

2011 HOUSE FINANCE AND TAXATION

HB 1362

2011 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1362
January 31, 2011
#13678

☐ Conference Committee

Committee Clerk Signature

Mary Bruckner

Explanation or reason for introduction of bill/resolution:

A Bill relating to oil and gas impact loans from the legacy fund and to provide for repayment; and to provide an effective date.

Minutes:

See attached testimony #1, #2

Representative Onstad: Sponsor. Support. Please refer to attached testimony #1.

Representative Dave Weiler: In the case of Dunn County and the federal road project and Mountrail County, do you know that the monies that those counties are receiving from the federal flood program are they able to use that towards the matching? I know Mountrail County got \$53 million over the last two years and I'm just wondering if they are able to use any of that money for the 50-50 match that they need.

Representative Onstad: The flood control dollars when it goes to the counties are by formula and already set in place that 50% of it goes to the school districts that were flooded, 25% goes to the townships that lost land because of the flooding, and 25% stays with the county. They could utilize those dollars for that and they might be using part of it. But here's the problem they'll look at Mountrail County and say they have all those dollars in their road fund and they haven't been spending it and they have to explain to them that they are saving that to meet this match. So to turn that table around a bit and they say if you are saving these dollars you must not have the necessary needs that are out there that you are asking for. It says that we need this road because it is necessary. Yes the county did receive some funds but the formula had to go elsewhere at this point. They have about \$50 million of construction costs in a year and they are receiving about \$14-17 million and they are asking the county to save for a possible match down the road is hard for them.

Representative Dave Weiler: You said in your testimony that it is legal to use the legacy fund because it is paid back. Was that the way it was explained to you that it was okay to take money from the legacy fund? Because as we know it's untouchable until 2017 and I'm wondering where you received your information?

Representative Onstad: That information when the bill is being drafted Legislative Counsel said we could use the legacy fund because the dollars are there and they are

going to be investing those dollars somewhere. This would be an investment back to those counties that are responsible for those dollars. There is an interest rate attached to it.

Representative Dave Weiler: So it would take a 2/3 vote of the House and the Senate to access that money in the legacy fund, correct?

Representative Onstad: I don't believe so. I think the 2/3 vote would be required coming from the principle legacy fund used for something you have no intentions to replace. In this case, legacy fund is used as their source of funds. They are paying back the principle and interest goes back to the legacy fund. I think there is a difference there.

Chairman Wesley R. Belter: In this loan process is the Industrial Commission make the decision on if this loan is going to be made? Or who controls it?

Representative Onstad: I believe all the requests currently with the coal loan program goes to the State Land Board and the members of that include the Governor; not the Industrial Commission. We do have a representative from the State Land Department to explain how it's currently done with the Coal Loan Program. I believe the State Land Board is the one who receives the request and administers the loan.

Vice Chairman Craig Headland: Don't we already have a program set up to make loans to political subdivisions through the Bank of ND?

Representative Onstad: No, we don't. I believe the counties are unable to borrow money. They can probably borrow money but they can't spend it. We don't have that program. The other part of this that is similar to the Coal Loan Program, it didn't go to their total indebtedness which helped their situation out.

Vice Chairman Craig Headland: I used to sit on a township board and we borrowed from the county if we needed it but there was a time where we should probably go to the Bank of ND if we needed more. I think there may be a program there.

Representative Onstad: There may be but I am not aware of that.

Representative Patrick Hatlestad: If we take a look at page 2 line 15, if the political subdivision defaults on the loan what happens?

Representative Onstad: If there is a default on the loan because or if another entity takes over they have to maintain that repayment. The only reason for the default is if potential funds totally dried up and I don't see that really happening. If the funds from the Coal Loan Program dried up they would not be responsible for paying it back. That looks at the integrity of the Board requesting that this is a necessary arrangement and they feel comfortable that the payment is going to be made back. It is something that is copied from the Coal Loan Program and is continued. I'm not aware of any defaults in the last 30 years so I feel confident that this will be good too.

Representative Shirley Meyer: The legacy funds will be invested somewhere. They are not just going to sit in the bank account and not be invested. They will be invested as the

overall financial picture. However, this just gives us an opportunity for the counties so that we can invest the legacy fund back in the counties where it is coming from, is that correct?

