

# GOVERNMENT FINANCE COMMITTEE

The Government Finance Committee was assigned the following responsibilities:

- A study of statutory and regulatory requirements placed on North Dakota state government agencies by United States government agencies as a condition of the receipt of federal funding. The study was to determine whether there are viable options to meet the needs of our state without having the federal government's oversight and involvement, which state needs can be met if federal funding associated with undesirable regulation or excessive direct and indirect costs is refused, and whether the benefit of accepting certain federal funds outweighs the benefit of participation in the federal programs.
- A study of the functions of the Budget Section. The study was to review the 85 duties and studies assigned to the Budget Section, including the need to continue the duties and the ability of the Budget Section to authorize financial decisions, including full-time equivalent (FTE) positions, North Dakota University System building projects, and project scope changes.
- Review state budget information, including monitoring the status of revenues and appropriations.
- Receive the annual report from the Committee on Employment of People with Disabilities detailing the committee's activities, goals, and progress in reaching these goals, and strategies and policies that can help the committee to realize its goals pursuant to North Dakota Century Code Section 50-06.1-16.
- Approve any agreement between a North Dakota state entity and South Dakota to form a bistate authority pursuant to Section 54-40-01.
- Receive a report by the Office of Management and Budget (OMB) by October 15 of each even-numbered year, regarding the reports received by OMB from each executive branch state agency, excluding entities under the control of the State Board of Higher Education, receiving federal funds, and a plan to operate the state agency when federal funds are reduced by 5 percent or more of the total federal funds the state agency receives pursuant to Section 1 of 2015 House Bill No. 1085.
- Receive a report from OMB regarding its statewide plan and any appropriation authority transferred from the targeted market equity pool pursuant to Section 4 of 2015 Senate Bill No. 2015
- Receive a report from OMB regarding distributions from the energy development impact funding pool and each agency receiving a distribution from the energy impact funding pool regarding its plan to discontinue energy impact adjustments for employees at the end of the biennium beginning July 1, 2015, and ending June 30, 2017, pursuant to Section 5 of 2015 Senate Bill No. 2015.

Committee members were Representatives Jeff Delzer (Chairman), Rick C. Becker, Joshua A. Boschee, Glen Froseth, Eliot Glassheim, Jessica Haak, Craig Headland, Jim Kasper, Kim Koppelman, Vernon Laning, Mike Lefor, Scott Louser, Chet Pollert, Jim Schmidt, Vicky Steiner, Don Vigesaa, and Kris Wallman and Senators Ron Carlisle, Ralph Kilzer, Richard Marcellais, and Ronald Sorvaag.

## STUDY OF STATUTORY AND REGULATORY REQUIREMENTS RELATING TO FEDERAL FUNDING

The Government Finance Committee was assigned a study of statutory and regulatory requirements relating to federal funding pursuant to Section 1 of 2015 House Bill No. 1083. The study was to determine whether there are viable options to meet the needs of our state without having the federal government's oversight and involvement, which state needs can be met if federal funding associated with undesirable regulation or excessive direct and indirect costs is refused, and whether the benefit of accepting certain federal funds outweighs the benefit of participation in the federal programs.

### Background Information

The committee learned that, beginning with the 1987-88 interim, the Legislative Council has presented each interim a memorandum identifying the federal funds appropriated and the estimated federal funds to be received each biennium by agency. The committee learned the memorandum identifies the agency name, program name, federal funds appropriated, estimated federal funds to be received, variance, appropriated general fund matching funds, appropriated other funds matching funds, required general fund maintenance of effort, required other funds maintenance of effort, and estimated amount of indirect costs reimbursed.

