



GOVERNMENT FINANCE COMMITTEE

Tuesday, June 23, 2020

Senator Ronald Sorvaag, Chairman, called the meeting to order at 9:00 a.m.

Members present: Senators Ronald Sorvaag, Howard C. Anderson, Jr., Randy Burckhard, Dwight Cook, Jordan Kannianen, Diane Larson, Erin Oban, Jessica Unruh; Representatives Larry Bellew, Jeff Delzer, Sebastian Ertelt, Jay Fisher, Michael Howe, Corey Mock, Gary Paur, Mike Schatz, Michelle Strinden

Member absent: Representative Bert Anderson

Others present: Allen H. Knudson, Legislative Council, Bismarck
See [Appendix A](#) for additional persons present.

It was moved by Senator Larson, seconded by Senator Cook, and carried on a voice vote that the minutes of the February 11, 2020, meeting be approved as distributed.

STATE BUDGET INFORMATION

Mr. Joe Morrisette, Director, Office of Management and Budget, presented information ([Appendix B](#)) regarding the status of the general fund and other state budget information. He presented the following information on the status of the 2019-21 biennium general fund budget to date through May 31, 2020:

Unobligated general fund balance - July 1, 2019		\$65,000,000
Add		
Total general fund revenue collected through May 31, 2020		2,381,561,754
Remaining forecasted revenues		2,486,830,988
Balance obligated for authorized carryover from the 2017-19 biennium		130,404,813
Total estimated available		\$5,063,797,555
Less		
2019-21 biennium general fund ongoing appropriations	(\$4,794,924,098)	
2019-21 biennium general fund one-time appropriations	(48,639,068)	
Authorized carryover from previous biennium	(130,404,813)	
2019-21 authority used in 2017-19 pursuant to emergency clause	106,000	
Total appropriations and adjustments		(4,973,861,979)
Estimated ending balance - June 30, 2021		\$89,935,576

Mr. Morrisette said actual general fund revenues, in total, were \$45.4 million, or 1.9 percent more than estimated. He said the estimated 2019-21 biennium ending balance as of May 2020 is \$89.9 million, which is \$45.5 million more than estimated. He said although the projected ending balance still exceeds the estimated ending balance, the Office of Management and Budget (OMB) is analyzing the impact of Coronavirus (COVID-19) on state revenues. He said the budget stabilization fund balance is \$707.9 million, which is \$18.1 million below the maximum authorized balance of \$726 million due to investment losses.

Mr. Morrisette said OMB's revenue advisory committee is anticipated to meet at the end of July or early August 2020 to work on an updated revenue forecast for the 2019-21 biennium. He said the updated revenue forecast would be released in late August or early September 2020.

Mr. Morrissette said for the month of May 2020, sales and use tax collections are \$27.4 million or 35.4 percent less than the legislative forecast. He said May is expected to be the month with the greatest negative effect on sales and use tax revenues due to COVID-19 because May collections reflect the business activity for the month of April. He said business activity was restricted by executive order for the full month of April and as a result, consumer activity was limited. He said individual income tax collections for May 2020 are \$9.1 million or 65.7 percent less than the legislative forecast, due to payroll withholding and royalty income withholding being less than anticipated as a result of COVID-19.

Mr. Chris Kadrmas, Fiscal Analyst, Legislative Council, presented a memorandum entitled [Oil and Gas Tax Revenues Monthly Update](#). He said actual oil and gas tax collections through June 2020 are \$199.1 million or 9 percent less than the legislative forecast.

Mr. Allen H. Knudson, Legislative Budget Analyst and Auditor, Legislative Council, presented the [2019-21 Biennium Report on Compliance With Legislative Intent](#).

LEWIS AND CLARK INTERPRETIVE CENTER STUDY

Chairman Sorvaag said during the 2019 legislative session, the Parks and Recreation Department's appropriation bill had included a section that authorized the Parks and Recreation Department to provide free admission to the Lewis and Clark Interpretive Center. He said that section was changed to the study being conducted by this committee. He said the committee needs to determine whether the interpretive center entrance fee should be removed, reduced, or not changed. He requested the Parks and Recreation Department to provide a recommendation regarding the fees of the interpretive center to the committee at its next meeting. He said the committee can develop its recommendation at that time. He said he expects the fee for Fort Mandan to remain in place and only the fee for the interpretive center to possibly be changed.