Representative Onstad: That is correct. It is not just going to sit there. When you think of where the dollars from the legacy fund originated and that would be a worthwhile program for some of these funds to come out of the legacy fund for whatever the situation is because they are impacted. It is going back to it and at a higher interest rate. This would be a good program to maintain a level investment for the legacy fund.

Joel Gilbertson, Attorney in Bismarck for the City of Williston: Support. Please refer to attached testimony #2.

Sandy Clark, ND Farm Bureau: Opposition. We don't deny the needs of oil counties and those political subdivisions; certainly they have a great deal of need. However, our concern is that this set a real precedence in the state and all of a sudden every political subdivision around the state would want to borrow from the legacy fund. Even under that premise the state could start borrowing from the legacy fund. We think that these monies need to be invested for the highest possible return. Lending money from the fund for this purpose at 4% interest we think that hampers the investment growth opportunity for the fund. When voters passed the legacy fund in the election last fall they intended for this to be a savings account for the state and a fund that would continue to grow over time. We don't believe they intended this to be a banking source or a bank for oil and gas producing counties or any state agency or political subdivision. The way that I understand the constitution reads is that only the interest earnings can be spent. If we begin to use this as a low interest borrowing source we don't believe it will generate enough earnings to really be able to provide a revenue stream through the future for this state. Those funds wouldn't be able to be spent until after 2017 and if you start borrowing against it now we believe it won't meet that long term objective. We think that we already have impact grant funds and other sources of revenue to help those western counties. Again I want to reiterate we certainly do not deny the need out there because there certainly is a need. We would urge a do not pass on 1362.

Representative Shirley Meyer: The Farm Bureau would rather these monies be invested in Wall Street rather than being invested in our own counties that provided this income?

Sandy Clark: I think there can be a combination of investments. That is why the State Investment Board would make those determinations. Not to say that there is never an opportunity to invest in North Dakota but these are 4% loans and over time there may be more opportunity to have greater than a 4% interest.

Representative Shirley Meyer: 4% interest looks pretty nice. We've had a lot of investments that have not earned that much interest. When you look at the overall picture of where we want our monies invested I would hope that the Farm Bureau would like to invest in North Dakota.

Representative Shirley Meyer: Would the landlord answer a question? Would you explain how well this has worked for the coal impacted counties?

Jeff Engleson, ND Land Department: I've only been involved in it for the past few years. Over time, especially in the early 80s it was used during the boom times when we were just building up. Now we are actually seeing an increase in loans. For example, McLean County's courthouse and their Law Enforcement Center are two recent loans as in Center they wanted to add on to town because of all the retirees and they were worried about housing so they used the program to borrow money to build road and sewer for a subdivision. I guess over time it has worked pretty well.

Representative Shirley Meyer: Has there ever been a default on those loans?

Jeff Engleson: No.

Representative Lonny B. Winrich: What sort of interest rates are you earning now with the investments you make on the Land Board?

Jeff Engleson: It depends on which fund you're talking about. We invest for different purposes. Different trusts have different investment strategies depending on what their purpose is. Right now the coal loans are made out of the coal development trust fund where we invest in a relatively short term 1-3 year fixed income goal. The reason for that is because that loan is specifically designated to make loans so we invest in short term because we never know when a new loan program will come up. I'm not sure how the legacy fund is going to be invested. In the case of coal loans it is specifically designated to make loans from.

Representative Patrick Hatlestad: Can you tell me what the interest rate is for a coal loan?

Jeff Engleson: The last couple loans we approved have been at 3.75% for a 20 year loans. That isn't too far out of the market right now; it's real close to market rate. The need for a low interest rate loan isn't there as much as in the past so we are pretty much at market rates.

Representative Mark S. Owens: Is there a limit to the interest rate for these coal loans?

Jeff Engleson: The limit is 6% for those but that limit was set back in the early 80s when 6% was a huge subsidized rate. Treasury rates were well into the teens at that point in time.

Vice Chairman Craig Headland: I don't see anywhere in this bill that talks about the size of the loans. Are there any limits or parameters on how big these loans can be?