The committee learned state agencies with significant federal funds appropriations during the 2013-15 biennium, and those anticipating to receive significant federal funds during the 2015-17 biennium include:

<b>Agency</b>	<b>Original 2013-15 Federal Funds Appropriation</b>	<b>Estimated 2015-17 Federal Funds to be Received</b>
Department of Public Instruction	\$269,049,193	\$271,473,096
State Department of Health	120,309,143	116,763,623
Department of Human Services	1,700,732,059	2,030,831,027
Job Service North Dakota	77,206,472	55,342,571
North Dakota Housing Finance Agency	26,177,975	25,227,780
Adjutant General	231,625,343	147,452,483
Department of Commerce	64,138,514	49,196,968
Upper Great Plains Transportation Institute	19,007,683	11,700,195
Game and Fish Department	29,723,601	30,886,724
State Water Commission	37,080,441	11,375,000
Department of Transportation	691,500,000	617,500,000
Other state agencies	93,411,985	77,793,432
<b>Total</b>	<b>\$3,359,962,409</b>	<b>\$3,445,542,899</b>

### **State Auditor**

The committee learned the State Auditor performs a "single audit" to review agency spending of federal funds on a biennial basis. The committee learned over 70 percent of the federal funds spent by state agencies in fiscal year 2014 were spent by three agencies, the Department of Human Services (DHS), the Department of Transportation (DOT), and the Department of Public Instruction (DPI). The committee learned auditors are required to obtain an understanding of the internal control over compliance for each major federal program and test the effectiveness of those controls.

### **Department of Corrections and Rehabilitation**

The committee learned the Department of Corrections and Rehabilitation (DOCR) administers four major federal grant programs--programs for crime victim's assistance, crime victim's compensation, state criminal alien assistance, and juvenile justice and delinquency prevention. The Department of Corrections and Rehabilitation also receives federal funds through grants administered by DPI and the Department of Career and Technical Education. The Department of Corrections and Rehabilitation received approximately \$5.7 million in federal funding in fiscal year 2015 from the grant programs it administers.

The committee learned DOCR is required to comply with the national Prison Rape Elimination Act standards. The committee learned noncompliance with the Prison Rape Elimination Act would subject the state to the loss of 5 percent of federal Department of Justice grant funds, prevent DOCR from continuing its housing contract with the Bureau of Prisons, and could potentially lead to litigation by the Department of Justice. In fiscal year 2014, North Dakota state agencies, including the State Department of Health, Attorney General, DOCR, Information Technology Department (ITD), North Dakota State University (NDSU), University of North Dakota (UND), and Minot State University received \$7.3 million in federal funds from the Department of Justice. The committee learned the ability to contract with the Bureau of Prisons is important to DOCR in order to manage more dangerous inmates. To remain Prison Rape Elimination Act compliant, it is estimated 14 to 16 additional FTE positions will be needed at the North Dakota Youth Correctional Center during the 2017-19 biennium.

### **Department of Public Instruction**

The committee learned DPI anticipated receiving over \$129 million in federal funds for various grant programs for the 2015-16 fiscal year, of which approximately \$121 million is provided to individual school districts. The Department of Public Instruction receives grants from the United States Department of Agriculture (USDA), the Department of Education, the Centers for Disease Control and Prevention, and the Department of Health and Human Services. The committee learned federal programs administered by DPI include:

1. Title I - Provide financial assistance to state and local educational agencies to meet the needs of at-risk children identified as failing or most at risk of failing the state's performance standards.
2. School Improvement Grants Program - Raises the achievement of students in the lowest-performing schools.
3. Title I Part C - Ensure migrant students reach academic standards and graduate prepared for responsible citizenship, further learning, and productive employment.
4. Title I Part D - Improve educational services for children and youth in local and state institutions for neglected or delinquent children.
5. Title II Part A - Increase student academic achievement by improving teacher and principal quality.
6. Title II Part B - Improve the academic achievement of students in mathematics and science.

