

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

**GOVERNMENT FINANCE COMMITTEE**

Wednesday, October 8, 2014  
Harvest Room, State Capitol  
Bismarck, North Dakota

Representative Jeff Delzer, Chairman, called the meeting to order at 9:00 a.m.

**Members present:** Representatives Jeff Delzer, Larry Bellew, Joshua A. Boschee, Bette Grande, Rick Holman, Lisa Meier, Kylie Oversen, Don Vigesaa, Clark Williams; Senators Gary A. Lee, Donald Schaible, Ronald Sorvaag, Rich Wardner

**Members absent:** Representative Craig Headland; Senators Dwight Cook and Terry M. Wanzek

**Others present:** Adam Mathiak and Sean B. Smith, Legislative Council, Bismarck  
Representative Jim Schmidt, member of the Legislative Management, was also in attendance.  
See [Appendix A](#) for additional persons present.

**It was moved by Senator Lee, seconded by Representative Grande, and carried on a voice vote that the minutes of the September 10, 2014, meeting be approved as distributed.**

**STATE BUDGET INFORMATION**  
**Update on Oil and Gas Production**

Mr. Lynn Helms, Director, Department of Mineral Resources, Industrial Commission, presented an update ([Appendix B](#)) on the status of oil and gas production in the state. He said there are currently 15,097 active producing wells in the state and the number of active wells may increase to 60,000 by the year 2035. He said current oil development technology allows a well to extract approximately 4 to 12 percent of the oil in the Bakken Formation. However, he said, oil producers are conducting pilot projects which may allow for up to 24 percent of oil to be recovered.

In response to a question from Chairman Delzer, Mr. Helms said the number of wells located on a drilling pad is increasing. He said expanding the number of wells on existing drilling pads reduces the need for additional roads or drilling pads.

In response to a question from Chairman Delzer, Mr. Helms said the amount of oil produced by the average Bakken well will decrease by 65 percent during its first year of production. However, he said the rate of decline is less for wells located in the core Bakken Formation area.

In response to a question from Chairman Delzer, Mr. Helms said a Bakken well needs to produce 35 barrels of oil or less per day to be classified as a stripper well. He said wells drilled into the Bakken and Three Forks Formations do not qualify for the stripper property oil extraction tax exemption.

In response to a question from Representative Holman, Mr. Helms said the cities that are expected to experience the most change in future population growth based on percentage are Watford City, Williston, Dickinson, and Minot.

Chairman Delzer said consideration also needs to be given to population growth and infrastructure needs outside of cities.

In response to a question from Chairman Delzer, Mr. Helms said he will provide the committee with information regarding estimated future percentage increases in each type of oil industry job.

Mr. Helms said it is difficult to predict the price paid for oil produced in North Dakota. He said additional pipeline and rail transportation options are increasing the number of available markets for North Dakota oil. However, he said, some major markets are experiencing excess inventories of sweet crude oil which may lead to weak crude oil prices in the future.

In response to a question from Senator Lee, Mr. Helms said the price of crude oil is stabilizing partly due to increased domestic oil production. He said decreased imports of foreign oil have reduced the volatility in oil prices.

In response to a question from Chairman Delzer, Mr. Helms said the required price per barrel of oil for a well to be profitable varies significantly by county. He said for a well to be profitable in Divide County the price of oil needs to be at least \$85 per barrel while the break-even point in McKenzie County is \$28 per barrel.

Mr. Helms said gas flaring restrictions may have an effect on oil production. He said the Industrial Commission recently approved rules to reduce gas flaring to 26 percent. He said in July 2014 there were 24 operators that were flaring more than 26 percent of gas.

In response to a question from Representative Schmidt, Mr. Helms said flaring on the Fort Berthold Reservation is significantly greater than in other oil-producing areas. He said there has been some resistance by tribal leaders to participate in the new statewide flaring plan.

