



BUDGET SECTION

Tuesday, June 28, 2022
 Senate Chamber, State Capitol
 Bismarck, North Dakota

Representative Don Vigesaa, Chairman, called the meeting to order at 1:00 p.m.

Members present: Representatives Don Vigesaa, Bert Anderson, Tracy Boe, Joshua A. Boschee, Jeff Delzer, Michael Howe, Keith Kempenich, Kim Koppelman, Gary Kreidt, Bob Martinson, Alisa Mitskog, Corey Mock*, David Monson*, Mike Nathe, Jon O. Nelson, Chet Pollert, Mark Sanford*, Mike Schatz*, Jim Schmidt, Randy A. Schobinger; Senators Brad Bekkedahl*, Kyle Davison, Dick Dever, Robert Erbele, Joan Heckaman, Kathy Hogan, David Hogue, Jerry Klein, Karen K. Krebsbach, Tim Mathern*, Nicole Poolman, David S. Rust, Ronald Sorvaag*, Terry M. Wanzek, Rich Wardner

Members absent: Representatives Larry Bellew, Mike Brandenburg, Scott Louser, Lisa Meier, Michelle Strinden; Senator Dave Oehlke

Others present: Senator Tracy Potter, Bismarck
 See [Appendix A](#) for additional persons present.
 *Attended remotely

It was moved by Senator Rust, seconded by Senator Poolman, and carried on a voice vote that the minutes of the March 30, 2022, meeting be approved as distributed.

STATE BUDGET INFORMATION

Mr. Joe Morrissette, Director, Office of Management and Budget, presented a report ([Appendix B](#)) on the status of the general fund, balances of selected special funds, general fund revenue collections, and oil prices and production.

STATE AGENCY APPLICATIONS FOR FEDERAL GRANTS

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

Agency	Time Period of Grant	Amount
State Department of Health	November 2022 - October 2027	\$2,500,000
State Department of Health	August 2022 - July 2025	\$2,250,000
Industrial Commission	June 2022 - June 2023	\$25,000,000
Game and Fish Department	September 2022 - September 2023	\$96,300
Game and Fish Department	July 2022 - June 2025	\$332,025
Department of Transportation (15 transportation project grants)	June 2022 - September 2029	\$310,531,044

IRREGULARITIES IN THE FISCAL PRACTICES OF THE STATE

Mr. Morrissette presented information ([Appendix D](#)) regarding irregularities in the fiscal practices of the state pursuant to Section 54-14-03.1. He presented the following fiscal irregularities for the period March 2022 through May 2022:

Agency	Fiscal Irregularity	Amount
Department of Human Services	Workload increases	\$2,787
Department of Human Services	Equity increases	\$4,518
State Library	Temporary workload increase	\$981
Department of Human Services	Temporary workload increases	\$2,584

Agency	Fiscal Irregularity	Amount
Securities Department	Workload adjustment	\$1,187
Department of Commerce	Workload adjustment	\$750
Judicial Branch	Severance pay	\$26,505
Highway Patrol	Severance pay	\$25,686

TOBACCO SETTLEMENT PROCEEDS

Mr. Morrisette presented information ([Appendix E](#)) on the status of tobacco settlement proceeds received by North Dakota. He reported the April 2022 payments totaled \$23.3 million and were deposited in the tobacco settlement trust fund and funding deposited in the tobacco settlement trust fund is transferred to the community health trust fund.

FEDERAL CORONAVIRUS RELIEF FUNDING

Mr. Morrisette reported ([Appendix F](#)) on various issues relating to federal coronavirus relief funds, including a report pursuant to Section 10 of House Bill No. 1505 (2021) regarding the use of federal coronavirus relief funds for salaries. He noted:

- Unused federal coronavirus relief funds were reallocated for salaries for the Department of Human Services (\$4.4 million), Department of Corrections and Rehabilitation (\$5.2 million), and Adjutant General (\$1 million).
- A total of \$62.9 million of federal state fiscal recovery funds has not yet been appropriated.

ATTORNEY GENERAL FACILITY LEASE

Mr. Drew Wrigley, Attorney General, provided comments regarding a facility leased by the agency. He noted:

- The Attorney General entered a lease to house several divisions of the agency.
- The office was notified in January 2021 of a cost overrun on the facility.
- Various state procurement and leasing provisions were not followed.