Jeff Engleson: We would base that on their ability to repay it which would be the coal tax revenues that are going to that particular entity. We aren't going to let them borrow twice as much money as they have coming in every month to repay it. In McLean County they are pushing it now. They are dedicating most of their coal tax revenues to building projects such as the Courthouse and the Law Enforcement Center.

Vice Chairman Craig Headland: Are there any other programs available to these political subdivisions that could aid in this type of venture possibly through the Bank of ND?

Jeff Engleson: No, I'm not aware of any particular subsidized programs with the Bank of ND.

Representative Mark S. Owens: Out of the coal loan program can you borrow based on the promise or can these entities borrow based on the promise of coal development where there is none yet?

Jeff Engleson: Yes, they can. Obviously that is something we would look at. It can happen before production actually starts. It's been 30 years since that's been done so I'm not quite sure how we would do it right now.

Chairman Wesley R. Belter: No further testimony. Closed hearing on HB 1362.

2011 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1362
January 31, 2011
#13730

☐ Conference Committee

Committee Clerk Signature

Mary Bruckner

Explanation or reason for introduction of bill/resolution:

A Bill relating to oil and gas impact loans from the legacy fund and to provide for repayment; and to provide an effective date.

Minutes:

No attachments.

Chairman Wesley R. Belter: From my perspective it seems to me that the legacy fund hardly got started yet and we're already passing out the money.

Representative Shirley Meyer: This has a delayed effective date and with that this is a win-win for the legacy fund and for our oil producing counties. It's worked so well with our coal conversion counties. That's what they used. Your development always starts before you get any monies back and even if it was the application where you could apply for a loan to cover these federal....Dunn County lost a tremendous amount of money with federal aid because we had no money in the budget so we had no money for the match so we had no project. If this would have been in place we could have borrowed against future revenue. It doesn't hurt the legacy fund, it enhances it. You can talk to the State Land Department and they will tell you this is how in the coal counties when the development is so intense up front then this kind of mechanism was there so they could borrow to deal with their development costs against their incoming revenues. You're going to get revenues; we've seen that in Dunn, Mountrail, and all these oil producing counties.

Chairman Wesley R. Belter: There is a difference here to the extent that the coal was just legislative action and the legacy fund is a constitutional amendment.

Representative Shirley Meyer: In visiting with Legislative Counsel the fact that it is a constitutional amendment is irrelevant in this case. The monies from the legacy fund do not sit in an account in the bank and sit there. The money from the legacy fund will be invested. They will be invested in every kind of investment we make in North Dakota from Wall Street to everywhere. It doesn't just sit there like you would think. In reality this money will be invested. The point being can we invest it back in the counties at a substantially good interest rate? If they don't need it they won't use it.

Representative Dave Weiler: I have no doubt the way the coal one works is a success and I don't doubt someday in the future the legacy fund could be used for that nor can they use the Bank of ND currently. Why can't they use the Bank of ND for that? Representative Weiler read the bill to the committee.

Representative Shirley Meyer: There is expending and there is investing. Those funds do not sit in a bank account and do nothing. Those funds will be invested. We had cleared this with Legislative Counsel and they said that's how all funds in North Dakota are handled. They don't just sit there in the bank; they are invested, as the legacy fund will be. This has a delayed date of July 1, 2012 so the monies will have accrued for one year in the legacy fund and then this is an investment tool for the counties. We asked that specific question and this was a win-win for your legacy fund and for the counties. Expending it does not mean they are not going to invest it, they will invest these monies. The question here is where.

Chairman Wesley R. Belter: Going back to the bill, was there any parameters in how much of the legacy fund could be lent out?

Representative Shirley Meyer: That would be up to the State Land Board as they do with the coal counties. They decide the amount and they base it on what they determine your income coming in from a county or city. It's written exactly like the coal legislation was written.

Chairman Wesley R. Belter: My concern is that from perspective I would want the legislature to lay out that if we are going to do this only a certain percentage of the legacy fund would be available for the type of lending that is in this bill.

Representative Shirley Meyer: It was my understanding in visiting with Legislative Counsel that there is a built in mechanism so that the State Land Board does not put in exactly what that level is.