In response to a question from Senator Sorvaag, Mr. Helms said crude oil is a combination of oil and gases. He said there are two processes that can be used to make crude oil safer for transportation. He said one method stabilizes crude oil by applying heat to the oil to remove gases such as propane and butane. He said the other method involves conditioning the oil by separating the gas from the oil at the wellhead.

In response to a question from Representative Vigesaa, Mr. Helms said the federal Environmental Protection Agency (EPA) is developing rules regarding hydraulic fracturing. He said the agency is currently reviewing options regarding the disclosure of chemicals used in the hydraulic fracturing process. He said the federal Bureau of Land Management is also developing rules regarding the use of hydraulic fracturing on lands managed by the Bureau. He said North Dakota's position on the rules is similar to other oil-producing states.

In response to a question from Representative Grande, Mr. Helms said the EPA has proposed a rule to expand federal jurisdiction over water in states. He said the Industrial Commission and Governor's office are planning to comment on the proposed rule.

### Status of the General Fund and Other Budget Information

Ms. Pam Sharp, Director, Office of Management and Budget, presented an update ([Appendix C](#)) on the status of the general fund and other major state funds. She said the general fund balance on June 30, 2015, is estimated to be \$583.6 million. She presented the following schedule detailing the balances of major state funds as of August 31, 2014:

Fund	Balance as of August 31, 2014
Budget stabilization fund	\$583,545,799
Legacy fund	\$2,333,118,090
Foundation aid stabilization fund	\$503,145,540
Property tax relief fund	\$657,000,000
Strategic investment and improvements fund	\$1,417,460,113 <sup>1</sup>
<sup>1</sup> Of this amount, \$842,235,986 is obligated.	

Ms. Sharp presented the following schedule detailing general fund deficiency appropriations requested by agencies for the 2013-15 biennium:

Agency	Reason	Amount
Secretary of State	Repay loan from Bank of North Dakota	\$950,000
Attorney General	Prosecution witness fees	100,000
Legal Counsel for Indigents	Increased caseloads	700,000
Williston State College	Boiler roof repair	50,000
Williston State College	Employee turnover	30,000
Minot State University	Expenses resulting from 2010 and 2011 disasters	1,806,108
Valley City State University	Permanent flood protection project	3,300,000
Valley City State University	Demolition of retired science center	152,000
State Department of Health	Local public health vaccine purchasing program	470,900
Department of Corrections and Rehabilitation	Repay Bank of North Dakota loan for State Penitentiary project	1,100,000
Total		\$8,659,008

Ms. Sharp said the Adjutant General may request a deficiency appropriation from the state disaster relief fund to repay selected disaster costs.

### Tax Collections Information

Mr. Joe Morrissette, Deputy Tax Commissioner, Tax Department, presented information ([Appendix D](#)) regarding sales and income tax collections. He said \$21.5 million of oil royalty payments have been withheld for individual income tax. However, he said, the department estimates \$7.2 million of the withholding will be refunded.

Mr. Morrissette reviewed a schedule comparing taxable sales and purchases during tax years 2012 and 2013. He said the mining and oil extraction tax sector accounted for 17.18 percent of taxable sales and purchases during 2013. However, he said, taxable sales in other industry sectors, such as wholesale trade, may be related to energy development.

In response to a question from Chairman Delzer, Mr. Morrissette said he would provide the committee with information regarding taxable sales and purchases in Stark and Williams Counties. Later in the meeting, Mr. Morrissette distributed documents ([Appendix E](#)) detailing taxable sales by industry in the cities of Dickinson and Williston.

Mr. Adam Mathiak, Fiscal Analyst, Legislative Council, presented a memorandum entitled [Estimated 2015-17 Oil and Gas Tax Revenue Collections - Various Oil Prices and Oil Production Levels](#). He said based on average daily oil production of 1.2 to 1.4 million barrels, a one dollar change in the average daily oil price results in a change in biennial oil tax collections of \$106.4 million. He said based on an average daily oil price of \$80 per barrel, a 100,000 barrel change in the average daily oil production results in a biennial change in oil tax collections of \$630.7 million.