It was moved by Representative Pollert, seconded by Senator Wardner, and carried on a roll call vote that the Budget Section request the Legislative Audit and Fiscal Review Committee to review building lease agreements entered by the Attorney General and that the Government Administration Committee consider Attorney General building lease agreements as part of its study of state agency space needs. Representatives Vigesaa, Anderson, Boe, Boschee, Delzer, Howe, Koppelman, Kreidt, Martinson, Mitskog, Mock, Monson, Nathe, Nelson, Pollert, Sanford, Schatz, Schmidt, and Schobinger and Senators Bekkedahl, Davison, Dever, Erbele, Heckaman, Hogan, Hogue, Klein, Krebsbach, Mathern, Poolman, Rust, Sorvaag, Wanzek, and Wardner voted "aye." No negative votes were cast.

AGENCY REQUESTS APPROVED BY THE EMERGENCY COMMISSION

Chairman Vigesaa directed the Budget Section to consider agency requests ([Appendix G](#)) which have been authorized by the Emergency Commission and forwarded to the Budget Section pursuant to Chapter 54-16.

Mr. Morrisette provided information regarding the following requests that were authorized by the Emergency Commission and require consideration by the Budget Section:

- **Insurance Commissioner (Request #2059)** - The request is to increase other funds spending authority by \$250,000 from the insurance regulatory trust fund for expenses relating to legal action taken against a company in noncompliance with law.
- **Department of Career and Technical Education (Request #2060)** - The request is to increase special funds spending authority of \$1.5 million from the Center for Distance Education operating fund in the Center for Distance Education line item. The request is being made due to higher than anticipated Center for Distance Education student enrollments, resulting in additional revenue collected from student fees.
- **Industrial Commission (Request #2061)** - The request is to add a new line item and increase federal funds spending authority by \$2.5 million for administrative costs, including salaries and wages and operating expenses, related to a federal grant to plug and reclaim abandoned oil wells and oil well sites.
- **Department of Transportation (Request #2062)** - The request is to increase special funds spending authority by \$7,173,530 from user revenues deposited in the state fleet fund for vehicle purchases in the capital assets line item.

- **State Historical Society (Request #2065)** - The request is for approval of a line item transfer of \$335,400 from the grants line item to the capital assets line item to perform work in accordance with the Secretary of the Interior's standards and guidelines for archeology and historic preservation of state historic sites using federal historic preservation funds.
- **Department of Environmental Quality (Request #2066)** - The request is to accept and expend federal funds totaling \$1,015,000 for the salaries and wages line item (\$579,110) and operating expenses line item (\$435,890) and to add 4 full-time equivalent positions for the Department of Environmental Quality.
- **Veterans' Home (Request #2067)** - The request is to increase federal funds spending authority by \$1,805,000 from the Federal Emergency Management Agency and United States Department of Health and Human Services for COVID-19 expenses.
- **Secretary of State (Request #2068)** - The request is to increase federal funds spending authority by \$1 million in the election reform line item from federal Help America Vote Act funds provided through the federal Consolidated Appropriations Act of 2022.

It was moved by Senator Wardner, seconded by Representative Delzer, and carried on a roll call vote that the Budget Section approve Emergency Commission Requests #2059, #2060, #2061, #2062, #2065, #2067, and #2068. Representatives Vigesaa, Anderson, Boe, Boschee, Delzer, Howe, Koppelman, Kreidt, Martinson, Mitskog, Mock, Monson, Nathe, Nelson, Pollert, Sanford, Schatz, Schmidt, and Schobinger and Senators Bekkedahl, Davison, Dever, Erbele, Heckaman, Hogan, Hogue, Klein, Krebsbach, Mathern, Poolman, Rust, Sorvaag, Wanzek, and Wardner voted "aye." No negative votes were cast.

Mr. Dave Glatt, Director, Department of Environmental Quality, answered committee questions regarding Request #2066.