Representative Roscoe Streyle: We are saying 4% is a great rate of return and yet TFFR is saying they can guarantee 8%. When the other side of the government is saying oh no we can guarantee you we can get you an 8% return. Just a point.

Representative Shirley Meyer: To respond to Representative Weiler's first question, there is in statute a mechanism for the counties to borrow, however, it cannot be worked because you cannot spend it. So it is never done.

Representative Dave Weiler: Is that in regards to the Bank of ND?

Representative Shirley Meyer: I will have to check. We had this; we were trying to use this mechanism in Dunn County two years ago because when development starts the impact is unbelievable. We tried to use that mechanism and then we were informed that you can borrow the money and we were excited about it, however, you can't spend it. It's in there so I can find it and provide it for you.

Representative Dave Weiler: Who in Legislative Counsel told you we can spend the legacy fund?

Representative Shirley Meyer: Mr. Walstad. It's a complete parallel and he researched it before we asked for this and he said that is exactly what they did to help the coal. When your development comes there is no money to deal with this and we know the money will be there but many times it will be one or two years delayed.

Representative Dave Weiler: Did Mr. Walstad also say it would take a 2/3 vote then?

Representative Shirley Meyer: No. You're not spending the money from the legacy fund; you are using it as an investment tool; its two different things. The money in your legacy fund is going to be invested. It's just where. We will not sit down as a legislature and come up with a 2/3 vote on where the State Investment Board is going to invest these dollars.

Representative Dave Weiler: I agree with that. We just have a disagreement there. I think it's pretty clear that you can't touch the legacy fund but we'll have to get that clarified I guess.

Representative Roscoe Streyle: I think Representative Meyer is correct on the counties can't borrow. I know us as a bank we have lent money to townships. I guarantee you they can borrow money because we have actually done it to townships that are short. I don't believe counties can come to any bank.

Representative Dave Weiler: Is that because of state law?

Representative Roscoe Streyle: I couldn't answer that but I know as a bank we have lent to a township. That might be an issue that needs to be addressed or if we don't want them to go down that path then leave it alone.

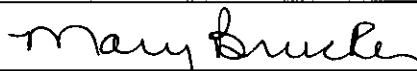
Chairman Wesley R. Belter: Let's move on.

2011 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1362
February 9, 2011
#14260

☐ Conference Committee

Committee Clerk Signature	
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Explanation or reason for introduction of bill/resolution:

A Bill relating to oil and gas impact loans from the legacy fund and to provide for repayment; and to provide an effective date.

Minutes:

No attachments.

Representative Shirley Meyer: I have requested that Mr. Walstad come down and explain the funding mechanism because there were questions on that.

Vice Chairman Craig Headland: I did discuss this with the Attorney General's office and there are some constitutional problems in doing this. It would take extensive amendments to make this workable.

Representative Shirley Meyer: That's why Mr. Walstad should explain this further.

Representative Dave Weiler: When you visited with the Attorney General did you bring up the idea of whether or not this is going to take a 2/3 vote out of each house?

Vice Chairman Craig Headland: That is not one of the questions I asked, however, in the document that they emailed me that I haven't had a chance to review yet, they may have answered that. I just happened to notice here it says these loans are made from the legacy fund, however, the principle and earnings from the legacy fund may not be expanded until June 30, 2017 and the expenditure of principle after that date requires a vote of at least 2/3 of the members elected to each house of the assembly. If these loans are to be constitutional then they must be regarded as investments.

Representative Shirley Meyer: Once again we are not expending these monies. They are being invested. As many of our constitutional funds currently are being invested without a 2/3 vote, it's done now. The monies do not sit in the bank of ND just in a little account that doesn't do anything. These funds are all invested.

Chairman Wesley R. Belter: We will adjourn until this afternoon.

2011 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1362
February 9, 2011
#14268

☐ Conference Committee

Committee Clerk Signature

Mary Brucher

Explanation or reason for introduction of bill/resolution:

A Bill relating to oil and gas impact loans from the legacy fund and to provide for repayment; and to provide an effective date.

Minutes:

No attachments.

Representative Shirley Meyer: I just want you to with this bill and we've had the discussion that it would take 2/3 vote if it's legal that we do this and I would just like you to explain the similarity between this and what we do currently with the coal.