In response to a question from Representative Bellew, Mr. Mathiak said the assumptions used in the memorandum are based on an effective oil and gas gross production tax rate of 4.9 percent and an effective oil extraction tax rate of 5.9 percent. He said the effective tax rates are based on adjustments for tax exemptions and oil royalty distributions to nontaxable entities.

### Preliminary 2015-17 Biennium Budget Outlook

The Legislative Budget Analyst and Auditor presented a memorandum entitled [Preliminary Budget Outlook - 2015-17 Biennium](#). He said the preliminary budget outlook is based on the Office of Management and Budget (OMB) August 2014 preliminary revenue forecast for the remainder of the 2013-15 biennium and for the 2015-17 biennium. He said amounts shown for possible increases in state employee salaries, elementary and secondary education, higher education, major human services programs, etc., are not recommended amounts but are provided so the reader can substitute whatever level he or she believes appropriate. He said only major items have been included and additional amounts that may be requested as part of agency budget requests, items that may be recommended by the Governor, and potential legislative initiatives are not reflected in the memorandum.

The Legislative Budget Analyst and Auditor reviewed the following schedule summarizing the preliminary budget outlook:

	General Fund		
	Ongoing Revenues and Expenditures	One-Time Resources and Expenditures	Total
Beginning balance			
Estimated balance - June 30, 2015		\$614,355,980 <sup>1</sup>	\$614,355,980 <sup>1</sup>
Add estimated 2013-15 state school aid turnback		19,000,000	19,000,000
Less: Potential deficiency appropriation requests		(8,659,008) <sup>2</sup>	(8,659,008) <sup>2</sup>
Potential transfer to budget stabilization fund		(133,594,579) <sup>3</sup>	(133,594,579) <sup>3</sup>
Estimated balance - July 1, 2015		\$491,102,393	\$491,102,393
Revenues			
2015-17 biennium revenues (based on the OMB August 2014 preliminary revenue forecast)	\$5,174,190,000		\$5,174,190,000
Transfers	676,594,560 <sup>4</sup>		676,594,560 <sup>4</sup>
Total revenues	\$5,850,784,560		\$5,850,784,560
Total 2015-17 biennium resources	\$5,850,784,560	\$491,102,393	\$6,341,886,953
Appropriations			
2013-15 biennium ongoing general fund appropriations	(\$4,436,300,000)		(\$4,436,300,000)
Potential funds available	\$1,414,484,560	\$491,102,393	\$1,905,586,953
Less general fund requirements due to 2013 legislative action or federal program changes:			
• Cost-to-continue the second-year 3 percent performance-based employee salary increase for two years in the 2015-17 biennium	(\$9,020,000)		(\$9,020,000)

