



BUDGET SECTION

Tuesday, June 22, 2021
Senate Chamber, State Capitol
Bismarck, North Dakota

Representative Don Vigesaa, Chairman, called the meeting to order at 10:00 a.m.

Members present: Representatives Don Vigesaa, Bert Anderson, Tracy Boe, Joshua A. Boschee*, Mike Brandenburg, Jeff Delzer, Michael Howe, Keith Kempenich, Kim Koppelman, Gary Kreidt, Scott Louser, Bob Martinson, Lisa Meier, Alisa Mitskog, Corey Mock, David Monson*, Mike Nathe, Jon O. Nelson, Mark Sanford, Mike Schatz, Randy A. Schobinger, Michelle Strinden; Senators Brad Bekkedahl*, Kyle Davison, Dick Dever, Robert Erbele*, Joan Heckaman, David Hogue, Ray Holmberg, Jerry Klein, Karen K. Krebsbach, Tim Mathern, Erin Oban, Dave Oehlke, David S. Rust*, Ronald Sorvaag, Rich Wardner

Members absent: Representatives Larry Bellew, Chet Pollert, Jim Schmidt; Senators Nicole Poolman, Terry M. Wanzek.

Others present: Senator Randy A. Burckhard*, Minot, member of the Legislative Management.

Senator Larry Luick, Fairmount

See [Appendix A](#) for additional persons present.

*Attended remotely

At the request of Chairman Vigesaa, Mr. Brady A. Larson, Assistant Legislative Budget Analyst and Auditor, Legislative Council, reviewed the following memorandums and reports:

- [Supplementary Rules of Operation and Procedure of the North Dakota Legislative Management](#)
- [Budget Section Duties and Responsibilities for the 2021-23 Biennium](#)
- [67th Legislative Assembly State Budget Actions for the 2021-23 Biennium](#)
- [Estimated Revenue Sources and Distributions for Major State Funds for the 2021-23 Biennium](#)
- [Budget Status Report for the 2021-23 Biennium](#)
- [67th Legislative Assembly Changes to Agency Budgets for the 2021-23 Biennium](#)

STATE BUDGET INFORMATION

Mr. Joe Morrisette, 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.

TOBACCO SETTLEMENT PROCEEDS

Mr. Morrisette presented information ([Appendix C](#)) on the status of tobacco settlement proceeds received by North Dakota. He reported the April 2021 payments totaled \$22.7 million and were deposited in the tobacco settlement trust fund, a total of \$44.1 million has been deposited in the tobacco settlement trust fund during the 2019-21 biennium, and funding deposited in the tobacco settlement trust fund is transferred to the community health trust fund.

STATE AGENCY APPLICATIONS FOR FEDERAL GRANTS

Mr. Morrisette presented information ([Appendix D](#)) on 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	September 2021 - September 2022	\$125,000
Department of Human Services	October 2021 - September 2026	\$8,000,000
Department of Human Services	August 2021 - August 2025	\$12,000,000
Department of Human Services	October 2020 - September 2021	\$659,157
Insurance Department	January 2021 - January 2023	\$666,483
Housing Finance Agency	September 2021 - July 2024	\$1,000,000
Adjutant General	October 2021 - September 2023	\$150,000
Department of Agriculture	September 2021 - August 2022	\$500,000
Game and Fish Department	January 2021 - May 2025	\$165,000

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

Agency	Time Period of Grant	Amount
Governor's office	January 2021 - September 2022	\$2,732,339
Department of Human Services	Through December 2021	\$200,000,000
Department of Human Services	February 2021 - March 2021	\$130,000
Department of Human Services	October 2020 - September 2021	\$649,157
Department of Human Services	October 2020 - September 2021	\$81,300
Game and Fish Department	January 2021 - May 2025	\$165,000

IRREGULARITIES IN THE FISCAL PRACTICES OF THE STATE

Pursuant to Section 54-14-03.1, Mr. Morrissette presented information ([Appendix E](#)) on irregularities in the fiscal practices of the state. He presented the following fiscal irregularities for the period December 2020 through May 2021:

Agency	Fiscal Irregularity	Amount
Department of Commerce	Temporary workload increase	\$4,500
Department of Commerce	Temporary workload increases	\$18,614
Department of Human Services	Temporary workload increase	\$665
Council on the Arts	Temporary workload increases	\$7,250
State Historical Society	Temporary workload increase	\$1,633
Public Employees Retirement System	Temporary workload increase	\$1,500
Judicial branch	Incorrect job classification	\$16,302
Department of Human Services	Temporary workload increase	\$614
Department of Human Services	Temporary workload increase	\$864

AGENCY REQUESTS APPROVED BY THE EMERGENCY COMMISSION

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

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

- **Department of Commerce (Request #2033)** - The request is to reallocate \$3,000,000 of the department's \$82,179,000 2019-21 biennium appropriation from the federal Coronavirus Relief Fund for an industrial life science grant program for the purpose of researching and manufacturing vaccines and related technologies, developing rapid antibody-based diagnostic tests, and increasing North Dakota's capacity to treat Coronavirus (COVID-19) and other diseases, such as cancer and diabetes.
- **Department of Environmental Quality (Request #2034)** - The request is to authorize the department to accept \$400,000 of federal coronavirus relief funds for the 2019-21 biennium and to accept and spend \$750,000 of federal coronavirus relief funds for the 2021-23 biennium from the State Department of Health for wastewater testing.
- **Office of Management and Budget (Request #2035)** - The request is to transfer \$100,000 from the operating expenses line item to the salaries and wages line item for the 2019-21 biennium to make available a total of \$2.4 million for unemployment insurance payments.
- **Council on the Arts (Request #2037)** - The request is to increase 2021-23 biennium special funds spending authority by \$269,000 in the grants line item to accept and spend funds from the Bush Foundation for a Lakota song repatriation project (\$209,000) and from the National Assembly of State Arts Agencies for a tiny press kit project (\$60,000).
- **Department of Human Services (Request #2041)** - The request is to increase 2021-23 biennium special funds spending authority by \$1.7 million in the grants line item to accept and spend federal Elementary and Secondary School Emergency Relief (ESSER) funds from the Department of Public Instruction for early childhood programs.

Mr. Shawn Kessel, Deputy Commissioner, Department of Commerce, and Ms. Kirsten Baesler, Superintendent, Department of Public Instruction, responded to committee member questions regarding certain Emergency Commission requests.

It was moved by Senator Mathern, seconded by Senator Krebsbach, and failed on a roll call vote that the Budget Section approve Emergency Commission request #2033 relating to the Department of Commerce. Representatives Boschee, Mitskog, and Mock and Senators Davison, Dever, Heckaman, Klein, Krebsbach, Mathern, Oban, Rust, Sorvaag, and Wardner voted "aye." Representatives Vigesaa, Anderson, Boe, Brandenburg, Delzer, Howe, Kempenich, Koppelman, Kreidt, Louser, Martinson, Meier, Monson, Nathe, Nelson, Sanford, Schatz, Schobinger, and Strinden and Senators Bekkedahl, Erbele, Hogue, Holmberg, and Oehlke voted "nay."

It was moved by Representative Nelson, seconded by Senator Wardner, and carried on a roll call vote that the Budget Section approve Emergency Commission request #2034 relating to the Department of Environmental Quality. Representatives Anderson, Boe, Boschee, Brandenburg, Kempenich, Mitskog, Mock, Nelson, Sanford, Schobinger, and Strinden and Senators Bekkedahl, Davison, Dever, Erbele, Heckaman, Hogue, Holmberg, Klein, Krebsbach, Mathern, Oban, Oehlke, Sorvaag, and Wardner voted "aye." Representatives Vigesaa, Delzer, Howe, Koppelman, Kreidt, Louser, Martinson, Meier, Monson, Nathe, and Schatz voted "nay."