John Walstad, Tax Department: The bill was put together after we discussed options for making funds available. I patterned it closely after the Coal Trust fund Loan Program that is in statute, maybe too closely because I put the Board of University and School Lands in as the lender and that should probably be the State Investment Board. The legacy fund is to be invested by the Investment Board. There is no specific constitutional authority to make loans from the legacy fund but investments of the funds in the legacy fund is permitted and directed. When you and I were discussing it there are two options, one is that a loan from the fund is not really an expenditure of the fund balance, the other argument to be made for it is a loan from the fund is an investment. The money has to be invested somehow. It seems to me that investing by loaning to a political subdivision that we'll have a guaranteed stream of oil revenue to repay from is pretty reasonable investment. The State Investment Board's only limitation on loans is the prudent investor rule which means it's got to be a pretty solid loan. I think the one thing that I would change is change the Board of University and School Lands to the State Investment Board then I think the argument is this is an investment from the fund. The other thing that might need to be added which I hadn't thought about before is giving political subdivisions the authority to receive the money and use the money. There might be something in existing law that covers that but it might not be a bad idea to include it here so that it doesn't become an issue. Does that help?

Chairman Wesley R. Belter: This last authority, what do we need?

John Walstad: The authority to accept the proceeds of the loan and to expend the money? I would just tack something on at the end, another subsection. I can take care of that.

Representative Shirley Meyer: It doesn't have an appropriation on it so would it have to go out today?

Chairman Wesley R. Belter: I suppose we wouldn't have to, we could let it go until Monday.

Representative Shirley Meyer: I would move those amendments.

Chairman Wesley R. Belter: Is the committee comfortable in moving John's amendment that we haven't seen?

Representative Patrick Hatlestad: Every place the University and School Land will now be replaced by the State Investment Board?

John Walstad: That's correct. Then a subsection would be tacked on to the end of the list saying that an eligible city, county, or school district may accept and expend the proceeds of a loan under this section.

Chairman Wesley R. Belter: Why don't you draft us these amendments so we have them for Monday?

Representative Dave Weiler: We've heard from Representative Headland who has spoken with the Attorney General's office and all the constitutionality problems with this proposed piece of legislation. There's not even money in this fund yet and the Treasurer doesn't even have authority to transfer money to the fund. There's a bill apparently coming in the second half that is going to address that. I would hope this committee does not start the assault on the legacy fund six years before we are constitutionally allowed to take money out of the fund. If you want to wait until Monday for the amendments that is fine but I would certainly hope that this committee gives this strong consideration about what we're about to do if we're thinking of passing this bill.

Representative Shirley Meyer: In response to that just a little bit, this bill has a delayed effective date of July 1, 2012, it does not become effective until then. Under the estimates there should be a substantial amount of money in there by 2012. Representative Headland posed the question to the Attorney General can the monies be spent from the legacy fund and I totally agree with that. Mr. Walstad just said this does not allow the funds to be spent; it allows them to be invested at a very good rate, a very safe investment. If you really like the legacy fund this gives our counties a tool and also gives a complete investment. These monies are going to be invested. This will allow them to be invested in our local political subdivisions that need the money at a safe rate instead of having them invested on Wall Street.

Chairman Wesley R. Belter: Committee members we will wait until Monday and debate it then.

Representative Lonny B. Winrich: I'm not sure what is being referred to here with all the constitutional problems. If this is the only one dealing with the legacy fund but if there are other constitutional problems I think we should hear from someone in the Attorney General's office also.

Chairman Wesley R. Belter: We can take it up on Monday.

2011 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1362
February 14, 2011
#14531

☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A bill relating to oil and gas impact loans from the legacy fund and to provide for repayment; and to provide an effective date.

Minutes:

No attachments.

Representative Shirley Meyer: I've had amendments drafted and I talked to the attorney general's office and they were going to weigh in on this but they didn't have time until tomorrow.

Chairman Wesley R. Belter: Will they have that tomorrow?

Representative Shirley Meyer: Yes, I guess so. They said they would.

Chairman Wesley R. Belter: We have other amendments.

