

**BUDGET SECTION**

Wednesday, September 18, 2024
Senate Chamber, State Capitol
Bismarck, North Dakota

Senator Brad Bekkedahl, Chairman, called the meeting to order at 9:30 a.m.

Members present: Senators Brad Bekkedahl, Kyle Davison, Dick Dever, Robert Erbele, Kathy Hogan, David Hogue, Jerry Klein, Karen K. Krebsbach*, Curt Kreun*, Tim Mathern, Scott Meyer, Merrill Piepkorn, David S. Rust, Donald Schaible, Ronald Sorvaag, and Shawn Vedaa and Representatives Bert Anderson, Glenn Bosch, Josh Boschee, Mike Brandenburg, Jay Fisher, Karla Rose Hanson, Zachary Ista, Dennis Johnson, Keith Kempenich, Gary Kreidt, Mike Lefor, Bob Martinson, Lisa Meier, Alisa Mitskog, David Monson, Mike Nathe, Jon O. Nelson, Emily O'Brien, Brandy Pyle, David Richter, Dan Ruby, Mark Sanford, Greg Stemen, Michelle Strinden, Steve Swiontek, Don Vigesaa

Members absent: Senators Randy A. Burckhard, Michael Dwyer, Jim P. Roers, Terry Wanzek; Representatives Corey Mock, Mike Schatz

Others present: Thomas Beadle*, State Treasurer; Colby Braun, Department of Corrections and Rehabilitation; Jessica Christy, Council on the Arts; Donna Aukland, Department of Health and Human Services; Joe Heringer, Department of Trust Lands; Jackie Huber, North Dakota National Guard; Becky Keller and Claire Ness, Office of Attorney General; Susan Sisk, Office of Management and Budget; and Karen Tyler, Industrial Commission

Grant Gader, Legislative Council, Bismarck

**Attended remotely*

It was moved by Senator Dever, seconded by Senator Rust, and carried on a voice vote that the minutes of the June 19, 2024, meeting be approved as distributed.

STATE BUDGET INFORMATION**General Fund Status**

Ms. Susan Sisk, Director, Office of Management and Budget, presented a report ([Appendix A](#)) on the status of the general fund, balances of selected special funds, general fund revenue collections, oil prices and production, the status of the new and vacant FTE funding pool, and the status of state agency budget requests. She presented the following information on the status of the general fund for the 2023-25 biennium:

| | | |
|--|-----------------|-------------------|
| Unobligated general fund balance - July 1, 2023 | | \$1,488,329,948 |
| Balance obligated for authorized carryover from the 2021-23 biennium | | 70,628,658 |
| Total beginning general fund balance - July 1, 2023 | | \$1,558,958,606 |
| Add | | |
| General fund collections to date | \$3,378,656,227 | |
| Remaining forecasted general fund collections | 1,941,352,994 | |
| Total estimated general fund collections | | 5,320,009,221 |
| Total estimated revenues available | | \$6,878,967,827 |
| Less | | |
| Legislative appropriations - One-time | (\$240,590,721) | |
| Legislative appropriations - Ongoing | (5,856,738,816) | |
| Authorized carryover from previous biennium | (70,628,658) | |
| 2023-25 authority spent in 2021-23 pursuant to emergency clause | 1,846,593 | |
| Total appropriations | | (\$6,166,111,602) |

| | |
|--|---------------|
| Estimated ending general fund balance - June 30, 2025 - Before transfers | \$712,856,225 |
| Transfer to budget stabilization fund ¹ | 0 |
| Estimated ending general fund balance - June 30, 2025 | \$712,856,225 |

¹Pursuant to North Dakota Century Code 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 2023-25 biennium.