	General Fund		
	Ongoing Revenues and Expenditures	One-Time Resources and Expenditures	Total
• Cost-to-continue the second-year market equity employee salary increases of up to 2 percent for two years in the 2015-17 biennium	(2,730,000)		(2,730,000)
• Cost-to-continue the retirement contribution increase (a state contribution of 1 percent beginning January 1, 2014) for an additional 6 months in the 2015-17 biennium	(1,300,000)		(1,300,000)
• Continuation of funding pool for state agencies to access for providing health insurance to temporary employees in accordance with the federal Affordable Care Act (one-time funding in the 2013-15 biennium)		(\$1,000,000)	(1,000,000)
• Cost-to-continue the second-year state school aid per student payment levels for two years in the 2015-17 biennium assuming no increase in student enrollment (\$65 million increase compared to 2013-15 estimated expenditures less \$19 million of anticipated 2013-15 turnback)	(46,000,000)		(46,000,000)
• Cost-to-continue state school aid at the 2013-15 biennium second-year integrated payment rate to an estimated 10,600 additional students during the 2015-17 biennium	(100,000,000)		(100,000,000)
• Increase in local share of state school aid during the 2015-17 biennium, assuming a 16 percent increase in property valuations	75,000,000		75,000,000
• Additional funding for state school aid payments from common schools trust fund distributions	74,000,000		74,000,000
• Cost-to-continue the 3 percent second-year inflationary increase for Department of Human Services' providers for two years in the 2015-17 biennium	(11,600,000)		(11,600,000)
• Increased costs for Department of Human Services' grants resulting from a reduction in the federal medical assistance percentage (FMAP) (assumes an FMAP of 50 percent for federal fiscal years 2016 and 2017)	(4,100,000)		(4,100,000)
• Increased costs for the Department of Human Services related to the federal Affordable Care Act requiring the state to pay 5 percent of the costs attributed to Medicaid Expansion beginning on January 1, 2017	(2,400,000)		(2,400,000)
• Reduction in capital lease payments during the 2015-17 biennium	2,090,000		2,090,000
• Funding for the North Dakota University System for cost-to-continue fiscal year 2015 salary increases, utility cost increases, operating inflation, and the academic and career and technical education scholarship	(30,040,000)		(30,040,000)
• Continuation of state paid property tax relief credits (one-time funding in the 2013-15 biennium)		(200,000,000)	(200,000,000)
<b>Total cost-to-continue items</b>	<b>(\$56,100,000)</b>	<b>(\$201,000,000)</b>	<b>(\$257,100,000)</b>
Remaining balance available	\$1,358,384,560	\$290,102,393	\$1,648,486,953
Other potential selected general fund spending increases the Legislative Assembly in 2015 may be asked to consider:			
• State employee salary increases, excluding higher education, of 3 percent for each year of the biennium (1 percent salary increase costs approximately \$3.25 million per year.) The State Employee Compensation Commission recommended providing \$48 million for state employee salary increases.	(\$29,300,000)		(\$29,300,000)
• State employee health insurance increases based on the preliminary estimate of approximately a 21 percent increase (monthly premium increasing from \$982 to \$1,188)	(24,100,000)		(24,100,000)
• Additional funding for elementary and secondary education - Based on adjustments for minimum and maximum payments and a 3.2 percent increase in the integrated formula per student rate - Same percentage increase as the 2013-15 biennium	(109,000,000)		(109,000,000)

	General Fund		
	Ongoing Revenues and Expenditures	One-Time Resources and Expenditures	Total
<ul style="list-style-type: none"> <li>Higher education - Same dollar increase as the 2013-15 biennium (The University System has requested a base funding increase of \$104.2 million for the higher education institutions, including the University of North Dakota School of Medicine and Health Sciences and the Forest Service, and \$318 million for capital projects and other capital needs. The base funding increase of \$104.2 million does not include funding for salary or health insurance increases for the 2015-17 biennium. Health insurance increases, a 3 percent per year salary increase, and a 1 percent retirement contribution increase are estimated to require funding of \$34.6 million from the general fund.)</li> </ul>	(72,800,000)	(\$223,400,000)	(296,200,000)
<ul style="list-style-type: none"> <li>Department of Human Services - Estimated increases for cost, caseload, and utilization changes for major grant programs (based on 2013-15 biennium increases)</li> </ul>	(48,400,000)		(48,400,000)
<ul style="list-style-type: none"> <li>Department of Human Services - 3 percent annual inflationary increases for major department programs</li> </ul>	(36,700,000)		(36,700,000)
<ul style="list-style-type: none"> <li>Department of Corrections and Rehabilitation - Increase relating to contracts for housing male and female inmates</li> </ul>	(5,200,000)		(5,200,000)
<ul style="list-style-type: none"> <li>Continuation of Research North Dakota grants (same level of funding as provided for the 2013-15 biennium)</li> </ul>		(12,000,000)	(12,000,000)
<ul style="list-style-type: none"> <li>Transportation funding for state and county road projects (based on 2013-15 distributions, excluding \$720 million made available prior to July 1, 2013)</li> </ul>		(820,000,000)	(820,000,000)
<ul style="list-style-type: none"> <li>Inflationary increases of 3 percent per year for remaining agency expenditures not included above</li> </ul>	(15,800,000)		(15,800,000)
Total other potential selected general fund spending increases	(\$341,300,000)	(\$1,055,400,000)	(\$1,396,700,000)
<b>Estimated remaining funds to provide for the June 30, 2017, ending balance and agency budget requests, other Governor's recommendations, and legislative initiatives that may relate to:</b>	\$1,017,084,560	(\$765,297,607)	\$251,786,953
<ul style="list-style-type: none"> <li>New programs and program enhancements;</li> <li>Other infrastructure improvements, including road projects;</li> <li>Other tax relief; and</li> <li>Other capital projects.</li> </ul>			