7. Title II State Discretionary Funds - Support improvement in the recruitment, hiring, training, and retention of teachers.
8. McKinney-Vento Homeless Assistance Act - Provide homeless student services to address the problems that homeless children and youth face in enrolling, attending, and succeeding in school.
9. 21<sup>st</sup> Century Community Learning Centers - Develop or expand on out-of-school programs.
10. North Dakota Refugee School Impact Grant Program - Engage in activities or provide services to benefit school districts in North Dakota with significant numbers of newly arrived refugee children and youth.
11. Title III Part A - Ensure that English learners, including immigrant children and youth, attain English proficiency and develop high levels of academic achievement in English.
12. Title VI Part A - Pay the costs of development of state assessments and standards required by the Elementary and Secondary Education Act.
13. Special Education Part B - Ensure children with disabilities have access to free public education to meet their needs and prepare them for further education, employment, and independent living.
14. North Dakota Dual Sensory Project - Promote academic achievement and improve results for children with disabilities.
15. State Personnel Development Grant Program - Reform and improve systems for personnel preparation and professional development in order to improve results for children with disabilities.
16. Adult Education - Help adults over the age of 16 obtain basic academic and educational skills.
17. Safe Schools-Healthy Students Initiative - Coordinate the Youth Risk Behavior Survey, designed to monitor health risk behavior trends and used to plan, evaluate, and improve school and community programs.
18. School Nutrition Programs - The National School Lunch Program, the School Breakfast Program, and the After School Snack Program help fight hunger and obesity.
19. United States Department of Agriculture Foods for Schools Program - Support American agricultural producers by providing USDA-purchased food to schools and other institutions participating in the National School Lunch Program.
20. Child and Adult Care Food Program - Provide aid to child and adult care institutions and family or group day care homes to provide food for children, older adults, and disabled persons.
21. Summer Food Service Program - Reimburse providers of meals to children and teens in low-income areas at no charge during the summer months.
22. Fresh Fruit and Vegetable Program - Improve children's diet and create healthier eating habits.
23. Team Nutrition - Provide training and technical assistance for food service, provide nutrition education for children and caregivers, and support healthy eating and physical activity.
24. The Emergency Food Assistance Program - Supplement the diets of low-income Americans by providing them with emergency food and nutrition assistance at no cost.
25. Food Distribution Program on Indian Reservations - Provides foods to low-income households living on Indian reservations and Native American families residing in designated areas near reservations.
26. Commodity Supplemental Food Program - Improve the health of low-income elderly persons at least 60 years of age by supplementing their diets.
27. Special Milk Program - Provide milk to children in schools and child care institutions who do not participate in other federal meal service programs.

The committee learned certain federal programs administered by DPI do not require a local funding match and certain programs also provide support for the department's administrative costs. Requirements associated with federal programs may include various reporting and assurances of compliance with program requirements. The committee learned the federal Every Student Succeeds Act eliminates over 50 federal programs and replaces them with a single block grant, which may result in decreased administrative costs. The committee learned DPI has made efforts to reduce costs, including office consolidation, employee position eliminations, reduced travel, increased use of technology, and hiring a consultant to complete a business office model project.

## Report on Federal Funds

Section 54-27-27.1 provides each executive branch state agency, excluding entities under the control of the State Board of Higher Education, receiving federal funds, shall report to OMB a plan to operate the state agency if federal funds are reduced by 5 percent or more of the total federal funds the state agency receives. The report must include information on whether the agency will request state funds to offset the decrease in federal funds. The report is not required to address a reduction in federal funds received by the agency which is a result of:

1. A decrease in caseloads or cost per case;
2. A change in the anticipated project completion date for a construction project qualifying for federal fund reimbursement; or
3. The completion of a one-time project funded in whole or in part by federal funds.

The Office of Management and Budget is required to report to the Legislative Management by October 15 of each even-numbered year on the reports received from state agencies under this section. The report must include a summary of the reports received from state agencies on how each agency will operate with the reduction in federal funds. The Government Finance Committee was assigned responsibility for receiving this report for the 2015-16 interim.

The committee received the report from OMB regarding state agency plans to operate if federal funds are reduced by 5 percent or more of the total federal funds the agency receives. The committee learned the Secretary of State and the Public Service Commission (PSC) are expecting a decrease in federal funding of 5 percent or more. The Secretary of State reported federal funds have been used to establish a statewide voting system, federal funds will be adequate to sustain the system through the 2017-19 biennium, and the agency plans to eventually request approximately \$9 million of state funding for the replacement of the voting system. The Public Service Commission anticipates federal funding to decrease 10 percent for the abandoned mine lands program and the PSC plans to reduce the size and cost of projects to match the reduction in federal funding. Other agencies surveyed did not expect federal funding to decrease by 5 percent or more, but responded with actions anticipated to be taken if federal funding did decrease. Most agencies indicated the programs associated with the decreased federal funding would be reduced to match the federal funding available. Certain agencies, including the Tax Commissioner, DPI, Protection and Advocacy Project, and the Industrial Commission, indicated requests for general fund appropriations may be submitted to replace the federal funds, if reduced.

