

TESTIMONY OF

Joe Morrisette, Director of the Office of Management and Budget

Chairman Holmberg and members of the Senate Appropriations Committee, I am Joe Morrisette, Director of the Office of Management and Budget. I am here to testify in support of Engrossed House Bill 1025, which provides deficiency appropriations to various agencies. I will provide an overview of the bill. Representatives from each agency are here to provide more detail and answer specific questions.

Tax Department

The appropriation in subdivision 1 is the deficiency request for the Tax Department to meet deficiency needs in both the Homestead Tax Credit and Disabled Veterans Credit programs. These programs provide property tax relief for qualifying individuals. The Tax Department is required to reimburse the counties for property tax reductions granted pursuant to these programs. There is no authority for the department to withhold reimbursement or prorate the appropriated amount, so they must request a deficiency if actual program costs exceed appropriations.

The Homestead Tax Credit appropriation for 2019-21 is \$15.8 million and nearly \$8.4 million was spent in the first year. The deficiency request for the Homestead Tax Credit program is \$1.31 million. The Disabled Veterans' Credit appropriation for 2019-21 is \$8,410,200 and over \$5.2 million was spent in the first year. The deficiency request for the Disabled Veterans Credit program is \$2.73 million.

Adjutant General

The appropriation in subdivision 2 is the deficiency request for the Office of the Adjutant General to repay Bank of North Dakota loans for disaster costs and Dakota Access Pipeline (DAPL) protest costs. After the bill passed the House, I was made aware that the \$3.1 million loan repayment amount does not include accrued interest on the DAPL loan. It is calculated at a variable rate, so the exact amount of interest that will be accrued by June 30, 2021 is unknown. However, interest expense for the 2019-21 biennium is estimated to be between \$700,000 and \$750,000.

I ask you to consider increasing the Adjutant General deficiency appropriation by \$750,000 to ensure the state can pay the Bank of North Dakota the full amount of interest that will accrue by June 30, 2021.

Bank of North Dakota

The appropriation in subdivision 3 was added by the House to provide the partial repayment for the \$35 million loan authorized in 2019 Senate Bill 2001 for creation of the Theodore Roosevelt Presidential Library Endowment Fund. SB 2001 provides that the "governor shall repay the loan authorized in this section from funds appropriated by the legislative assembly." The loan was originated on November 13, 2020 and has a term that may not exceed six years.

Court-Ordered Judgements

Section 2 of the bill addresses state liability for court-ordered judgements. Pursuant to NDCC Section 32-12-04, a judgement against the state can only be paid by OMB when there is a specific appropriation for that purpose. The House version provides that these amounts be paid from the litigation funding pool appropriated to OMB for the payment of litigation expenses occurring during the 2019-21 biennium. The appropriation for this fund is \$3.5 million from the Strategic Investment and Improvements Fund. Through January 31, 2021, \$1,255,536 has been spent and \$2,244,464 remains unspent. The following amounts are requested for payment of judgements:

- **Secretary of State**
 - \$97,587 for the court-ordered judgement and accrued interest in the case of Self Advocacy Solutions N.D. v. Jaeger, relating to election law.
- **Office of Management and Budget**
 - \$453,868 for the court-ordered judgement and accrued interest in the case of Brakebill v. Jaeger, relating to election law.
 - \$103,000 for the court-ordered judgement and accrued interest in the case of Traynor Law Firm v. State, relating to the cost for removal proceedings against the Ward County Sherriff.
 - \$40,025 for the court-ordered judgement and accrued interest in the case of SpooftCard, LLC v. Burgum, relating to a challenge to North Dakota's anti-spoofing law.
- **Attorney General**
 - \$181,152 for the court-ordered judgement and accrued interest in the case of North Dakota Farm Bureau, Inc. v. Stenehjem relating to a federal challenge to ND corporate farm laws.

Other Deficiency Requests

Additional deficiency requests will be presented by:

- Department of Environmental Quality relating to COVID-related waste-water testing.
- Department of Human Services relating to the ability to transfer current biennium spending between line items to cover a potential shortfall in the community behavioral health program.

Mr. Chairman and committee members, this concludes my testimony. I ask for your support for Engrossed House Bill 1025 with the requested amendments. I would be happy to answer any questions.