

2009 HOUSE APPROPRIATIONS

HB 1550

2009 HOUSE STANDING COMMITTEE MINUTES

HB 1550

House Appropriations Committee

Check here for Conference Committee

Hearing Date: January 28, 2009

Recorder Job Number: 7955

Committee Clerk Signature *Holly N. Sand*

Minutes:

Chm. Svedjan opened the hearing on HB 1550 which also deals with the Budget Stabilization Fund.

Rep. Merle Boucher, District 9, approached the podium to introduce HB 1550 and distributed testimony (Attachment A). Rep. Boucher reviewed his written testimony. Rep. Boucher referred to HB 1550, p. 3, for the definition of "emergency." Rep. Boucher discussed different emergencies that have occurred such as the flood of 1997 and the issue of the national financial crisis. Rep. Boucher discussed the line of credit authorization for emergencies which is in Section 2 of HB 1550. There are guidelines for extending the line of credit. Lines 25-30 of HB 1550 authorize the process to pay the line of credit from the Budget Stabilization Fund. Rep. Boucher pointed out that the Budget Stabilization Fund is meant to stabilize the budget and he would like it to be used for that purpose. Rep. Boucher concluded his remarks. (1:53)

Chm. Svedjan: The way the law is right now, if revenues drop 2.5 percent or more relative to what was forecast, that triggers the use of the Budget Stabilization Fund. Your focus is on the Expenditure side, not on the Revenue side. What you are proposing seems to take the Governor out of the picture. That is to say that if for some unforeseen reason an agency or institution experiences increased expenditures due to a disaster or a significant change as it's stated on the top of page 2, significant inflationary increases, then that agency would be given

the authority to get the line of credit and to take care of that shortfall through the process you've described. It takes the Governor out of the position out of doing an allotment. That compares to the way the law reads right now. What is your response? Am I wrong on that or am I missing something? (13:18)

Rep. Boucher: I don't think you're entirely wrong on that. I think every piece of legislation is a work in progress. I've had a discussion with the Governor and the Lt. Governor about this particular situation and the allotment process and will be continuing to visit with them in this regard. I think if you go down to Section 2, lines 17 – 24, "the Emergency Commission upon the advice of the Office of Management and Budget" – we start the process at this level. Certainly the Governor is connected to the OMB. We are making that connection. Certainly the Governor would be engaged in this process and part of the beginning of these deliberations.

(14:57)

Rep. Kempenich: Is there any type of a cap relating to their budget? In the case of a natural disaster we know somewhat what FEMA money will be coming in. Would it be based on what potentially would be coming in on a line of credit? (15:58)

Chm. Svedjan: Are there any limits on this?

Rep. Boucher: This is a work in progress. That comes out of the deliberations that need to take place. When you start to draft a bill do you start to put caps or limits? Where are those limits? Not all of these requests are going to be at the same level. An emergency in one agency may be \$1 million. In another, the emergency may be a \$20 million. Some decisions will have to be done on a per request basis. The idea that we have limits and we have oversight is certainly is very responsible and a very prudent approach to going about our business. Regarding caps, the answer is "no" but at the same time it becomes very incumbent upon those making the request that they identify what their fiscal needs are and what those

expenditures are. The agency making the request must express what the dollars will be used for. (16:37)

Rep. Wald: I think the issue of leaving the Governor out was answered on Line 18 with OMB and that was the comment I was going to make.

Rep. Skarphol: In a period of economic decline, does this not double the hole we are digging for ourselves in the next biennia? (18:19)

Rep. Boucher: That is a good point and these are the issues that need to be addressed. We don't want to compromise future legislative assemblies. As I research the Budget Stabilization Fund I get some inconsistencies as to how that thing operates. In my mind we have committed ourselves to a 10 percent set aside for the purpose of a Budget Stabilization Fund. When we accessed 10 percent of that 10 percent set aside it is incumbent upon us to pay it back and get it back where it's supposed to be. If the Budget Stabilization Fund worked the way the 10 percent mechanism is put in place, if our General Fund appropriations respond to an economic downturn and we're in a situation where we have to make cuts then we're going to roll back that amount that's in there by that amount or it could conceivably work that way. The question is to what extent do we obligate future legislative bodies?

Rep. Kempenich: It's our job to run a budget that is smooth and we take out the highs and try to minimize the lows. That's what I think the Budget Stabilization Fund is. We're meeting our demands now but it is our job to take the peaks and valleys and smooth them out. (20:27)

Rep. Dosch: Because part of this could that could trigger this is the line that says, "significant inflationary increases" and it's been touched on before, I'm thinking of the DOT that saw significant inflationary increases this past biennium. The Governor put in I think \$120 million extra just to subsidize that. I think if you talk to the DOT they could have come to this fund and said "we need \$200 million to keep on track with all the roads and maintenances we want to

do. Would that allow the DOT to request emergency funds and all of a sudden they are taking \$200 million from the Budget Stabilization Fund which could jeopardize some other aspects of state government and basically wipe out this fund rather than cutting back projects like they are doing now? (21:37)

Rep. Boucher: The DOT is a specially-funded department. If I read this correctly and understand the Budget Stabilization Fund it's 10 percent of our General Fund appropriation. So that access to this process would be limited to General Fund appropriations and emergencies that would affect those appropriations in the various state agencies.

Rep. Onstad: On p. 2, lines 1, 2 and 3, it still goes back to the line of credit authorization. Would the Emergency Commission ultimately have that final decision? (23:43)

Rep. Boucher: The budget section would make the final approval. It would go through the same process. The Emergency Commission would make their recommendation to the Budget Section.