## Recommendation

The committee [recommends a bill](#) to require state agencies to perform an analysis prior to applying for or accepting federal funds. The bill also provides for the Legislative Management to continue, in the 2017-18 interim, the study of statutory and regulatory requirements placed on North Dakota state government agencies by United States government agencies as a condition of the receipt of federal funds.

## STUDY OF THE FUNCTIONS OF THE BUDGET SECTION

The Government Finance Committee was assigned a study of the functions of the Budget Section pursuant to Section 40 of 2015 Senate Bill No. 2015. The study was to review the 84 duties assigned to the Budget Section, including the need to continue the duties and the ability of the Budget Section to authorize financial decisions, including FTE positions, University System building projects, and project scope changes.

## Budget Section Duties

### Central Dakota Water Supply Project

The Chairman of the Legislative Management directed the Government Finance Committee, as part of its study of Budget Section functions, to review the provisions of Section 19 of 2015 Senate Bill No. 2020 and to determine whether it would be appropriate for the Budget Section to be authorized by the Legislative Assembly to approve, in future bienniums, alternative uses of funds appropriated by the Legislative Assembly. The committee learned Section 19 of Senate Bill No. 2020 provided a contingent allocation of \$10 million for a grant for a water reuse facility, \$40 million for a loan for a water reuse facility, and \$20 million for the Central Dakota Water Supply Project from the State Water Commission's water and atmospheric resources line item appropriation. The \$70 million of allocations are contingent on the State Water Commission entering into a written agreement that a fertilizer or chemical processing facility be constructed in Stutsman County.

The committee learned in August 2015, CHS Inc. announced it was no longer planning to build a fertilizer or chemical processing facility in Stutsman County. Therefore, it appeared the contingency would not be met; however, the funds are still appropriated to the State Water Commission for the 2015-17 biennium. Concerns over the potential use of the appropriated funds for purposes other than the Central Dakota Water Supply Project and related grants and loans led to questions regarding the authority of the Budget Section to approve alternative uses of the appropriated funds.

### **Acceptance of buildings and campus improvements**

The committee reviewed provisions of Section 15-10-12.1. The section requires the consent of the Legislative Assembly or the Budget Section for construction of any building financed with donations, gifts, and grants and for campus improvements or building maintenance financed with donations, gifts, and grants if the cost of the improvements or maintenance is more than \$385,000. Under this section, the committee learned during the 2007-08 interim, the Budget Section approved requests from UND and NDSU to accept and spend \$900,000 each for new president's residences. During the 2009-10 interim, the Budget Section approved a request from NDSU for a \$29.36 million addition to the Research I facility. During the 2011-12 interim, the Budget Section approved a request from UND for a \$2 million Alumni Center construction project. During the 2013-14 interim, the Budget Section approved requests from UND to spend \$24.95 million for an aerospace building project and \$15.5 million for a collaborative energy center project.

### **Other Budget Section Duties**

The committee learned certain Budget Section duties require reports to be presented to the Budget Section, while other Budget Section duties require reports to be filed with the Budget Section. Budget Section reporting requirements further reviewed by the committee include:

- Section 4-05.1-19(10) requires a report from the State Board of Agricultural Research and Education be presented to the Budget Section.
- Section 54-59-19 requires a report from ITD be presented to the Budget Section and the interim Information Technology Committee.
- Section 57-38-01.29 requires the Tax Commissioner to report any adjustment to the homestead income tax credit rate to the Budget Section. The committee learned the homestead income tax credit was valid only for taxable years 2007 and 2008.
- Section 57-38-01.30 requires the Tax Commissioner to report any adjustment to the commercial property income tax credit cap to the Budget Section. The committee learned the commercial property income tax credit was valid only for taxable years 2007 and 2008.