<sup>1</sup>The estimated June 30, 2015, balance is based on the OMB August 2014 revenue forecast for the 2013-15 biennium. The amount does not include any amount resulting from 2013-15 biennium unspent general fund appropriations (turnback).

<sup>2</sup>Potential amount resulting from 2013-15 biennium deficiency appropriation requests includes:

Valley City State University - Funding for permanent flood protection (\$3.3 million) and additional costs related to building demolition (\$152,000)	\$3,452,000
Minot State University - Funding for flood costs not covered by the Federal Emergency Management Agency	1,806,108
Williston State College - Funding for a boiler (\$50,000) and costs related to employee turnover (\$30,000)	80,000
Secretary of State - Repay Bank of North Dakota loan for information technology project costs	950,000
Attorney General - Prosecution witness fees	100,000
Legal Counsel for Indigents - Increased caseloads	700,000
State Department of Health - Local public health vaccine purchasing program	470,900
Department of Corrections and Rehabilitation - Repay Bank of North Dakota loan for State Penitentiary building project	1,100,000
<b>Total</b>	<b>\$8,659,008</b>

<sup>3</sup>The amount shown as a potential transfer to the budget stabilization fund is based on statutory provisions requiring any ending general fund balance amounts in excess of \$65 million to be deposited in the budget stabilization fund and on the assumption that 2015-17 biennium general fund appropriations will increase by approximately 10 percent over 2013-15 biennium general fund appropriations allowing the maximum balance in the budget stabilization fund to be \$717.1 million. The budget stabilization fund balance is limited to 9.5 percent of biennial general fund appropriations.

<sup>4</sup>The amount shown reflects the following major transfers to the general fund compared to the 2013-15 biennium:

	2013-15 Biennium	2015-17 Biennium	Variance
Mill and Elevator	\$6,817,200	\$6,817,200	
Lottery	11,000,000	11,000,000	
Gas tax administration	1,777,360	1,777,360	
Property tax relief fund	341,790,000	657,000,000	\$315,210,000
Strategic investment and improvements fund	520,000,000		(520,000,000)
Total transfers	\$881,384,560	\$676,594,560	(\$204,790,000)

In response to a question from Chairman Delzer, the Legislative Budget Analyst and Auditor said the federal Affordable Care Act requires employers to offer health insurance benefits to certain temporary employees beginning on January 1, 2015. He said the 2013-15 legislative appropriations for OMB include a \$1 million general fund appropriation for a funding pool to be distributed to state agencies to assist in paying health insurance premiums for temporary employees.

In response to a question from Representative Bellew, the Legislative Budget Analyst and Auditor said there have not been any transfers from the profits of the Bank of North Dakota to the general fund since the 2007-09 biennium. However, he said, a portion of the profits of the Bank were used to provide funding for certain programs during the 2013-15 biennium.

In response to a question from Senator Lee, the Legislative Budget Analyst and Auditor said the 2013 Legislative Assembly appropriated \$720 million from the general fund for early transportation funding distributions for state and local roadway projects.

