



GOVERNMENT FINANCE COMMITTEE

Tuesday, June 18, 2024
Roughrider Room, State Capitol
Bismarck, North Dakota

Senator Dean Rummel, Chairman, called the meeting to order at 10:00 a.m.

Members present: Senators Dean Rummel, Jeff Barta, Todd Beard, Kristin Roers, Donald Schaible, Ronald Sorvaag, Michael A. Wobbema; Representatives Bert Anderson, Craig Headland, Jeff A. Hoverson*, Keith Kempenich, Lisa Meier, Mike Nathe, Emily O'Brien, Brandy Pyle, Paul J. Thomas, Steve Vetter*, Don Vigesaa

Others present: Senators Brad Bekkedahl, Williston, Kyle Davison, Fargo, and David Hogue, Minot, and Representatives Glenn Bosch, Bismarck, Josh Boschee, Fargo, and Mike Lefor, Dickinson, members of the Legislative Management

Mr. Allen H. Knudson, Legislative Council, Bismarck

See Appendix A for additional persons present.

**Attended remotely*

It was moved by Senator Sorvaag, seconded by Representative O'Brien, and carried on a voice vote that the minutes of the March 19, 2024, meeting be approved as distributed.

STATE BUDGET INFORMATION Office of Management and Budget

Ms. Susan Sisk, Director, Office of Management and Budget, presented information (Appendix B) regarding:

- The status of the general fund, which reflects an estimated June 30, 2025, balance of \$629 million based on actual revenue collections through May 31, 2024, and forecasted revenue collections for the remainder of the biennium.
- Selected special fund balances, including the strategic investment and improvements fund which had an uncommitted balance of \$500 million as of February 29, 2024.
- The status of the federal State Fiscal Recovery Fund expenditures, including \$584 million of expenditures through February 29, 2024, and \$424 million of remaining spending authority.
- The status of the cash management study under Section 11 of Senate Bill No. 2393 (2023), which will be presented to the committee as a report from RVK, Inc. in September 2024.

Legislative Council

Mr. Adam Mathiak, Senior Fiscal Analyst, Legislative Council, presented the *2023-25 Biennium Report on Compliance with Legislative Intent and Analysis of State Trust Funds for the 2021-23 and 2023-25 Bienniums* (June 2024).

DEPARTMENT OF HEALTH AND HUMAN SERVICES - VACANT POSITIONS AND SALARY BLOCK GRANT

Ms. Sara Stolt, Deputy Commissioner, Department of Health and Human Services, presented information (Appendix C) regarding the department's vacant positions, vacant position savings, and use of funding for the full-time equivalent (FTE) position block grant program. She noted:

- The department had 336 vacant FTE positions as of June 16, 2024.
- The department converted 102.75 temporary positions to FTE positions under the block grant program.

In response to a question from a committee member, Ms. Marcie Wuitschick, Chief Human Resources Officer, Department of Health and Human Services, noted direct care, clinical, and medical positions are the most difficult positions to fill.

DEPARTMENT OF COMMERCE REPORTS

Mr. Shawn Kessel, Deputy Director, Department of Commerce, presented information (Appendix D) regarding the status of each grant program in Section 2 of House Bill No. 1018 (2023), including the funding spent, award recipients, and use of funding, pursuant to Section 30 of House Bill No. 1018 (2023). He noted the Legislative Assembly appropriated \$80.35 million for the selected grant programs administered by the department, of which approximately \$27.36 million was spent through April 30, 2024, as follows:

Grant Program	Appropriations	Grant Awards	Expenditures
Beyond visual line of sight uncrewed aircraft system	\$26,000,000	\$26,000,000	\$26,000,000
Tourism destination development initiative	25,000,000	25,000,000	209,874
Workforce investment grant program	12,500,000	7,980,015	285,050
Enhanced use lease grant	10,000,000	10,000,000	0
Technical skills training grants	2,000,000	0	0
Rural workforce grant program	2,000,000	463,983	15,757
New Americans workforce training grant programs	2,000,000	0	0
Motion picture production and recruitment grant	600,000	600,000	600,000
Creamery assistance grant	250,000	250,000	250,000
Total	\$80,350,000	\$70,293,998	\$27,360,681

In response to a question from a committee member, Ms. Sara Otte Coleman, Director, Tourism and Marketing, Department of Commerce, noted the tourism destination development initiative grants did not include specific allocations for geographic regions in the state and did not require development of new tourism destinations.