It was moved by Senator Wardner, seconded by Senator Klein, and carried on a roll call vote that the Budget Section approve Emergency Commission request #2066. Representatives Anderson, Boschee, Howe, Martinson, Mitskog, Mock, Monson, Nathe, Nelson, Pollert, Sanford, Schatz, Schmidt, and Schobinger and Senators Bekkedahl, Davison, Dever, Erbele, Heckaman, Hogan, Hogue, Klein, Krebsbach, Mathern, Poolman, Rust, Sorvaag, Wanzek, and Wardner voted "aye." Representatives Vigesaa, Boe, Delzer, Koppelman, and Kreidt voted "nay."

2023-25 BIENNIUM STATE BUDGET

Mr. Morrissette provided an update ([Appendix H](#)) on 2023-25 biennium state budget development. He noted:

- The 2023-25 biennium executive budget guidelines were issued in May 2022. Executive branch state agencies are to submit base budget requests equal to 2021-23 biennium ongoing general fund appropriations plus cost-to-continue increases.
- Agencies also are allowed to submit optional budget requests that address workforce, infrastructure, service delivery, and other needs.

LEGACY AND BUDGET STABILIZATION FUND ADVISORY BOARD REPORT

Senator Klein, Chairman, Legacy and Budget Stabilization Fund Advisory Board, presented a memorandum entitled [Legacy and Budget Stabilization Fund Advisory Board - Status Report to the Budget Section June 29, 2022](#) regarding the investment of funds in the legacy fund and budget stabilization fund pursuant to Section 21-10-11. He reported:

- The asset allocation of the budget stabilization fund is 99 percent short-term fixed income and cash and 1 percent cash and equivalents.
- The 1-year average earnings of the fund was negative 4.62 percent.
- The legacy fund's 1-year net return was negative 6.2 percent compared to a benchmark return of negative 6.13 percent.

OIL AND GAS INFORMATION

Mr. Lynn Helms, Director, Department of Mineral Resources, presented an update ([Appendix I](#)) on oil and gas development and the balance of the abandoned oil and gas well plugging and site reclamation fund. He reported:

- Oil production was 1,122,640 barrels per day in March 2022 and 900,597 barrels per day in April 2022.
- There were 38 oil rigs operating in the state in April 2022.

- The balance of the abandoned oil and gas well plugging and site reclamation fund was \$13,850,616 on June 30, 2021, and is anticipated to be \$20,284,154 on June 30, 2023.

FEDERAL DISASTER REIMBURSEMENT RATE

Mr. Darin Hanson, Director of Homeland Security, Department of Emergency Services, provided an update ([Appendix J](#)) on federal disaster reimbursement rates. He noted:

- The federal reimbursement rate for expenses caused by a presidentially declared disaster occurring between January 1, 2020, and December 31, 2021, was increased from 75 to 90 percent.
- As a result, the state matching rate decreased from 10 to 3 percent and the local matching rate decreased from 15 to 7 percent.

2021-23 BIENNIUM REPORT ON COMPLIANCE WITH LEGISLATIVE INTENT

Chairman Vigesaa called on Mr. Brady A. Larson, Assistant Legislative Budget Analyst and Auditor, Legislative Council, to present the [2021-23 Biennium Report on Compliance With Legislative Intent](#). Mr. Larson noted in addition to the printed report, the information is available on the legislative branch website.

STATE BOARD OF AGRICULTURAL RESEARCH AND EDUCATION REPORTS

At the request of Chairman Vigesaa, Mr. Larson distributed a written report ([Appendix K](#)) from the State Board of Agricultural Research and Education regarding its activities pursuant to Section 15-12.1-17.

NORTH DAKOTA STATE UNIVERSITY MAIN RESEARCH CENTER CAPITAL PROJECTS

At the request of Chairman Vigesaa, Mr. Larson distributed a written report ([Appendix L](#)) from the North Dakota State University Main Research Center pursuant to Section 11 of Senate Bill No. 2020 (2021) regarding priority capital projects that may be eligible to receive funding from the federal State Fiscal Recovery Fund.

No further business appearing, Chairman Vigesaa adjourned the meeting at 3:20 p.m.

Brady A. Larson
Assistant Legislative Budget Analyst and Auditor

Allen H. Knudson
Legislative Budget Analyst and Auditor

ATTACH:12