Representative Roscoe Streyle: I have examples here why I think the 4% rate is absolutely ridiculously low; we have McLean County 4.66% for a 15 year bond, Fargo Sanford 5.75% for a 20 year bond, Cass County Healthcare 26 year at 5.27%. So I would not support a 4% fixed rate. That is absolutely not a good investment for that fund.

Representative Shirley Meyer: I have the five year average of the investments made by the state land board and they are at 3.66%. I think also our Bank of North Dakota CD rate is .25%.

Chairman Wesley R. Belter: We will hold this until tomorrow for the information Representative Meyer requested.

2011 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1362
February 15, 2011
#14551

☐ Conference Committee

Committee Clerk Signature

May Buckner

Explanation or reason for introduction of bill/resolution:

A bill relating to oil and gas impact loans from the legacy fund and to provide for repayment; and to provide an effective date.

Minutes:

See attached amendments.

Representative Shirley Meyer: Distributed and explained amendments. Please refer to attached amendments. This amendment is to the oil and gas impact loans and clarifies that the State Investment Board would be making the investments. **I would move this amendment.**

Representative Scot Kelsh: Seconded.

Representative Dave Weiler: I'm a little puzzled by this because the State Investment Board is already the one that is making the investments for the legacy fund.

Representative Shirley Meyer: This gives them the authority to make this investment with the counties so that they can borrow as a county entity against the legacy fund.

Representative Dave Weiler: They already have that authority. The State Investment Board already has the authority to invest the money for the funds that are in the legacy fund or when they eventually get there.

Representative Shirley Meyer: That is true but they currently don't have the authority to borrow to the counties and allowing them to expend the funds. They do not have that authority to do that currently.

Representative Dave Weiler: They have the authority to invest the funds wherever they choose to invest them so why do we need to single out the counties?

Representative Shirley Meyer: I do not believe that they do. This is the mechanism so that they can invest in our counties. They currently do not have that mechanism where they can do that. This language is based almost identically to what we do currently with our coal impact loans. That has worked very well. There has never been a loan that has been

defaulted on. It has been a win-win for our coal counties and we're just trying to extend the same thing to our oil and gas producing counties.

Chairman Wesley R. Belter: On my bill I had crossed out the board of university and school lands

Representative Shirley Meyer: That's what this does.

Chairman Wesley R. Belter: inaudible

Representative Shirley Meyer: That was from Mr. Walstad's recommendation to just clarify.

Vice Chairman Craig Headland: That came from the Attorney General's office. He talks about the state investment board controlling the investments of the legacy fund not the board of university and school lands.

Chairman Wesley R. Belter: But I believe it was Mr. Walstad who made the suggestion.

Representative Dwight Wrangham: The coal impact counties have been referenced and the grant program or loan program. Is it a loan program and where does that money come from?

Representative Shirley Meyer: Mr. Traynor is in the audience and he can answer that question better than I could.

Terry Traynor, ND Association of Counties: I know it's a loan program and the most recent example is the McLean county courthouse and the financing for that was through the coal impact fund and the money comes from the coal conversion tax revenue that goes into that fund. There is specific language that allows for the loaning or investing of that money with the counties.

Representative Dwight Wrangham: The coal impact fund?

Terry Traynor: Severance tax fund.

Chairman Wesley R. Belter: We've had a motion to adopt the Meyer amendments and a second. **Voice vote taken: MOTION CARRIED.**

Representative Bette Grande: Made a motion for a **DO NOT PASS AS AMENDED.**

Representative Roscoe Streyle: **Seconded.**

Vice Chairman Craig Headland: I think there are other problems with the bill and one of them indicates that there are two instances in which principle and interest from a loan may never be recovered. That would indicate a very unwise investment of the state investment board. This is language from the Attorney General's office. It talks about loans made in advance of the actual oil and gas production must provide that repayment is to begin when

the borrowing county or city or school district receives allocation from the gross production tax. What happens if the well is never drilled or it's not as successful? The bill implies that they don't have to pay it back and I think that puts the state investment board in a really precarious position.

