



BUDGET SECTION

Thursday, December 3, 2020
House Chamber, State Capitol
Bismarck, North Dakota

Senator Terry M. Wanzek, Chairman, called the meeting to order at 11:20 a.m.

Members present: Senators Terry M. Wanzek, Brad Bekkedahl, Kyle Davison, Dick Dever, Robert Erbele, Joan Heckaman, David Hogue, Ray Holmberg, Jerry Klein, Karen K. Krebsbach, Tim Mathern, Erin Oban, Dave Oehlke, Nicole Poolman, David S. Rust, Ronald Sorvaag, Rich Wardner; Representatives Bert Anderson, Joshua A. Boschee, Mike Brandenburg, Jeff Delzer, Michael Howe, Keith Kempenich, Kim Koppelman, Gary Kreidt, Scott Louser, Bob Martinson, Lisa Meier, Alisa Mitskog, Corey Mock, David Monson, Mike Nathe, Jon O. Nelson, Chet Pollert, Mark Sanford, Mike Schatz, Randy A. Schobinger, Michelle Strinden, Don Vigasaa

Members absent: Representatives Larry Bellew, Tracy Boe, Jim Schmidt

Others present: See [Appendix A](#)

It was moved by Representative Pollert, seconded by Senator Holmberg, and carried on a voice vote that the minutes of the October 28, 2020, meeting be approved as distributed.

EMERGENCY COMMISSION REQUESTS

Chairman Wanzek directed the Budget Section to consider agency requests ([Appendix B](#)) which have been authorized by the Emergency Commission and forwarded to the Budget Section pursuant to North Dakota Century Code Chapter 54-16.

Mr. Joe Morrissette, Director, Office of Management and Budget, provided information regarding the following requests authorized by the Emergency Commission and which require consideration by the Budget Section:

- **Department of Career and Technical Education (Request #2028)** - The request is to transfer \$490,000 from various line items to the grants - secondary line item, including \$150,000 from the salaries and wages line item, \$125,000 from the operating expenses line item, and \$215,000 from the adult farm management line item, for reimbursing schools and area career and technical centers for new and expanding programs.

- **Multiple agencies (Request #2031)** - The request is to:

Authorize the return of \$35,022,660 of the previously allocated coronavirus relief funds from state agencies;

Authorize the Bank of North Dakota to change its previously authorized COVID-19 PACE recovery program and COVID-19 PACE recovery program II to:

Accept application through November 30, 2020;

Provide business assistance grants for interest expense and revenue loss for a period of up to 10 months rather than 6 months; and

Allow funds to be transferred between the two programs.

Increase federal funds spending authority by \$35,022,660 to allow the following agencies to accept and expend the returned coronavirus relief funding:

Department of Commerce - \$10,500,000

State Department of Health - \$15,000,000

Job Service North Dakota - \$2,653,643

Council on the Arts - \$800,000

Department of Corrections and Rehabilitation - \$6,069,017

In response to a question from Representative Nelson, Mr. Morrisette said the State Department of Health request for funding includes distributions to critical access hospitals.

In response to a question from Senator Mathern, Mr. Morrisette said the Department of Corrections and Rehabilitation request would be used for correctional officer payroll costs. He said the resulting savings would be available to pay for costs of housing department inmates at local correctional facilities.

It was moved by Representative Pollert, seconded by Representative Mock, and carried on a roll call vote that the Budget Section approve Requests #2028 and #2031 which were approved by the Emergency Commission. Senators Wanzek, Bekkedahl, Davison, Dever, Erbele, Heckaman, Hogue, Holmberg, Klein, Krebsbach, Mathern, Oehlke, Poolman, Rust, Sorvaag, and Wardner and Representatives Anderson, Boschee, Brandenburg, Delzer, Howe, Kempenich, Koppelman, Kreidt, Louser, Martinson, Meier, Mock, Monson, Nathe, Nelson, Pollert, Sanford, Schatz, Strinden, and Vigesaa voted "aye." No negative votes were cast.