### STUDY OF THE STATE EMPLOYEE RETIREMENT PLAN

Mr. Sean Smith, Fiscal Analyst, Legislative Council, presented a bill draft [[15.0176.02000](#)] which incorporates amendments into a bill draft previously reviewed by the committee to provide for changes to the state employee retirement plan. He said the amendments included in the bill draft are technical adjustments suggested by representatives of the Public Employees Retirement System (PERS).

Mr. Smith reviewed a bill draft [[15.0176.03000](#)] to provide further amendments to the bill draft previously reviewed by the committee to provide for changes to the state employee retirement plan. He said the amendments adjust the vesting period for employees in the defined contribution retirement plan to allow employees to become fully vested in employer contribution after one year of service rather than after four years of service. He said the amendments also adjust the administration of determining balance transfers for employees enrolled in the defined benefit retirement plan that elect to participate in the defined contribution retirement plan.

Representative Holman suggested the committee receive information regarding an example of an employee electing to transfer from the defined benefit retirement plan to the defined contribution retirement plan.

Chairman Delzer said the current defined benefit retirement plan has a significant unfunded liability. He said one option to limit future liabilities of the state is to require new state employees to participate in a defined contribution retirement plan.

In response to a question from Senator Sorvaag, Chairman Delzer said the projected cost to the state to close the defined benefit plan to new state employees is approximately \$160 million to \$260 million.

Chairman Delzer said the state may need to review options to provide a program to encourage employees to save more for retirement. He said one option would be to provide a state match for additional employee contributions to a retirement program.

### STUDY OF STATE EMPLOYEE HEALTH INSURANCE PREMIUMS

Mr. Sparb Collins, Executive Director, Public Employees Retirement System, presented an update ([Appendix F](#)) on estimated state employee health insurance premiums for the 2015-17 biennium. He said a PERS consultant is estimating health insurance premium rates will increase by 21 percent for the 2015-17 biennium, from \$982 per month to \$1,185 per month. He said insurance plan reserves may be used to pay for a portion of the increased premiums. He said adjustments may also be made to the plan benefits to reduce premium amounts.

In response to a question from Representative Meier, Mr. Collins said the state pays the same health insurance premium amount for all employees regardless of whether the employee is considered enrolled in a single or family plan. He said the rate charged is a combined rate based on the estimated number of employees enrolling in a single plan and a family plan.



In response to a question from Representative Boschee, Mr. Collins said the PERS Board has the option to contract for a self-insured health plan if it is more competitive than contracting for a fully-insured plan. He said the federal Affordable Care Act includes fee differences for self- and fully-insured plans. He said there would be additional reporting requirements for PERS under a self-insured plan.

In response to a question from Senator Sorvaag, Mr. Collins said under a self-insured plan, PERS could contract with an insurer to provide for individual or aggregate stop-loss limits.

The Legislative Council staff reviewed a draft concurrent resolution [[15.3018.01000](#)] to continue the study of state employee health insurance premiums. The study would include a review of options to require state employees to pay a portion of health insurance premiums and would also include a review of the state's grandfathered status under the federal Affordable Care Act.

The committee recessed for lunch at 12:00 noon and reconvened at 1:00 p.m.

### **STUDY OF THE FOUNDATION AID STABILIZATION FUND**

The Legislative Council staff reviewed a draft concurrent resolution [[15.3010.03000](#)] which incorporates amendments into a resolution draft previously reviewed by the committee for a constitutional amendment to provide for additional uses of the foundation aid stabilization fund. The Legislative Council staff said the amendments require OMB to determine the amount of 15 percent of state school aid payments each biennium rather than the State Treasurer.

The Legislative Council staff reviewed a bill draft [[15.0189.02000](#)] which incorporates amendments into a bill draft previously reviewed by the committee to create a school construction assistance loan fund, a public employee retirement stabilization fund, and to provide for transfers from the foundation aid stabilization fund to the new funds. The Legislative Council staff said the amendments to the bill draft provide for the State Investment Board to supervise the investment of the public employee retirement stabilization fund and details the amount of the transfers from the foundation aid stabilization fund to the new funds.