Rep. Wald: Regarding Rep. Dosch's question, did you say DOT would not qualify? (24:45)

Rep. Boucher: I think it raises a very significant question. My first response is that it is a General Fund set aside – 10 percent. And so that might complicate an issue like a request from DOT. It's unfortunate.

Rep. Wald: Then it would take off the table all of the "off budget" agencies, like Game and Fish, the Banking Commission, Insurance Department, that generate their own funds rather than operate on General Funds? Would that be an assumption you could make?

Rep. Boucher: I think we are probably thinking in that direction. That gets to be a part of the deliberation in how we want to handle those kinds of things. We probably have an issue under current law.

There was no other testimony in favor or against HB 1550. (26:00)

2009 HOUSE STANDING COMMITTEE MINUTES

HB 1550

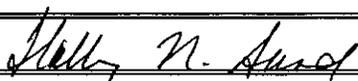
House Appropriations Committee

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Hearing Date: February 11, 2009

Recorder Job Number: 9233

Committee Clerk Signature



Minutes:

Chm. Svedjan turned the Committee Work to HB 1550 which deals with the Budget Stabilization Fund.

Rep. Berg moved a Do Not Pass on HB 1550. Rep. Klein seconded the motion. (:15)

Rep. Berg: I have two concerns. One concern is that we are authorizing the Emergency Commission to build up debt if we want which I think diverts the authority of the legislature. Second, I think we have a great tool in place right now so I think our focus should remain on that.

Rep. Kaldor: Part of the intent of this legislation stems from a circumstance which has occurred and it has probably occurred in other places as well, and that is the Budget Stabilization Fund is based upon revenue projections. We have a very challenging way of dealing with extraordinary inflation or circumstances that are beyond an agency's control. That was one of the intentions of this piece of legislation. (1:00)

The Do Not Pass motion carried by a roll call vote of 21 yeas, 4 nays and 0 absent and not voting. Rep. Berg will carry the bill.

Date: 2/11/09
 Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1532

Full House Appropriations Committee

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Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Berg Seconded By Klein

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan	✓				
Vice Chairman Kempenich	✓				
Rep. Skarphol	✓		Rep. Kroeber		✓
Rep. Wald	✓		Rep. Onstad	✓	
Rep. Hawken	✓		Rep. Williams	✓	
Rep. Klein	✓				
Rep. Martinson	✓				
Rep. Delzer	✓		Rep. Glassheim		✓
Rep. Thoreson	✓		Rep. Kaldor		✓
Rep. Berg	✓		Rep. Meyer	✓	
Rep. Dosch	✓				
Rep. Pollert	✓		Rep. Ekstrom	✓	
Rep. Bellew	✓		Rep. Kerzman		✓
Rep. Kreidt	✓		Rep. Metcalf	✓	
Rep. Nelson	✓				
Rep. Wieland	✓				

Total (Yes) 21 No 4

Absent 0

Floor Assignment Reps. Berg

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

REPORT OF STANDING COMMITTEE (410)
February 12, 2009 1:45 p.m.

Module No: HR-27-2534
Carrier: Berg
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1550: Appropriations Committee (Rep. Svedjan, Chairman) recommends DO NOT PASS (21 YEAS, 4 NAYS, 0 ABSENT AND NOT VOTING). HB 1550 was placed on the Eleventh order on the calendar.

2009 TESTIMONY

HB 1550

Attachment A
1-28-09
HB 1550

HOUSE APPROPRIATIONS COMMITTEE

HB 1550

REPRESENTATIVE MERLE BOUCHER

CHAIRMAN SVEDJAN AND HOUSE APPROPRIATIONS COMMITTEE MEMBERS.

FOR THE RECORD I AM REPRESENTATIVE MERLE BOUCHER REPRESENTING
DISTRICT NINE (9)

I AM HERE THIS MORNING TO INTRODUCE TO YOU HB1550 AND TO ASK FOR
YOUR SUPPORT FOR THIS LEGISLATION. THE BILL OUTLINES AND ESTABLISHES A
PROCESS TO ADDRESS UNANTICIPATED BUDGET EXPENDITURES THAT HAVE THE
POTENTIAL TO CREATE SIGNIFICANT FISCAL PROBLEMS FOR AN AGENCY.

LINES 1, 2, AND 3 ON THE TOP OF PAGE TWO (2) OF THE BILL IDENTIFIES FOR OUR
PURPOSES THE NATURE OF AN EMERGENCY THAT COULD CAUSE A FINANCIAL
EMERGENCY.

SECTION TWO (2) OF THE LINES 17 THROUGH 24 ON PAGE ONE (1) AUTHORIZES
AN AGENCY TO OBTAIN A LINE OF CREDIT FROM THE BANK OF NORTH DAKOTA
TO PROVIDE "CASH FLOW MONEY" TO MEET THEIR EMERGENCY EXPENDITURE
REQUIREMENTS.

SUBSECTION TWO (2) OF SECTION THREE (3) OF THE BILL LINES 25 THROUGH 30
AUTHORIZES AUTHORITY TO PAY BACK THE CREDIT LINE(S) FROM FUNDS HELD IN
THE "BUDGET STABILIZATION FUND."

I SEE THE PROCESS ESTABLISHED IN HB1550 AS A PRUDENT AND RESPONSIBLE WAY TO DEAL WITH UNFORSEEN BUDGET EXPENDITURES. THIS PROCESS ALLOWS THE AGENCY TO MEET THEIR UNANTICIPATED BUDGET EXPENDITURES, WHILE ALLOWING THEM TO KEEP THE OTHER PARTS OF THEIR BUDGET WHOLE.

I FEEL THAT THIS IS PRACTICAL USE FOR THE PURPOSE A BUDGET STABILIZATION FUND SHOULD SERVE.

I URGE A DO PASS RECOMMENDATION ON HB1550.

THANK YOU.