**THEODORE ROOSEVELT PRESIDENTIAL LIBRARY AND MUSEUM
ENDOWMENT FUND AND LOAN**

Mr. Jace Beehler, Policy Adviser, Governor's office, presented a report ([Appendix C](#)) pursuant to Section 54-07-12 regarding the Theodore Roosevelt Presidential Library and Museum endowment fund and loan. He said the Theodore Roosevelt Presidential Library Foundation certified to the Governor that \$100 million of private donations and pledged donations have been received for the construction of the Theodore Roosevelt Presidential Library. He said as a result, the Governor has submitted a \$35 million loan application to the Bank of North Dakota. He said the loan is for 6 years and loan proceeds would be deposited in the Theodore Roosevelt Presidential Library and Museum endowment fund.

**STATE BUDGET INFORMATION
General Fund Status**

Mr. Morrisette presented a report ([Appendix D](#)) on the status of the general fund. He presented the following information on the status of the general fund for the 2019-21 biennium:

Unobligated general fund balance - July 1, 2019		\$65,000,000
Balance obligated for authorized carryover from the 2017-19 biennium		130,404,813
Total beginning general fund balance - July 1, 2019		\$195,404,813
Add		
General fund collections to date	\$3,622,484,454	
Remaining forecasted general fund collections	1,338,095,876	
Total estimated general fund collections		4,960,580,330
Total estimated revenues available		\$5,155,985,143
Less		
Legislative appropriations - One-time	(\$48,639,068)	
Legislative appropriations - Ongoing	(4,794,924,098)	
Authorized carryover from previous biennium	(130,404,813)	
2019-21 authority spent in 2017-19 pursuant to emergency clause	106,000	
Total appropriations		(4,973,861,979)
Anticipated deficiency appropriation requests		(60,807,488)
Estimated unspent appropriations		190,638,865
Estimated ending general fund balance - June 30, 2021 - Before transfers		\$311,954,541
Transfer to budget stabilization fund ¹		0
Estimated ending general fund balance - June 30, 2021		\$311,954,541

¹Pursuant to Chapter 54-27.2, any end-of-biennium balance in excess of \$65 million must be transferred to the budget stabilization fund, up to a maximum of 15 percent of general fund appropriations. The budget stabilization fund is estimated to be at the maximum balance at the end of the 2019-21 biennium.

In response to a question from Representative Kempenich, Mr. Morrissette said interest income for the 2019-21 biennium has exceeded original estimates due to higher than estimated fund balances, including the budget stabilization fund.

In response to a question from Representative Delzer, Mr. Morrissette said the anticipated deficiency appropriation request from the Adjutant General includes funding for the repayment of a loan obtained to respond to Dakota Access Pipeline protests.

In response to a question from Representative Delzer, Mr. Morrissette said the estimated agency unspent appropriations for the 2019-21 biennium will become part of the beginning balance for the 2021-23 biennium. He said the use of funding in the beginning balance is included in the 2021-23 executive budget.

Irregularities in the Fiscal Practices of the State

Pursuant to Section 54-14-03.1, Mr. Morrissette presented information ([Appendix E](#)) on irregularities in the fiscal practices of the state. He presented the following fiscal irregularities for the period September 2020 through November 2020:

Agency	Fiscal Irregularity	Amount
Department of Human Services	Salary and workload adjustments	\$21,341
Public Finance Authority	Workload adjustment	\$1,223
Highway Patrol	Workload adjustment	\$600
Veterans' Home	Workload adjustments and reduction in force	\$95,940

State Agency Applications for Federal Grants

Mr. Morrissette presented information ([Appendix F](#)) on state agencies that applied for federal grants estimated to be \$25,000 or more pursuant to Section 54-27-27. He said the following agencies have applied for a federal grant estimated to be \$25,000 or more:

Agency	Time Period of Grant	Amount
Attorney General	October 2020 - September 2023	\$270,000
Department of Human Services	July 2020 - June 2021	\$197,303
Department of Human Services	September 2020 - September 2021	\$4,000,000
Housing Finance Agency	July 2019 - June 2020	\$45,055
Housing Finance Agency	October 2019 - September 2021	\$99,435
Industrial Commission	October 2020 - September 2025	\$26,157

SPECIFIC EXEMPT COMMODITIES AND SERVICES

Mr. Morrissette presented information ([Appendix G](#)) on specified commodities and services exempted from the procurement requirements of Section 54-44.4-02.2. He said only two exemptions have been allowed by the Office of Management and Budget, which were authorized in 2012 and 2013. He said no exemptions have been allowed since 2013.

ECONOMIC OUTLOOK FOR NORTH DAKOTA

Mr. Dan White, Senior Economist, Moody's Analytics, Inc., presented information ([Appendix H](#)) regarding the economic outlook of the state. He said the economy is recovering from the economic downturn caused by COVID-19. He said the recovery of the economy will be affected by the timing of the availability of a COVID-19 vaccine.

Mr. White said direct energy expenditures make the largest share of the state's taxable sales and purchases. He said fewer oil rigs operating in the state will negatively affect the state's revenue base. He said this will result in lower sales tax collections immediately and lower individual and corporate income tax collections in the future.

In response to a question from Senator Wanzek, Mr. White said agriculture income is starting to increase and the agriculture industry is expected to recover from the recession faster than the energy industry.

In response to a question from Senator Mathern, Mr. White said the passage of an infrastructure bonding bill would have a positive effect on the economic condition of the state. However, he said, the effects of infrastructure investment would not be realized immediately.

EXECUTIVE BUDGET

Mr. Morrissette presented information ([Appendix I](#)) on the executive budget for the 2021-23 biennium and the revised 2019-21 biennium revenue forecast. He presented the following general fund summary:

	2019-21 Original Legislative Budget	2019-21 Revised Forecast	2021-23 Executive Budget
Beginning Balance	\$65,000,000	\$65,000,000	\$311,954,541
Revenues	4,822,959,640	4,960,580,330	4,581,131,201
Appropriations	(4,843,563,166)	(4,713,625,789)	(4,835,670,367)
Ending Balance	\$44,396,474	\$311,954,541	\$57,415,375

Mr. Morrisette said the 2019-21 biennium revised general fund revenue forecast is an increase of \$137,620,690 from the original forecast and the 2021-23 executive revenue forecast estimates a decrease of \$379,449,129 from the revised 2019-21 biennium forecast.

Mr. Morrisette said the executive revenue forecast assumes oil prices will remain at \$32 until the end of the 2019-21 biennium and increase to \$34.50 during the 1st year of the 2021-23 biennium and then to \$36.00 during the 2nd year of the biennium. He said the executive revenue forecast assumes oil production of 1.2 million barrels per day for the remainder of the 2019-21 biennium, 1.1 million barrels per day during the 1st year of the 2021-23 biennium, and 1.2 million barrels of per day during the 2nd year.

In response to a question from Representative Nathe, Mr. Morrisette said the price of North Dakota oil is approximately \$7.50 to \$8.50 per barrel lower than the price of West Texas Intermediate crude.

In response to a question from Senator Bekkedahl, Mr. Morrisette said representatives of the oil industry in the state were consulted when developing the forecast for oil production levels and prices.

Mr. Morrisette said the executive budget includes \$1.25 billion of bonding for various projects. He said the bonding would provide funding for low-interest revolving loan funds, transportation and municipal infrastructure projects, career and technical education career academies, and improvement to state facilities.

In response to a question from Representative Boschee, Mr. Morrisette said the executive budget used a 20-year payback period when determining debt service payments on the bonding proposal.

In response to a question from Senator Wardner, Mr. Morrisette said funding identified in the executive budget for the North Dakota State University (NDSU) Agriculture Products Development Center is in addition to appropriations provided for the project in the 2019-21 biennium.