Chairman Delzer said the proposed constitutional amendment to allow for additional uses of the foundation aid stabilization fund, if approved by the Legislative Assembly, would not be voted on by the electorate until June 2016. He noted that any available funds for school construction assistance loans would not be available until after that time.

Senator Schaible said he is reviewing options to introduce a bill to provide funding for school construction assistance loans. He said the bill draft would provide an alternate source of funds for loans until funding from the foundation aid stabilization fund would become available.

Chairman Delzer distributed a memorandum entitled [Proposed Changes to Bill Draft 15.0189.01000 to Provide for a Transfer from the Public Employee Retirement Stabilization Fund to the Public Employees Retirement System Fund](#) with proposed amendments to the bill draft creating a school construction assistance loan fund and a public employee retirement stabilization fund. He said the amendments provide for an automatic transfer from the public employee retirement stabilization fund to the public employees retirement system fund if the funded ratio of the main state employee retirement plan falls below 50 percent.

Representative Holman questioned why funds being provided to address the unfunded liability of the state employee retirement plan would not be deposited directly in the public employees retirement system fund rather than a newly created fund. He said depositing the funds in the public employees retirement system fund would immediately improve the funded ratio of the retirement plan.

Chairman Delzer said when the funded ratio of the retirement plan has been near 100 percent in the past there have been additional payments to retirees and other benefit adjustments. He said keeping the funds separate allows the funds to be used for future unfunded liabilities of the retirement plan while avoiding any additional future unfunded liabilities that may result from additional retiree payments and benefit adjustments.

Representative Boschee said the state may incur a cost-savings if the funded ratio of the main retirement plan reaches 100 percent. He said the required employer contributions under the plan are reduced if the plan reaches a 100 percent funded ratio.

Representative Grande said the actuarial estimate of costs to close the main state employee retirement plan to new employees is based on several assumptions. She said it is unknown what the actual costs will be and the additional funding may not be needed. She said using a separate fund will allow the funds to be used for other purposes if they are not needed for the retirement plan.

In response to a question from Representative Vigesaa, the Legislative Council staff said the bill draft does not specifically state that the public employee retirement stabilization fund is to only be used to address the unfunded liability of the main state employee retirement plan.

Chairman Delzer said the amount of funds that would be transferred to the public employee retirement stabilization fund is based on the amount needed to address the unfunded liability of the main state employee retirement plan if the plan is closed to new employees. He suggested the bill draft be amended to clarify that the money in the fund is to address the unfunded liabilities of the state portion of the main retirement plan.

## **COMMITTEE CONSIDERATION OF BILL AND RESOLUTION DRAFTS**

### **State Employee Retirement Plan**

Chairman Delzer called for committee discussion regarding the bill draft to provide for changes to the state employee retirement plan.

**It was moved by Representative Grande, seconded by Representative Vigesaa, and carried on a voice vote to amend the bill draft providing for changes to the state employee retirement plan by incorporating the amendments making technical corrections as included in bill draft 15.0176.02000.**

Representative Boschee noted for the record that he opposed the motion.

**It was moved by Representative Grande, seconded by Representative Vigesaa, and carried on a voice vote to amend the bill draft providing for changes to the state employee retirement plan by incorporating the amendments relating to vesting and the determination of fund balance transfer amounts as included in bill draft 15.0176.03000.**

Representative Holman said he does not support changing the state employee retirement plan. He said due to the employment situation in the state it is difficult to attract and retain employees. He said there may be better alternatives for addressing issues with the retirement plan.

In response to a question from Senator Sorvaag, Chairman Delzer said the bill draft, as amended, would require new state employees to participate in the defined contribution retirement plan. He said new employees of political subdivisions that participate in PERS would continue to enroll in the defined benefit retirement plan.