Other Budget Section approval requirements further reviewed by the committee include:

- Section 54-06-37 requires approval of the Legislative Assembly or the Budget Section for state agencies to purchase or lease aircraft.
- 54-23.3-09 requires the approval of the Legislative Assembly or the Budget Section for new DOCR programs estimated to cost more than \$100,000.
- Section 54-56-03 requires the approval of the Legislative Assembly or the Budget Section for the Children's Services Coordinating Committee to distribute grant funds to children's services organizations and programs. The committee learned the Children's Services Coordinating Committee has not received an appropriation since the 2003-05 biennium and has not met in several years.
- Section 54-16-04.3 authorizes the Budget Section to approve new FTE positions.
- Section 54-16-04.1 authorizes the Budget Section to approve the acceptance and expenditures of federal funds which were not appropriated.

The committee discussed the potential to remove the authority of the Budget Section to approve new FTE positions, the potential to incentivize agencies to accurately report applications for federal grants to OMB, and the potential to increase the involvement of the legislative branch in reviewing and approving revenue forecasts during the interim.

The committee considered the appropriateness of the Budget Section receiving certain reports, the necessity of continuing duties to approve agency requests that are no longer applicable or have never been submitted to the Budget Section, and the appropriate dollar amount of requests requiring Budget Section approval.

### **Recommendations**

The committee recommended the Chairman of the Legislative Management encourage the State Water Commission to refrain from spending any of the \$70 million of contingent funding designated by the 2015 Legislative Assembly for the Central Dakota Water Supply Project and not reallocate the funds for other purposes.

The committee also [recommends a bill](#) to amend Section 15-10-12.1, relating to higher education campus improvements and building construction. The bill increases the minimum amount for which campuses must seek project approval from the Legislative Assembly or Budget Section from \$385,000 to \$700,000. The bill also removes the authority of the Budget Section to approve the use of land under the control of the State Board of Higher Education for construction of new buildings or building expansion projects. These projects would need Legislative Assembly approval.

The committee also [recommends a bill](#) to amend Sections 4-05.1-19(10), 57-38-30.3(7), and 54-59-19 to require the State Board of Agricultural Research and Education to file a report rather than present a report to the Budget Section, to remove references to the homestead and commercial property income tax credits, and to remove the requirement for ITD to present a report to the Budget Section. The bill repeals Section 54-23.3-09, Chapter 54-56, and Sections 57-38-01.29 and 57-38-01.30, relating to reporting of new DOCR programs, the Children's Services Coordinating Committee, the homestead income tax credit, and the commercial property income tax credit. The homestead property tax credit is not affected by this bill.

The committee also [recommends a bill](#) to amend Section 54-06-37, removing the authority of the Budget Section to authorize the purchase or lease of an aircraft by a state agency or other entity of state government.

### STATE BUDGET INFORMATION

The Chairman of the Legislative Management assigned the committee various budget-related duties, including monitoring state revenues and expenses, receiving updated general fund revenue forecasts, reviewing the status of major state funds, and receiving information regarding state agency budgets and cost-to-continue items.

#### Status of the General Fund and Selected Special Funds

The committee received updates regarding the status of the general fund and selected special funds. The following is a summary of original and revised 2015-17 biennium general fund and selected special fund ending balance estimates:

Fund	Actual Balance - June 30, 2015	Estimated Balance - June 30, 2017 (Original Legislative Forecast)	Estimated Balance - June 30, 2017 (July 2016 Revised Forecast)
General fund	\$729,529,389	\$211,009,592	\$0
Budget stabilization fund	\$572,485,454	\$583,545,799	\$0
Legacy fund	\$3,325,913,159	\$4,325,859,817	\$4,266,593,159
Foundation aid stabilization fund	\$617,625,443	\$746,124,942	\$625,020,444
Strategic investment and improvements fund (undesignated)	\$191,029,935	\$401,538,777	\$328,083,739

#### 2017-19 Preliminary Ongoing General Fund Revenue Forecast

The committee received information regarding the revised ongoing general fund revenue forecast for the 2015-17 biennium and the preliminary 2017-19 biennium ongoing general fund revenue forecast. The following schedule compares the forecasts:

Tax Type	Ongoing General Fund Revenue Forecasts				
	2015-17 Biennium			2017-19 Biennium	
	2015-17 Biennium Legislative Estimates	July 2016 Revised 2015-17 Biennium Forecast	Change	2017-19 Biennium Preliminary Forecast	Change From 2015-17 Biennium Revised Forecast
Sales and use	\$2,868,026,560	\$1,863,517,574	(\$1,004,508,986)	\$2,049,472,000	\$185,954,426
Motor vehicle excise	314,324,000	201,543,785	(112,780,215)	204,572,000	3,028,215
Individual income	763,276,000	690,525,749	(72,750,251)	733,937,000	43,411,251
Corporate income	371,422,000	158,713,800	(212,708,200)	124,552,000	(34,161,800)
Insurance premium	91,830,364	104,935,597	13,105,233	105,000,000	64,403
Financial institutions	0	324,145	324,145	0	(324,145)
Oil and gas production	155,570,000	102,881,583	(52,688,417)	102,881,583	0
Oil and gas extraction	144,430,000	197,118,417	52,688,417	197,118,417	0
Gaming	7,106,250	6,975,584	(130,666)	7,000,000	24,416
Cigarette and tobacco	61,334,000	57,082,715	(4,251,285)	54,086,000	(2,996,715)
Wholesale liquor	18,995,000	18,114,988	(880,012)	18,578,000	463,012
Coal conversion	39,578,000	42,725,976	3,147,976	39,709,000	(3,016,976)
Mineral leasing fees	19,667,704	23,635,424	3,967,720	20,000,000	(3,635,424)
Departmental collections	73,883,318	78,448,832	4,565,514	80,000,000	1,551,168
Interest	20,999,500	23,889,121	2,889,621	8,700,000	(15,189,121)
<b>Total</b>	<b>\$4,950,442,696</b>	<b>\$3,570,433,290</b>	<b>(\$1,380,009,406)</b>	<b>\$3,745,606,000</b>	<b>\$175,172,710</b>

## Oil and Gas Tax Allocations

The committee reviewed the estimated allocations of oil and gas production and oil extraction taxes for the 2015-17 biennium and the preliminary estimate for the 2017-19 biennium.

Estimated Allocations of Oil and Gas Production and Oil Extraction Taxes					
	2015-17 Biennium Legislative Estimates	July 2016 Revised 2015-17 Biennium Forecast	Change	2017-19 Biennium Preliminary Forecast	Change From 2015-17 Biennium Revised Forecast
Legacy fund	\$950,600,000	\$810,680,000	(\$139,920,000)	\$936,200,000	\$125,520,000
Tribal share	265,080,000	201,090,000	(63,990,000)	250,760,000	49,670,000
Oil and gas research fund	10,000,000	10,000,000	0	10,000,000	0
Oil and gas impact grant fund	140,000,000	74,300,000	(65,700,000)	100,000,000	25,700,000
Political subdivisions	630,790,000	541,690,000	(89,100,000)	554,160,000	12,470,000
Abandoned well reclamation fund	10,000,000	10,130,000	130,000	12,030,000	1,900,000
North Dakota outdoor heritage fund	27,500,000	19,620,000	(7,880,000)	24,050,000	4,430,000
Foundation aid stabilization fund	134,230,000	123,450,000	(10,780,000)	150,030,000	26,580,000
Common schools trust fund	134,230,000	123,450,000	(10,780,000)	150,030,000	26,580,000
Resources trust fund	237,410,000	218,010,000	(19,400,000)	265,860,000	47,850,000
Energy conservation grant fund	1,200,000	1,200,000	0	1,200,000	0
Renewable energy development fund	3,000,000	3,000,000	0	3,000,000	0
Infrastructure revolving loan fund	26,850,000	24,690,000	(2,160,000)	30,010,000	5,320,000
General fund	300,000,000	300,000,000	0	300,000,000	0
Tax relief fund	300,000,000	300,000,000	0	300,000,000	0
Strategic investment and improvements fund	202,490,000	119,180,000	(83,310,000)	395,770,000	276,590,000
State disaster relief fund	16,420,000	14,640,000	(1,780,000)	22,000,000	7,360,000
Political subdivision allocation fund	43,930,000	8,210,000	(35,720,000)	0	(8,210,000)
<b>Total</b>	<b>\$3,433,730,000</b>	<b>\$2,903,340,000</b>	<b>(\$530,390,000)</b>	<b>\$3,505,100,000</b>	<b>\$601,760,000</b>