Representative Shirley Meyer: Your State Investment Board is looking at these counties and we have oil revenue coming in and it would be up to them but this is just another tool in the tool chest to allow these counties that are being hit so terribly with this up front impact and then not have the ability to cover this impact. The oil is there and coming in it is just this delayed effect of the impacts up front before we ever get any monies back to the counties. This just gives them another tool and if the state investment board doesn't think it's a good investment they won't make the investment. It's a guaranteed loan; they virtually cannot default on this because the monies are withheld from future production.

Representative Roscoe Streyle: I still have a huge problem of a 4% fixed loan which is a terrible investment for the state. It might be good for that one oil producing county but there are 46 others which have citizens in them aren't going to realize it. With the rising interest rate environment I think this is a terrible investment over the long haul.

**A roll call vote was taken for a DO NOT PASS AS AMENDED.
YES 9 NO 5 ABSENT 0—MOTION CARRIED.**

Representative Dave Weiler will carry HB 1362.

JK
2/15/11

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1362

Page 1, line 1, remove "create and enact section 57-62-03.2 of the North Dakota Century Code,"

Page 1, line 2, replace "relating to" with "provide for"

Page 1, line 5, remove "Section 57-62-03.2 of the North Dakota Century Code is created and enacted"

Page 1, remove line 6

Page 1, line 7, remove "57-62-03.2."

Page 1, line 8, replace "board of university and school lands" with "state investment board"

Page 1, line 8, after "make" insert "investments of the legacy fund by making"

Page 1, line 9, after "districts" insert an underscored comma

Page 1, line 10, after "production" insert an underscored comma

Page 1, line 11, after "permitting" insert "in the county"

Page 1, line 12, replace "a" with "an impact"

Page 1, line 12, remove "pursuant to this chapter"

Page 1, line 13, replace "board of university and school lands" with "state investment board"

Page 1, line 14, remove "energy development impact"

Page 1, line 14, after "office" insert "administering oil and gas impact funding"

Page 1, line 15, replace "board of university and school lands" with "state investment board"

Page 1, line 16, replace "within the provisions of this chapter" with "under this section"

Page 2, line 9, replace "board of university and school lands" with "state investment board"

Page 2, line 17, replace "board of university and school lands" with "state investment board"

Renumber accordingly

Date: 2-15-11
Roll Call Vote # 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1362

House Finance and Taxation 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 Rep. Meyer Seconded By Rep. Kelsh

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter			Scot Kelsh		
Vice Chair. Craig Headland			Shirley Meyer		
Glen Froseth			Lonny B. Winrich		
Bette Grande			Steven L. Zaiser		
Patrick Hatlestad					
Mark S. Owens					
Roscoe Streyle					
Wayne Trottier					
Dave Weller					
Dwight Wrangham					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

VOICE VOTE

MOTION CARRIED

Date: 2-15-11
Roll Call Vote # 2

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1362

House Finance and Taxation 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 Rep. Grande Seconded By Rep. Streyle

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter	✓		Scot Kelsh		✓
Vice Chair. Craig Headland	✓		Shirley Meyer		✓
Glen Froseth	✓		Lonny B. Winrich		✓
Bette Grande	✓		Steven L. Zaiser		✓
Patrick Hatlestad		✓			
Mark S. Owens	✓				
Roscoe Streyle	✓				
Wayne Trottier	✓				
Dave Weiler	✓				
Dwight Wrangham	✓				

Total (Yes) 9 No 5

Absent Ø

Floor Assignment Rep. Weiler

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

REPORT OF STANDING COMMITTEE

HB 1362: Finance and Taxation Committee (Rep. Belter, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO NOT PASS** (9 YEAS, 5 NAYS, 0 ABSENT AND NOT VOTING). HB 1362 was placed on the Sixth order on the calendar.

Page 1, line 1, remove "create and enact section 57-62-03.2 of the North Dakota Century Code,"

Page 1, line 2, replace "relating to" with "provide for"

Page 1, line 5, remove "Section 57-62-03.2 of the North Dakota Century Code is created and enacted"

Page 1, remove line 6

Page 1, line 7, remove "57-62-03.2."