**It was moved by Representative Grande, seconded by Senator Lee, and carried on a roll call vote to approve the bill draft providing for changes to the state employee retirement plan, as amended, and to recommend the bill draft to the Legislative Management.** Representatives Delzer, Bellew, Grande, Meier, Vigesaa, and Williams and Senators Lee and Schaible voted "aye." Representatives Boschee, Holman, and Oversen and Senators Sorvaag and Wardner voted "nay."

Chairman Delzer said the bill draft will be forwarded to the Employee Benefits Programs Committee for review.

### **State Employee Health Insurance Premiums**

Chairman Delzer called for committee discussion regarding the draft concurrent resolution to continue the study of state employee health insurance premiums.

Representative Grande said she supports continuing the study due to uncertainties in how the federal Affordable Care Act will affect the state health plan.

**It was moved by Representative Bellew, seconded by Senator Schaible, and carried on a roll call vote to approve the draft concurrent resolution to continue the study of state employee health insurance premiums and to recommend the draft concurrent resolution to the Legislative Management.** Representatives Delzer, Bellew, Grande, Meier, Oversen, and Vigesaa and Senators Lee, Schaible, Sorvaag, and Wardner voted "aye." Representatives Boschee, Holman, and Williams voted "nay."

### **Foundation Aid Stabilization Fund**

Chairman Delzer called for committee discussion regarding the draft concurrent resolution for a constitutional amendment to provide for additional uses for funds in the foundation aid stabilization fund. He also called for discussion regarding the bill draft to create a school construction assistance loan fund, a public employee retirement stabilization fund, and to transfer funds from the foundation aid stabilization fund to the newly created funds.



It was moved by Representative Bellew, seconded by Representative Meier, and carried on a roll call vote to approve the amendments to the draft concurrent resolution relating to uses of the foundation aid stabilization fund as contained in draft concurrent resolution 15.3010.03000, and to recommend the draft concurrent resolution, as amended, to the Legislative Management. Representatives Delzer, Bellew, Boschee, Grande, Holman, Meier, Oversen, Vigesaa, and Williams and Senators Lee, Schaible, Sorvaag, and Wardner voted "aye." No negative votes were cast.

It was moved by Representative Meier, seconded by Senator Schaible, and carried on a voice vote to amend the bill draft creating a school construction assistance loan fund and a public employee retirement stabilization fund by incorporating the amendments relating to investment of the funds and transfer amounts as included in bill draft 15.0189.02000 and to further amend the bill draft to clarify that the public employee retirement stabilization fund is to be used for addressing the unfunded retirement obligations of state employees participating in the main retirement plan.

Representative Boschee said he does not support the bill draft due to the creation of additional state funds. He said numerous state funds have been created recently and adding more new funds will increase confusion among members of the public.

Representative Grande said she supports the bill draft because it makes it clear that the state employee retirement plan will be funded if the plan is closed to new participants.

It was moved by Senator Wardner, seconded by Representative Meier, and carried on a roll call vote to approve the bill draft creating the school construction assistance loan fund and the public employee retirement stabilization fund, as amended, and to recommend the bill draft to the Legislative Management. Representatives Delzer, Bellew, Grande, Meier, Vigesaa, and Williams and Senators Lee, Schaible, Sorvaag, and Wardner voted "aye." Representatives Boschee, Holman, and Oversen voted "nay."

### OTHER BUSINESS

Chairman Delzer thanked the members of the committee for their work during the interim. He said the committee has completed its business and will not meet again.

It was moved by Representative Vigesaa, seconded by Representative Holman, and carried on a voice vote that the Chairman and the Legislative Council staff be requested to prepare a report and the bill and concurrent resolution drafts recommended by the committee and to present the report and bill and concurrent resolution drafts to the Legislative Management.

No further business appearing, Chairman Delzer adjourned the committee sine die at 2:00 p.m.

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Brady A. Larson  
Assistant Legislative Budget Analyst and Auditor

ATTACH:6