## Oil and Gas Information

The committee received information regarding oil and gas development in the state. The committee learned there are 13,255 active producing wells in the state. In September 2016 there were 37 drilling rigs operating in North Dakota. In August 2016 oil production in North Dakota fell below 1 million barrels per day for the first time since 2014. The committee learned the Department of Mineral Resources estimates the West Texas Intermediate price for oil will need to exceed \$40 for at least 90 days before companies begin returning inactive wells to production, \$50 for at least 90 days before companies begin completing wells waiting on completion, and \$60 for at least 90 days before companies begin drilling permitted wells. The committee learned the breakeven West Texas Intermediate price for oil ranges from \$16 in Dunn County to over \$100 in Bottineau, Bowman, Renville, and Slope Counties. The committee learned average North Dakota oil well drilling costs have been reduced by 28 percent and operating costs have been reduced by 29 percent.

## Report on Transfers from the Targeted Market Equity Pool

Section 4 of 2015 Senate Bill No. 2015 provides an appropriation of \$3.75 million from the general fund and \$740,000 from special funds derived from federal funds and other income, to OMB for a state agency targeted market equity salary funding pool to provide compensation adjustments for state employees. The market equity increases were to be prioritized based on a statewide plan prepared by OMB within the funding available in the pool. The plan must address occupational market disparities, economic growth areas, recruitment and retention challenges, and external pay inequities for employees who are critical to the mission of the agency. The plan must give priority to employees whose salary is in the first or second quartile of their assigned salary range and employees whose salary is below the average classified state employee salary level.

The Office of Management and Budget was to transfer appropriation authority from the targeted market equity salary pool to eligible agencies for approved market equity salary adjustments and provide a report to the Legislative Management regarding the statewide plan and any appropriation authority transferred from the pool. The Government Finance Committee was assigned this responsibility for the 2015-16 interim.

The committee learned OMB made the following transfers from the targeted market equity fund:

Agency	General Fund Transfer	Other Funds Transfer	Total Appropriations
State Department of Health	\$724,558		\$724,558
Veterans' Home		\$468,954	468,954
Department of Human Services	2,768,570	271,046	3,039,616
Protection and Advocacy Project	185,549		185,549
Adjutant General	71,323		71,323
<b>Total</b>	<b>\$3,750,000</b>	<b>\$740,000</b>	<b>\$4,490,000</b>



## **Report on Distributions from the Energy Development Impact Funding Pool**

Section 5 of 2015 Senate Bill No. 2015 provides an appropriation of \$2,400,000 from the general fund and \$5,565,000 from special funds derived from federal funds and other income, to OMB for a state agency energy development impact funding pool. State agencies could submit an application to OMB for a transfer of appropriation authority from the state agency energy development impact funding pool for employee housing rental assistance and temporary salary increases for employees affected by energy development. The Office of Management and Budget, subject to Emergency Commission approval, was to transfer appropriation authority from the state agency energy development impact funding pool to eligible agencies for approved applications.

The Office of Management and Budget was to provide a report to the Legislative Management regarding distributions from the energy development impact funding pool. In addition each agency receiving a distribution from the energy impact funding pool was to report to the Legislative Management regarding its plan to discontinue energy impact adjustments for employees at the end of the 2015-17 biennium. The Government Finance Committee was assigned this responsibility for the 2015-16 interim.