STATE AGENCY APPLICATIONS FOR FEDERAL GRANTS

Ms. Sisk presented information ([Appendix B](#)) 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. She reported the following agencies have applied for a federal grant estimated to be \$25,000 or more:

| Agency | Time Period of Grant | Amount |
|--|--------------------------------|--------------|
| Department of Public Instruction | October 2024 - October 2029 | \$3,000,000 |
| Department of Corrections and Rehabilitation | October 2024 - September 2027 | \$200,000 |
| Department of Corrections and Rehabilitation | October 2024 | \$587,000 |
| Department of Corrections and Rehabilitation | October 2024 - September 2028 | \$728,500 |
| Department of Transportation | May 2026 - March 2030 | \$13,680,000 |
| Department of Transportation | February 2025 - February 2027 | \$900,000 |
| Department of Transportation | September 2025 - February 2027 | \$900,000 |

Ms. Sisk presented the following schedule of federal grants of \$25,000 or more awarded to state agencies:

| Agency | Time Period of Grant | Amount |
|--------------------------|------------------------------|-------------|
| Aeronautics Commission | July 2024 - June 2028 | \$750,897 |
| Aeronautics Commission | June 2028 | \$2,231,738 |
| Aeronautics Commission | June 2028 | \$1,304,253 |
| Historical Society | September 2024 - August 2027 | \$300,000 |
| Game and Fish Department | August 2024 - August 2025 | \$168,723 |

IRREGULARITIES IN THE FISCAL PRACTICES OF THE STATE

Ms. Sisk presented information ([Appendix C](#)) regarding irregularities in the fiscal practices of the state pursuant to Section 54-14-03.1. She presented the following fiscal irregularities for the period June 2024 through August 2024:

| Agency | Fiscal Irregularity | Amount |
|---|--|----------|
| Judicial Branch | Completed action plan | \$1,960 |
| Department of Health and Human Services | Salary correction | \$3,829 |
| Department of Health and Human Services | Donated leave | \$566 |
| Department of Health and Human Services | Temporary workload adjustment | \$1,259 |
| Department of Health and Human Services | Leave adjustment | \$638 |
| Department of Health and Human Services | Reclassification pay | \$10,089 |
| Department of Health and Human Services | Increase to new minimum | \$2,037 |
| Bank of North Dakota | Interim president | \$14,946 |
| Adjutant General | Salary correction | \$816 |
| Racing Commission | Probationary adjustment | \$2,933 |
| Office of Management and Budget | Workload adjustment | \$1,879 |
| Information Technology Department | Workload adjustment | \$2,653 |
| Tax Department | Staffing changes | \$2,100 |
| Commission on Legal Counsel for Indigents | Turnover adjustment | \$3,000 |
| Retirement and Investment Office | New retirement plan workload adjustments | \$19,177 |
| Department of Public Instruction | Additional project workload | \$1,200 |
| Veterans' Home | Workload adjustment | \$823 |
| Department of Veterans' Affairs | Workload increase | \$8,057 |
| Department of Health and Human Services | Workload increase | \$13,985 |
| Job Service North Dakota | Workload increase | \$583 |
| Department of Agriculture | Workload increase | \$500 |
| Parks and Recreation Department | Workload increase | \$2,750 |

2023-25 BIENNIUM REVISED REVENUE FORECAST AND PRELIMINARY 2025-27 BIENNIUM REVENUE FORECAST

Ms. Sisk presented information ([Appendix D](#)) regarding the 2023-25 biennium revised revenue forecast and the 2025-27 biennium preliminary revenue forecast. She noted:

- Ongoing general fund revenues from the four major tax types are estimated to be \$3.8 billion for the 2023-25 biennium and \$4.0 billion for the 2025-27 biennium.

- Oil prices are estimated to be \$63 per barrel in fiscal year 2026 and \$61 per barrel in fiscal year 2027. Oil production is estimated to remain at approximately 1.1 million barrels per day through fiscal year 2027.

STATE BOARD OF HIGHER EDUCATION PROJECT VARIANCE REPORTS

Ms. Sisk distributed higher education project variance reports ([Appendix E](#)) submitted to the Office of Management and Budget pursuant to Section 15-10-47.

AGENCY REQUESTS APPROVED BY THE EMERGENCY COMMISSION

Chairman Bekkedahl directed the Budget Section to consider agency requests ([Appendix F](#)) authorized by the Emergency Commission and forwarded to the Budget Section pursuant to Chapter 54-16.