In response to a question from a committee member, Mr. Kessel noted the department did not have reports to present regarding the status of the uncrewed aircraft systems test site pursuant to North Dakota Century Code Section 54-60-28 and the status of the development of the beyond visual line of sight uncrewed aircraft system program pursuant to Section 54-60-29.1.

STATE AGENCY FEES Housing Finance Agency

Mr. David A. Flohr, Executive Director, Housing Finance Agency, presented information (Appendix E) regarding fees collected by the agency. He noted:

- Fees collected cover the agency's expenses with excess fee revenue used to support housing programs.
- The agency does not anticipate increasing any fees and does not recommend any changes to the fees.

Department of Corrections and Rehabilitation

Ms. Michele Zander, Chief Financial Officer, Department of Corrections and Rehabilitation, presented information (Appendix F) regarding fees collected by the department. She noted:

- The department recommends eliminating supervision fees due to a low collection rate of 22 percent in the 2021-23 biennium reflecting \$1.4 million of collections for \$6.3 million billed.
- The department does not recommend any changes to the department's other fees.

In response to a question from a committee member, Mr. Colby Braun, Director, Department of Corrections and Rehabilitation, noted the supervision fees were established to cover the cost of administering supervision services but the actual fee collections cover only the cost of staff time and postage to collect the fee.

Department of Agriculture

Mr. Adam Miller, Policy and Research Analyst, Department of Agriculture, presented information (Appendix G) regarding fees collected by the department. He noted:

- The department recommends eliminating the video livestock auction fee under North Dakota Century Code Section 5.1-29-03(2)(a) and the equine processing assessment fee under Section 36-21-19.
- The department collects 23 fees, of which 7 are deposited in the department's operating fund, 3 are deposited in the environmental and rangeland protection fund, and 13 are deposited in the general fund.
- The fee collections offset the cost of administering the department's programs and provide additional funding for other agriculture programs.

In response to a question from a committee member, Mr. John Schneider, Director, Business Marketing and Information Division, Department of Agriculture, noted the department increased the fees for the Pride of Dakota program in 2023.

In response to a question from a committee member, Mr. Lukas Wagner, Director, Pesticide and Fertilizer Division, Department of Agriculture, noted fertilizer fees in North Dakota are lower than the fertilizer fees charged in other states.

REVENUE MONITORING

S&P Global - Economic Conditions

Ms. Emily Hanson, Consultant, Ms. Beatriz Serrano-Suarez, Senior Technical Research Analyst, Ms. Kelly Li, Principal Consultant, and Mr. Nathan Carson, Senior Specialist, S&P Global, presented information (Appendix H) regarding economic conditions for the United States and North Dakota, including the oil and gas industry and the agriculture industry.

Ms. Hanson noted:

- Gross domestic product (GDP) in the United States for 2024 is anticipated to be 2.4 percent compared to a GDP forecast of 1.7 percent for both 2025 and 2026.
- The unemployment rate in the United States is forecasted to peak at 4.6 percent by 2027 compared to 4 percent in May 2024.

In response to a question from a committee member, Mr. Jim Diffley, Executive Director, S&P Global, noted the interest rates set by the Federal Reserve System are anticipated to decrease beginning in December 2024.

Ms. Serrano-Suarez noted global oil supply is forecasted to exceed global oil demand through 2025, particularly as the Organization of the Petroleum Exporting Countries removes some of the planned production ~~cuts~~ reductions.

