200,000		$200,000
Operating expenses		564,064	564,064
Contingencies			
Agriculture promotion			
Total all funds	$200,000	$564,064	$764,064
Less estimated income	200,000	564,064	764,064
General fund	$0	$0	$0
FTE	0.00	0.00	0.00

[1] This amendment adds funding for temporary employees to be used as determined by the Mill and Elevator. The Senate restored funding for 4 FTE positions removed by the House--2 car checker positions, 1 sales representative position, and 1 laboratory technician position.

[2] This amendment increases funding for operating expenses due to increased energy costs. The same as the Senate version.