Ms. Sisk provided information regarding the following requests authorized by the Emergency Commission which require consideration by the Budget Section:

- Center for Distance Education (Request #2134)** - The request is to increase special funds spending authority by \$2.5 million in the center for distance education line item for cybersecurity training and for expenses related to increased course enrollments. Of the \$2.5 million, \$600,000 will be reimbursed by the Department of Public Instruction from the federal Elementary and Secondary School Emergency Relief Fund and \$1.9 million is from course enrollment revenue.
- Department of Public Instruction (Request #2135)** - The request is to increase special funds spending authority by \$700,000 in the operating expenses line item to accept and expend special funds received from school district reimbursements for food processing contracts negotiated statewide.
- State Library (Request #2136)** - The request is to transfer \$200,000 of federal funds spending authority from the grants line item to the operating expenses line item to increase funding for electronic materials to support library consortiums.
- Adjutant General (Request #2137)** - The request is to increase federal funds spending authority by \$500,000 to provide contingency funding to complete the Dickinson Readiness Center project.
- Attorney General (Request #2139)** - The request is to transfer \$3 million of spending authority from the operating expenses line item to the statewide litigation funding pool line item for additional statewide litigation costs.
- Department of Public Instruction (Request #2140)** - The request is to increase federal funds spending authority for the Department of Public Instruction by \$11,123,983, including funding in the operating expenses line item (\$556,200) and the grants - other grants line item (\$10,567,783), to accept and expend a comprehensive literacy state development grant, administered by the United States Department of Education under the Every Student Succeeds Act.
- Legislative Council (Request #2141)** - The request is to increase the authorized number of full-time equivalent positions by 3 to add 2 full-time equivalent policy positions and 1 full-time equivalent communications position.

It was moved by Senator Mathern, seconded by Senator Piepkorn, and carried on a roll call vote to approve Requests #2134, #2135, #2136, #2137, #2140, and #2141. Senators Bekkedahl, Davison, Dever, Erbele, Hogan, Hogue, Klein, Krebsbach, Kreun, Mathern, Meyer, Piepkorn, Rust, Schaible, Sorvaag, and Vedaa and Representatives Anderson, Bosch, Boschee, Brandenburg, Fisher, Hanson, Ista, Johnson, Kempenich, Kreidt, Lefor, Martinson, Meier, Mitskog, Monson, Nathe, Nelson, Pyle, Richter, Ruby, Sanford, Stemen, Strinden, and Swiontek voted "aye." No negative votes were cast.

Ms. Becky Keller, Accounting Manager, Office of Attorney General, and Ms. Claire Ness, Chief Deputy Attorney General, Office of Attorney General, responded to questions regarding Request #2139.

It was moved by Senator Dever, seconded by Senator Klein, and carried on a roll call vote to approve Request #2139. Senators Bekkedahl, Davison, Dever, Erbele, Hogue, Klein, Krebsbach, Kreun, Meyer, Rust, Schaible, Sorvaag, Vedaa, and Representatives Anderson, Bosch, Brandenburg, Fisher, Kempenich, Kreidt, Lefor, Martinson, Meier, Monson, Nathe, Nelson, Pyle, Richter, Ruby, Sanford, Stemen, Strinden, Swiontek, and Vigasaa voted "aye." Senators Hogan, Mathern, and Peipkorn and Representatives Boschee, Hanson, Ista, and Mitskog voted "nay."

DEPARTMENT OF COMMERCE - RENAISSANCE FUND ORGANIZATIONS ANNUAL REPORT

At the request of Chairman Bekkedahl, Mr. Brady A. Larson, Assistant Legislative Budget Analyst and Auditor, Legislative Council, distributed a report submitted by the Department of Commerce ([Appendix G](#)) regarding annual audits of renaissance fund organizations pursuant to Section 40-63-07(9). The report included the following information:

- The purpose of a renaissance fund organization (RFO) is to raise funds to be used to finance projects located in designated renaissance zones.
- There are 51 cities that have a renaissance zone. Of those cities, eight have established an RFO, including Casselton, Fargo, Jamestown, Hazen, Mayville, West Fargo, Hope, and Grand Forks. The only RFO active is in Hope.
- The Legislative Assembly has approved \$10.5 million in tax credits for RFO projects since 1999. To date, \$20,011,732 has been invested in RFOs and \$10,005,866 of tax credits has been claimed. The remaining \$494,134 of tax credits available have been reserved for the Hope RFO.