In response to a question from a committee member, Mr. Curtis Smith, Director, S&P Global, noted some countries are considering switching from the United States dollar to alternate currencies ~~for~~ as the basis for oil prices but the change is not anticipated to significantly impact oil markets.

Ms. Li noted March 2024 and April 2024 each had only 56 new oil wells completed. ~~utB~~ She said ~~noted~~ approximately 90 to 100 oil wells need to be completed per month in North Dakota to support oil production growth.

In response to a question from a committee member, Mr. Curtis noted the oil production forecast for North Dakota reflects the current efficiencies in oil drilling and does not include additional drilling time for some of the newer oil wells which use a longer 3- or 4-mile lateral segment.

Mr. Carson noted:

- Net farm income in the United States is anticipated to decrease from \$154.5 billion in 2023 to \$116.7 billion in 2024 primarily due to lower crop prices and higher input costs.
- North Dakota's crop production for 2024 is forecasted to be 543,000 bushels of corn, 308,000 bushels of wheat, and 219,000 bushels of soybeans.

Tax Department - Status of Tax Relief Programs

Mr. Brian Kroshus, Tax Commissioner, presented information (Appendix I) regarding comparisons of the estimated fiscal impact and actual amounts of tax relief under House Bill No. 1158 (2023), including the new primary residence credit, expansion of the homestead tax credit, and individual income tax changes. He noted:

- Approximately 135,000 households applied for the primary residence credit by the March 31, 2024, deadline which may result in tax relief of up to \$67.5 million for property taxes that will be levied in December 2024.
- Approximately 146,000 households may be eligible for the primary residence credit based on revised estimates by the Tax Department compared to the original estimate of 206,000 households after adjusting for exempt properties.
- Under the expansion of the homestead tax credit, approximately 7,000 additional households applied for the credit resulting in approximately \$12.6 million of additional tax relief.
- Individual income tax collections for fiscal year 2024 were approximately \$132 million less than the collections for fiscal year 2023 with the decrease primarily related to the income tax changes approved by the Legislative Assembly.

Property Tax Revenues Memorandum

Mr. Mathiak presented a memorandum entitled *Property Tax Information* regarding the estimated fiscal impact of

property tax elimination and historical property tax revenues. He noted the preliminary estimate of the amount of property tax revenue that would need to be replaced starting in 2025 is \$2.66 billion per biennium if an initiated measure to prohibit the levying of property taxes is approved by the voters.

Chairman Rummel requested the Legislative Council staff prepare a revised memorandum to include the consumer price information (CPI) index so the CPI index can be compared to property tax revenue increases.

DEPARTMENT OF FINANCIAL INSTITUTIONS BUDGET STUDY

Bill Draft

Mr. Mathiak reviewed bill draft [25.0060.01000] relating to the budget approval process and a continuing appropriation for the Department of Financial Institutions.

Comments

Ms. Lise Kruse, Commissioner, Department of Financial Institutions, provided comments regarding the bill draft. She noted:

- The State Banking Board and State Credit Union Board support the bill draft.
- The boards requested the bill draft be revised to allow the Governor to set the salary of the commissioner rather than the boards.

Mr. Rick Clayburgh, President and Chief Executive Officer, North Dakota Bankers Association, provided comments noting the association's support of the bill draft.

FUND ADMINISTRATION STUDY

Bill Drafts

Mr. Mathiak presented a bill draft [25.0245.01000] relating to changing the administration of the state bonding fund from the Insurance Commissioner to the Office of Management and Budget (OMB). He noted the bill draft changes the administration of the state bonding fund, removes obsolete references, and includes updates for consistency and clarity.

Mr. Mathiak presented a bill draft [25.0246.01000] relating to changing the administration of the state fire and tornado fund from the Insurance Commissioner to OMB. He noted the bill draft changes the administration of the state fire and tornado fund, removes obsolete references, and includes updates for consistency and clarity.

