

January 28, 2021 Senate Appropriations Committee

Chairman Holmberg and Members of the Senate Appropriations Committee

My name is Tim Mathern. I am the Senator from District 11 in Fargo and bring the bonding bill SB 2040 for your consideration. The concept is a pure public policy proposal where the legislature recognizes a need, establishes a funding mechanism with guiding parameters, and gives the executive branch the tools to deliver an outcome. No new agencies or programs are created, we use what we have.

Passage of this bill would authorize the ND Public Finance Agency to issue up to \$2 billion of appropriation bonds during the 2021-23 biennium to satisfy important needs in infrastructure, education, and housing. The bonds would have a term of 25 years and the interest rate would be determined based on the market. The Public Finance Authority would be authorized to issue bond anticipation notes or borrow from the Bank of North Dakota, which would provide temporary financing prior to the issuance of the bonds. The repayment of the bonds would be from the general fund, derived from Legacy Fund earnings or Bank of North Dakota profits that are transferred to the general fund or other sources. If the bonds were issued with an annual interest rate of 2 percent, a term of 25 years, and financing costs of 2 percent, the estimated appropriation needed for the repayments would be approximately \$209 million per biennium.

Up to \$230 million of the bond proceeds would be deposited in the municipal infrastructure fund (\$115 million) and the county and township infrastructure fund (\$115 million). These two funds were created by the 2019 Legislative Assembly (Operation Prairie Dog) and receive allocations as a part of the state's share of oil and gas tax revenue. Due to the decrease in oil prices and production in the 2019-21 biennium, these funds will likely receive less oil and gas tax revenue allocations. Some of the bond proceeds would be used to replace the potential shortfall. After the bond proceeds are deposited in the funds, the money would be distributed pursuant to the formulas provided in- existing law.

Of the bond proceeds, \$750 million would be deposited in the school construction assistance revolving loan fund. Under current law, school districts are eligible to apply for loans of up to \$10 million from the fund. The bill amends statutory provisions relating to the fund to allow area career and technology centers and institutions under the control of the state board of higher education to access loans of up to \$50 million from the fund. Loans from the fund have a term of 20 years and an interest rate of up to 2 percent. As the loans are repaid to the fund, the proceeds

are available for new loans. The interest payments from the loans increase the size of the fund allowing additional proceeds to be loaned out. I estimate that the school fund would have an extra \$1 billion to be used for future projects when initial school paybacks are concluded.

The housing incentive fund would receive a deposit of \$250 million from the bond proceeds. The housing incentive fund provides grant funding for housing projects that address unmet needs for low-income and moderate-income families. Developers may use the funds to build or rehabilitate multifamily housing or as matching funds for federal housing programs. The Housing Finance Agency must direct a portion of the funding to small developing communities in the state.

The remaining bond proceeds of \$770 million would be distributed to counties and townships for road and bridge construction projects. The distributions to counties and townships would be based on the Upper Great Plains Transportation Institute's road and bridge needs study. The distribution to each county would be proportional to its needs as identified in the study, and townships would receive an allocation from each county's share. Each township would receive an equal allocation.

This bill grabs the economic opportunity of low interest rates to rebuild our economy challenged by the COVID pandemic and sets us up for a positive future.

I also have an amendment which I will hand out which I ask you to make to the bill. It takes advantage of the comment made by Mr. Panos to our Committee that we could do better by running county and township dollars through DOT to take advantage of federal dollars to a greater extent than we are at the present method. And if you are courageous you could attach an emergency clause so we can get right to work!

While I can take questions now, I also want you to know Representative Boschee will share more robust rationale for the bill and Senator Heckaman will share specific examples of the bill meeting needs in our state.

Thank you.