NORTH DAKOTA OUTDOOR HERITAGE FUND REPORT

Ms. Karen Tyler, Executive Director, Industrial Commission, presented information ([Appendix H](#)) regarding the North Dakota outdoor heritage fund. She noted:

- The outdoor heritage fund has received \$87,316,514 of oil tax collections since its inception.
- A total of \$89,449,897 has been awarded to 239 projects across the state. Of the total amount awarded, \$4,349,890 was returned to the fund for projects completed under budget.

DEPARTMENT OF CORRECTIONS AND REHABILITATION - INMATE REPORT

Mr. Colby Braun, Director, Department of Corrections and Rehabilitation, presented information ([Appendix I](#)) regarding the department's prison population management plan, inmate admissions, and the number of inmates the department has not admitted after sentencing pursuant to Section 54-23.3-11. He noted:

- The maximum operational capacity for male inmates is 1,624 while the maximum operational capacity for female inmates is 262. The female capacity increased from 224 to 262 on October 1, 2023, when a female treatment and recovery unit opened.
- The male population exceeded capacity in July 2023, but the department has not implemented its inmate prioritization plan.
- The department implemented its inmate prioritization plan from March through October 2023 due to the female population exceeding capacity.

STATE TREASURER - OUTSTANDING WARRANTS AND CHECKS

Mr. Thomas Beadle, State Treasurer, presented information ([Appendix J](#)) regarding warrants and checks outstanding for more than 90 days and less than 3 years pursuant to Section 54-11-01. He noted:

- The total dollar amount of outstanding checks increased by 22.4 percent from fiscal year 2023 to fiscal year 2024.
- A total of 5,322 checks totaling \$1,035,332 issued in fiscal year 2022 will be transferred to unclaimed property in October 2024.
- As of September 2024, there are 21,201 outstanding checks totaling \$8.2 million issued during fiscal years 2022, 2023, and 2024.

BOARD OF UNIVERSITY AND SCHOOL LANDS INVESTMENT PERFORMANCE

Mr. Joe Heringer, Commissioner, Department of Trust Lands, presented information ([Appendix K](#)) regarding the investment of assets under the control of the Board of University and School Lands. He noted:

- As of May 2024, the board was managing approximately \$7.4 billion of assets.
- The net return for the permanent trust funds as of June 30, 2024, was 9.33 percent for the prior year compared to a benchmark of 9.03 percent, 3.33 percent for the prior 3 years compared to a benchmark of 2.73 percent, and 5.66 percent for the prior 5 years compared to a benchmark of 6.44 percent.
- As of June 30, 2024, the net return on investments for the strategic investment and improvements fund was negative 2.35 percent for the prior 6 months compared to a benchmark of 2.00 percent and 5.52 percent for the prior year compared to a benchmark of 5.14 percent.

- In fiscal year 2024, the department paid \$75.3 million, or 112 basis points, of fund management fees to private entities for managing approximately \$6.7 billion of assets.

DEPARTMENT OF HEALTH AND HUMAN SERVICES - TRANSFERS

Ms. Donna Aukland, Chief Financial Officer, Department of Health and Human Services, presented a report ([Appendix L](#)) on department transfers in excess of \$50,000 made during the 2023-25 biennium between line items in each subdivision and line item transfers made between subdivisions pursuant to Sections 3 and 4 of House Bill No. 1004 (2023) and Section 5 of Senate Bill No. 2012 (2023). She noted transfers have been made to better align department program areas.

COUNCIL ON THE ARTS - TRANSFERS

Ms. Jessica Christy, Executive Director, Council on the Arts, presented a report ([Appendix M](#)) on department transfers in excess of \$50,000 made during the 2023-25 biennium between line items pursuant to Section 5 of House Bill No. 1010 (2023). She noted \$90,000 was transferred from the operating expenses line item to the salaries and wages line item for temporary salaries to administer the Arts Across the Prairie initiative.