PUBLIC ACCESS AND USE OF REAL PROPERTY STUDY

Chairman Sorvaag presented a concurrent resolution draft [21.3004.02000] to recognize the memorandum of understanding and option to acquire land entered by the Department of Corrections and Rehabilitation and the Parks and Recreation Department relating to the Missouri River Correctional Center land. He asked the committee to review and plan to take action on the resolution at the next meeting.

STATE AGENCY FEES STUDY

Mr. Kadrmas presented a memorandum entitled [Select State Agency Fees - Background Data and Analysis](#). He said the memorandum provides information related to the following state agency fees:

- Attorney General's beer and liquor license fees;
- Department of Corrections and Rehabilitation's supervision fee; and
- Department of Transportation's antique personalized plate fee, antique plate fee, collector personalized plate fee, duplicate decal and registration card issuance fees, and public or nonprofit organization plate fees.

He said the memorandum provides, for each fee, information relating to the legislative history of the fee and data relating to the revenue and expenditures related to the fee.

In response to a question from Representative Paur, Mr. Kadrmas said certain employees in the Attorney General's office are involved in both beer and liquor licensing and other types of licensing for which the Attorney General's office is responsible. He said to estimate the cost the Attorney General's office estimated the amount of time these employees spend only on beer and liquor licensing, which was estimated to be 30 percent, and applied that time to the total salaries and wages for the employees who conduct the licensing.

Senator Cook suggested the fund in which fees are deposited also be reviewed when studying state agency fees. He said if a fee is eliminated, legislators would need to understand the impact to the fund in which the fee had been deposited and how that revenue would be replaced if necessary.

Chairman Sorvaag said agencies need to estimate costs other than just the cost of salaries and wages. He said agencies should provide the cost of overhead associated with fees. He said the Legislative Assembly needs accurate costs to evaluate the fees.

Chairman Sorvaag presented a bill draft [21.0113.01000] to create a new section to North Dakota Century Code Chapter 54-35, relating to Legislative Management studies of state agency fees. He said the bill draft would require

that each agency fee is studied every 10 years. He said Legislative Management would determine which fees are studied and which committee conducts the studies each interim.

Senator Anderson suggested requiring the agency responsible for a fee to provide a recommendation regarding the fee to the committee studying the fee.

In response to a question from Senator Oban, Chairman Sorvaag said the committee studying a fee would need to determine the appropriateness of the fee.

OTHER DUTIES

At the request of Chairman Sorvaag, Mr. David Glatt, Director, Department of Environmental Quality, provided information regarding: the department's plan ([Appendix C](#)) for boiler inspection fees to meet program expenses pursuant to Section 32 of House Bill No. 1024 (2019); and regarding the department's petroleum tank release program and why fees only cover 50 percent of the cost of the program. He said the department reviewed the fees charged for the boiler inspection program and determined an equitable approach would be to increase the inspection fees by \$10 and to increase the annual certificate fee by \$10.

Mr Glatt said during the 2019 legislative session, the department had originally proposed the petroleum tank fund cover 100 percent of the petroleum tank program costs, and by the end of session, the petroleum tank program was funded 50 percent from the general fund and 50 percent from the petroleum tank release compensation fund. He said the department is reviewing the petroleum tank program rules, Century Code provisions, the fee structure, and the petroleum tank fund balance to propose changes.

In response to a question from Chairman Sorvaag, Mr. Glatt said the petroleum tank program is authorized 2 full-time equivalent (FTE) positions and costs between \$400,000 and \$500,000 per biennium. He said the program has 1 of the 2 FTE positions filled.

In response to a question from Senator Unruh, Mr. Glatt said federal requirements relating to petroleum tanks and the difficulty in obtaining private sector insurance for petroleum tanks resulted in the creation of the petroleum tank program. He said the program allows for \$1 million in remediation coverage.

In response to a question from Senator Cook, Mr. Glatt said the boiler inspection fee was increased through the administrative rules process and the boiler certificate increase of \$10 will require a statutory change. He said the department plans to request a change to the boiler certificate fee during the 2021 legislative session. He said the department projects the boiler inspection program will be operating at a \$300,000 to \$400,000 deficit in the 2021-23 biennium if the fees are not increased.

No further business appearing, Chairman Sorvaag adjourned the meeting at 11:00 a.m.

Chris Kadmas
Fiscal Analyst

ATTACH:3