The committee learned OMB made the following distributions for the first year of the 2015-17 biennium from the energy development impact funding pool:

<b>Agency</b>	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
Tax Department	\$20,000		\$20,000
Department of Human Services	821,754	\$167,899	989,653
Highway Patrol	207,500		207,500
Department of Corrections and Rehabilitation	168,612		168,612
State Historical Society	15,000		15,000
Game and Fish Department		25,000	25,000
Department of Transportation		2,433,072	2,433,072
<b>Total</b>	<b>\$1,232,866</b>	<b>\$2,625,971</b>	<b>\$3,858,837</b>

The committee learned the Emergency Commission did not approve any agency requests for distributions from the energy development impact funding pool for the second year of the 2015-17 biennium. Agencies receiving distributions from the energy impact funding pool during the first year of the 2015-17 biennium were not asked to provide reports regarding plans to discontinue energy impact adjustments, as the distributions were already discontinued.

## **REPORT FROM THE COMMITTEE ON EMPLOYMENT OF PEOPLE WITH DISABILITIES**

Section 50-06.1-16 establishes the Committee on Employment of People with Disabilities and requires the committee to submit an annual report to the Legislative Management before January 1 of each year. The report must detail the committee's activities, the committee's goals, and the progress the committee has made in reaching these goals. The report must also include identification of barriers to achieve the committee's goals and must include identified strategies and policies that can help the committee realize its goals. The committee is to submit the annual report to the Governor and the Legislative Management. The Government Finance Committee was assigned the responsibility to receive this report for the 2015-16 interim.

### **Background**

The Committee on Employment of People with Disabilities consists of four members of the public appointed by the Governor and five ex officio individuals representing the Department of Commerce Division of Workforce Development, the DHS Division of Vocational Rehabilitation, DPI, the Protection and Advocacy Project, and the DHS developmental disabilities programs. The committee is to collaborate, coordinate, and improve employment outcomes for working-age adults with disabilities.

### **Report on the Activities of the Committee on Employment of People with Disabilities**

The Government Finance Committee learned the Committee on Employment of People with Disabilities held meetings on a quarterly basis. Activities of the Committee on Employment of People with Disabilities included conducting an employment survey and working with the DHS Divisions of Vocational Rehabilitation and Developmental Disabilities to award contracts to four community rehabilitation providers to provide integrated and competitive employment opportunities to individuals with intellectual disabilities.



## **AGREEMENTS BETWEEN NORTH DAKOTA AND SOUTH DAKOTA**

Section 54-40-01 provides that an agency, department, or institution may enter an agreement with the state of South Dakota to form a bistate authority to jointly exercise any function the entity is authorized to perform by law. Any proposed agreement must be submitted to the Legislative Assembly or, if the Legislative Assembly is not in session, to the Legislative Management or a committee designated by the Legislative Management for approval or rejection. The agreement may not become effective until approved by the Legislative Assembly or the Legislative Management. The Government Finance Committee was assigned this responsibility for the 2015-16 interim.

The committee received information regarding the history of the bistate authority legislation. The South Dakota Legislature in 1996 enacted a law creating a legislative commission to meet with a similar commission from North Dakota to study ways North Dakota and South Dakota could collaborate to provide government services more efficiently. The North Dakota Legislative Council appointed a commission to meet with the South Dakota commission. As a result of the joint commission, the North Dakota Legislative Assembly enacted legislation relating to higher education and the formation of a cooperative agreement with South Dakota. The South Dakota commission proposed several initiatives, but the South Dakota Legislature did not approve any of the related bills.

During the 2015-16 interim, no proposed agreements were submitted to the committee for approval to form a bistate authority with the state of South Dakota.

## **OTHER INFORMATION RECEIVED**

The committee received other comments regarding the committee's assigned studies and other information regarding:

- Road projects planned by DOT for the 2015 construction season;
- Higher education finance and governance;
- Selected agency plans to meet 2015-17 biennium general fund budget allotments and reductions; and
- Legislative Council reports including the *State Budget Actions for the 2015-17 Biennium* report, the *2015-17 Biennium Report on Compliance with Legislative Intent*, the June 2016 *Analysis of Major State Trust Funds*, the *2017-19 Biennium Preliminary General Fund Budget Outlook*, updated *Budget and Fiscal Trends*, and the *2016 North Dakota Finance Facts* brochure.