NATIONAL GUARD SERVICE MEMBER, VETERAN, FAMILY, AND SURVIVOR SUPPORT PROGRAM

Brigadier General Jackie Huber, Adjutant General's office, presented an update ([Appendix N](#)) on the National Guard service member, veteran, family, and survivor support program. She noted:

- The program was created by the 2019 Legislative Assembly to allow the National Guard to more efficiently provide programs to service members, veterans, families, and survivors.
- The North Dakota National Guard Foundation has provided over \$157,000 of support for ND Cares events, Survivor Outreach events, and Military Youth Camps coordinated by the National Guard.

LEGISLATIVE HEARINGS FOR FEDERAL BLOCK GRANTS

At the request of Chairman Bekkedahl, Mr. Grant Gader, Fiscal Analyst, Legislative Council, reviewed a memorandum entitled [Federal Block Grants - 2025 Legislative Hearings](#), which provides information regarding block grant hearings required during the 2025 legislative session. Mr. Gader also reviewed a concurrent resolution draft [[25.3021.01000](#)] authorizing the Budget Section to hold any legislative block grant hearings through September 2027. He noted the Legislative Council staff contacted state agencies receiving federal funds to determine which agencies receive block grants that require legislative hearings, and the survey revealed only one block grant with that requirement--the community services block grant administered by the Department of Commerce Division of Community Services. A summary of the proposed use and distribution plan for the block grant will be provided by the Department of Commerce as part of the agency's appropriations hearings during the 2025 legislative session. The required public hearing will be held as part of the appropriations hearing for the Department of Commerce during the 2025 legislative session.

It was moved by Representative Stemen, seconded by Senator Hogan, and carried on a roll call vote that the concurrent resolution draft [[25.3021.01000](#)] providing the Budget Section authority to hold public legislative hearings required for receipt of federal block grant funds during the period from the recess or adjournment of the 69th Legislative Assembly through September 30, 2027, be approved and recommended to the Legislative Management. Senators Bekkedahl, Davison, Dever, Erbele, Hogan, Hogue, Klein, Krebsbach, Kreun, Mathern, Meyer, Piepkorn, Rust, Schaible, Sorvaag, and Vedaa and Representatives Anderson, Bosch, Boschee, Brandenburg, Fisher, Hanson, Ista, Kreidt, Lefor, Martinson, Meier, Mitskog, Monson, Nathe, Nelson, O'Brien, Pyle, Richter, Ruby, Sanford, Stemen, Strinden, and Swiontek voted "aye." No negative votes were cast.

2024 NORTH DAKOTA FINANCE FACTS BROCHURE

At the request of Chairman Bekkedahl, Mr. Gader presented the Legislative Council publication entitled [2024 North Dakota Finance Facts](#).

REPORT ON FEDERAL FUNDS

Mr. Gader presented a memorandum entitled [Analysis of Federal Funds for Bienniums Ending June 30, 2025, and June 30, 2027](#), which provides information regarding federal funds estimated to be received by state agencies during the 2023-25 and 2025-27 bienniums. He noted agencies estimate \$5.8 billion of federal funds will be received during the 2023-25 biennium, \$397.4 million less than appropriated. He noted agencies estimate \$5.5 billion of federal funds will be received during the 2025-27 biennium, \$245.1 million less than is estimated to be received during the 2023-25 biennium.

Mr. Gader presented a memorandum entitled [Federal Funds Appropriated and Federal Funds Estimated to be Received 2023-25 and 2025-27 Bienniums](#), which provides information regarding the major variances experienced by agencies during the 2023-25 biennium relating to federal funds appropriated and federal funds estimated to be received and the major variances estimated for the 2025-27 biennium compared to the 2023-25 biennium.

OTHER BUSINESS

Chairman Bekkedahl noted the next Budget Section meeting is tentatively scheduled for Wednesday, December 4, 2024, following the adjournment of the organizational session.

It was moved by Representative Vigesaa, seconded by Senator Krebsbach, and carried on a voice vote that the Chairman and the Legislative Council staff be requested to prepare a report and to present the report and recommended resolution draft to the Legislative Management.

No further business appearing, Chairman Bekkedahl adjourned the meeting at 12:05 p.m.

Brady A. Larson
Assistant Legislative Budget Analyst and Auditor

Allen H. Knudson
Legislative Budget Analyst and Auditor

ATTACH:14