Insurance Department

Mr. Johannes Palsgraaf, General Counsel, Insurance Department, provided comments (Appendix J) regarding the bill drafts. He noted:

- The Insurance Commissioner supports the bill drafts.
- Florida, Kentucky, and North Carolina administer similar funds under their risk management offices.

In response to a question from a committee member, Mr. John Arnold, Deputy Commissioner, Insurance Department, noted the Legislative Assembly removed 3 FTE positions from the Insurance Department during the 2019 legislative session when the department started contracting with the North Dakota Insurance Reserve Fund (NDIRF) to administer the state bonding fund and the state fire and tornado fund.

Office of Management and Budget

Mr. Tag Anderson, Director, Risk Management Division, Office of Management and Budget, provided comments (Appendix K) regarding the bills drafts. He noted:

- Administrative services for the state fire and tornado fund would be needed through a continued contract with NDIRF since OMB does not have sufficient staff to assess the value of state and political subdivision assets or to conduct actuarial analyses.
- Additional updates to the bill draft may be necessary for clarity and to implement the change in administration of the funds from the Insurance Department to OMB.

Committee Discussion

Senator Roers noted changing the administration of the state fire and tornado fund from the Insurance Commissioner to OMB allows the Insurance Commissioner to more adequately regulate NDIRF by removing a conflict of interest related to the administration of the state fire and tornado fund.

Chairman Rummel requested the Legislative Council staff prepare revised bill drafts to include recommendations from the Insurance Department and OMB to implement the fund administration changes.

STATE GUARDIANSHIP PROGRAMS STUDY

Bill Draft

Mr. Mathiak presented a bill draft [25.0224.01000] relating to the creation of an office of guardianship and conservatorship under the judicial branch. He noted:

- Section 1 creates a new office of guardianship and conservatorship and requires the office to develop policies and procedures for guardians and conservators.
- Sections 2 and 3 authorize the judicial branch to maintain a registry of guardians and conservators that have been removed for cause.
- Section 4 provides a preferred claim against a decedent's estate for guardianship and conservatorship services.
- Section 5 repeals the Task Force on Guardianship Monitoring.
- Section 6 provides an appropriation, excluding funding for salaries and wages and operating expenses, to consolidate the funding for guardianship and conservatorship services in the newly created office.

Judicial Branch

Ms. Cynthia Feland, Judge, South Central District Court, provided comments (Appendix L) regarding the bill draft and the committee's study of state guardianship programs, including a summary of existing guardianship and conservatorship programs. She noted:

- The Task Force on Guardianship Monitoring supports the bill draft.
- The definitions of public guardian and public conservator may need to be updated for clarity.
- The judicial branch's budget request for the 2025-27 biennium will include an estimated \$2.2 million of funding for salaries and wages and operating expenses related to the creation of the office of guardianship and conservatorship.
- The total funding request for the office of guardianship and conservatorship for the 2025-27 biennium is

anticipated to be \$20.5 million, an increase of \$7.3 million compared to the 2023-25 biennium budget of \$13.2 million.

Other Comments

Mr. Scott Bernstein, Executive Director, Guardian and Protective Services, provided comments (Appendix M) regarding the committee's study of state guardianship programs, including information on guardianship cases.

Ms. Margo Haut, Director, Guardian Angels Inc., provided comments (Appendix N) regarding the committee's study of state guardianship programs, including information on guardianship cases.

Representative Nathe noted the preferred claim of \$3,000 to recover funeral expenses may need to be revised to provide consistency with changes approved in Senate Bill No. 2139 (2023) which increased the amount paid by the Department of Health and Human Services for final dispositions by \$500, from \$3,000 to \$3,500.

Chairman Rummel requested the Legislative Council staff prepare a revised bill draft to update the definitions of public guardian and public conservator and to revise the amount for funeral expenses under the preferred claims.

No further business appearing, Chairman Rummel adjourned the meeting at 4:50 p.m.

Adam Mathiak
Senior Fiscal Analyst

ATTACH:14