Mr. Larry Martin, Ms. Becky Deichert, Ms. Renae Bloms, Ms. Stephanie Gullickson, and Ms. Stephanie Johnson, Budget Analysts, Office of Management and Budget, reviewed items included in the executive budget recommendation.

In response to a question from Representative Nelson, Mr. Martin said he will provide the committee with information regarding the number of judicial districts that would be served by the proposed expansion of pretrial services.

In response to a question from Representative Nathe, Ms. Deichert said the Department of Public Instruction is projecting unspent appropriations for state school aid for the 2019-21 biennium. She said the unspent authority is primarily due to student enrollment being 3,100 fewer than originally estimated and due to the transition to on-time funding costing less than estimated.

In response to a question from Representative Kempenich, Ms. Gullickson said the executive budget includes \$30 million for a child welfare payment and case management system. She said the project would begin immediately if approved.

In response to a question from Representative Nelson, Ms. Johnson said she will provide information regarding funding included in the executive budget for costs of operating the Devils Lake pumping station.

LEGACY AND BUDGET STABILIZATION FUND ADVISORY BOARD REPORT

Representative Keith Kempenich, Chairman, Legacy and Budget Stabilization Fund Advisory Board, presented a status report ([Appendix J](#)) regarding the investment of funds in the legacy fund and budget stabilization fund pursuant to Section 21-10-11. He said the market value of the budget stabilization fund as of September 30, 2020, was \$739 million.

Representative Kempenich said the balance of the legacy fund was \$6.995 billion as of June 30, 2020. As of September 30, 2020, he said, the market value of the legacy fund was \$7.396 billion. Through September 30, 2020,

he said, net earnings in the legacy fund totaled \$2.035 billion from inception, including \$1.297 billion of realized earnings based on the definition of earnings in Section 21-10-12. As of September 30, 2020, he said, earnings of the legacy fund eligible for transfer to the general fund at the end of the 2019-21 biennium is \$405 million.

JUDICIAL BRANCH COURT REPORTER STUDY

Ms. Sally Holewa, State Court Administrator, Supreme Court, presented a report ([Appendix K](#)) pursuant to Section 18 of House Bill No. 1002 (2019) regarding court reporter positions. She said the court system has 56 court reporter positions assigned to work with 57 judicial officers. She said on average, court reporters in the state spend 59 percent of their time in courtrooms and 25 percent of their time on requests for transcripts and audio recordings.

Ms. Holewa said although there are options available to restructure how court reporter duties are performed, there remains a need to provide direct levels of support for judges in both the courtroom and in the chambers. She said eliminating the ratio of one court reporter per judge would be difficult considering the amount of time judges spend in the courtroom and the lack of other administrative personnel within counties with chambered judges.

ANNUAL FULL-TIME EQUIVALENT POSITION REPORT

At the request of Chairman Wanzek, Mr. Brady A. Larson, Assistant Legislative Budget Analyst and Auditor, Legislative Council, distributed annual reports ([Appendix L](#)) on full-time equivalent position adjustments made for the NDSU Extension Service, Northern Crops Institute, Upper Great Plains Transportation Institute, NDSU Main Research Center, branch research centers, and Agronomy Seed Farm pursuant to Sections 11-38-12 and 15-12.1-05 and Section 8 of House Bill No. 1020 (2019).

HUB CITY ALLOCATION USE OF OIL AND GAS GROSS PRODUCTION TAX FUNDING

At the request of Chairman Wanzek, Mr. Larson distributed written reports ([Appendix M](#)) from the hub cities of Williston, Dickinson, and Minot regarding use of funding received during fiscal year 2020 from hub city allocations from the oil and gas gross production tax under Section 57-51-15.

No further business appearing, Chairman Wanzek adjourned the meeting at 2:50 p.m.

Brady A. Larson
Assistant Legislative Budget Analyst and Auditor

Allen H. Larson
Legislative Budget Analyst and Auditor

ATTACH:13