Page 1, line 8, replace "board of university and school lands" with "state investment board"

Page 1, line 8, after "make" insert "investments of the legacy fund by making"

Page 1, line 9, after "districts" insert an underscored comma

Page 1, line 10, after "production" insert an underscored comma

Page 1, line 11, after "permitting" insert "in the county"

Page 1, line 12, replace "a" with "an impact"

Page 1, line 12, remove "pursuant to this chapter"

Page 1, line 13, replace "board of university and school lands" with "state investment board"

Page 1, line 14, remove "energy development impact"

Page 1, line 14, after "office" insert "administering oil and gas impact funding"

Page 1, line 15, replace "board of university and school lands" with "state investment board"

Page 1, line 16, replace "within the provisions of this chapter" with "under this section"

Page 2, line 9, replace "board of university and school lands" with "state investment board"

Page 2, line 17, replace "board of university and school lands" with "state investment board"

Renumber accordingly

2011 TESTIMONY

HB 1362

Testimony for HB 1362

Good Morning Mr. Chairman and members of the Finance and Tax Committee

Kenton Onstad, Parshall, District 4

HB 1362 creates a new program but it is not a new concept. HB 1362 creates a loan program for impacted Oil Producing Counties. This program is similar to our Coal Loan Program for impacted Coal Counties. The Coal Loan program is still current and has been a successful program since its enactment

Attached pages describes a brief history of the coal Loan Program

HB 1362 is identical to the Coal Loan Program. Oil producing counties replaced coal counties and the source of the funds is the Legacy Fund. It is legal to use the Fund as it is paid back. If you recall discussion during the last session it was a possible use of the Fund.

The State Land Department would administer and approve any requests.

It also has a delayed effective date to July of 2012. Reason to allow the current funding possibilities for Oil Counties to be enacted first.

HB 1362, if enacted, would be helpful for Counties, Cities and School Districts impacted by the oil and gas development.

I would like to provide a few examples:

Dunn County had a Federal Road Project. They didn't have the necessary match and the deadline was missed. They could of used this fund.

Mountrail County and the Us Air Force has a 14 million dollar road project and it is a 50-50 participation. Traffic warrants paving of this 11 mile stretch which provides access to several missile sites and a control center. The county is currently putting money aside for the next 3 years to be ready for the construction period. This money they are setting aside for the match in 3 years could be used for necessary projects now. Mountrail County could benefit by this program.

The City of Stanley has found them selves in need of expanding their current lagoon system because of the addition of mancamps in the area. The city has reached their bonding limits and can't find funds to work. They too would benefit from this program.

Mr. Chairman, I have explained the program. It is not a complete cure but provides a tool that could be used. I hope you can give HB 1362 a Do Pass recommendation.

Thank you

Testimony #2



P.O. Box 1306
Williston ND 58802-1306
PHONE: 701-577-8100
FAX: 701-577-8880
TDD State Relay: 711

Bill No.: HB 1362

Hearing Committee: House Finance and Tax

Date: Monday, January 31, 2011

Honorable Chairman Belter and Committee Members,

The City of Williston is in support of HB 1362. As a part of the Bakken oil play Williston is experiencing very rapid growth. Since this growth is occurring so rapidly, we need state assistance in order to develop the infrastructure and housing needed for our rapidly growing population.

While we have been fortunate the past few years to have some vacant lots and subdivisions, we don't have any vacant lots available for additional growth, so we are in the process of building new subdivisions and expanding our community beyond our traditional borders. We fully expect that our community will double in size in but a few short years. Were this growth to occur gradually over a longer period of time, we could conceivably finance this growth on our own.

We feel that the Bakken play is a long term proposition, but our bonding companies still look at these investments when determining our bond ratings. Having the backing of the state of North Dakota would make our needed expansions more feasible to bring to reality.

In the unlikely event of a "bust", the city would not be brought to its heels. The state has more to gain financially from oil development than a city does; therefore we feel that the state should also share in the risks associated with this growth.

The state guarantee would act like a big brother to assist our communities that are trying everything possible to accommodate this rapid growth, without putting us into financial jeopardy trying to develop and sustain a growing economy and new and substantial state tax income streams that can be beneficial for all of North Dakota for many years to come.

Please support HB 1362 with a "Do Pass" recommendation.

Kind Regards,

E. Ward Koeser
Chairman, Williston City Commission