It was moved by Senator Klein, seconded by Senator Holmberg, and carried on a roll call vote that the Budget Section approve Emergency Commission request #2035 relating to the Office of Management and Budget. Representatives Vigesaa, Anderson, Boe, Boschee, Brandenburg, Delzer, Howe, Kempenich, Koppelman, Kreidt, Louser, Martinson, Meier, Mitskog, Mock, Monson, Nathe, Nelson, Sanford, Schatz, Schobinger, and Strinden and Senators Bekkedahl, Davison, Dever, Erbele, Heckaman, Hogue, Holmberg, Klein, Krebsbach, Mathern, Oban, Oehlke, Sorvaag, and Wardner voted "aye." No negative votes were cast.

It was moved by Representative Mitskog, seconded by Senator Oban, and carried on a roll call vote that the Budget Section approve Emergency Commission request #2037 relating to the Council on the Arts. Representatives Anderson, Boe, Boschee, Brandenburg, Howe, Koppelman, Louser, Martinson, Mitskog, Mock, Monson, Nathe, Nelson, Sanford, Schobinger, and Strinden and Senators Bekkedahl, Davison, Dever, Erbele, Heckaman, Hogue, Holmberg, Klein, Krebsbach, Mathern, Oban, Oehlke, Sorvaag, and Wardner voted "aye." Representatives Vigesaa, Delzer, Kempenich, Kreidt, Meier, and Schatz voted "nay."

It was moved by Senator Davison, seconded by Representative Nelson, and carried on a roll call vote that the Budget Section approve Emergency Commission request #2041 relating to the Department of Human Services. Representatives Anderson, Boe, Boschee, Martinson, Mitskog, Mock, Nelson, Sanford, and Strinden and Senators Bekkedahl, Davison, Heckaman, Hogue, Holmberg, Klein, Krebsbach, Mathern, Oban, Oehlke, Sorvaag, and Wardner voted "aye." Representatives Vigesaa, Brandenburg, Delzer, Howe, Kempenich, Koppelman, Kreidt, Louser, Meier, Monson, Nathe, Schatz, and Schobinger and Senators Dever and Erbele voted "nay."

LEGACY AND BUDGET STABILIZATION FUND ADVISORY BOARD REPORT

Representative Kempenich, 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 22, 2021](#) regarding the investment of funds in the legacy fund and budget stabilization fund pursuant to Section 21-10-11. He reported the market value of the budget stabilization fund as of April 30, 2021, was \$753.3 million and the asset allocation of the budget stabilization fund is 99 percent short-term fixed income and cash and 1 percent cash and equivalents. He reported the 1-year average earnings of the fund is approximately 8 percent. He reported the market value of the legacy fund as of April 30, 2021, was \$8.7 billion and a current estimate of approximately \$828 million of 2019-21 biennium legacy fund earnings will be transferred to the general fund at the end of the 2019-21 biennium. He reported the legacy fund's 1-year net return was 31.1 percent compared to a benchmark return of 28 percent.

STATE AGENCY UNCLAIMED PROPERTY

Ms. Jodi A. Smith, Commissioner, Board of University and Schools Lands, presented a report ([Appendix G](#)) on state agencies that have not submitted a claim for unclaimed property belonging to those agencies. She reported one agency claimed property totaling \$17.14. She said 20 agencies had unclaimed properties totaling \$20,732.22.

It was moved by Senator Heckaman, seconded by Senator Klein, and carried on a roll call vote that pursuant to Section 47-30.1-24.1 the Budget Section approve the list provided by the Board of University and School Lands of the following state agencies relinquishing their rights to recover unclaimed property:

- Bank of North Dakota
- Dickinson State University

- Job Service North Dakota
- Minot State University
- Office of Management and Budget
- State Department of Health
- Department of Human Services
- Housing Finance Agency
- Insurance Department
- Secretary of State
- North Dakota State College of Science
- North Dakota State University
- University of North Dakota
- Attorney General
- Department of Transportation
- Department of Trust Lands
- Tax Department
- Workforce Safety and Insurance
- Securities Department

Representatives Vigesaa, Anderson, Boe, Boschee, Brandenburg, Delzer, Howe, Kempenich, Koppelman, Kreidt, Louser, Martinson, Mitskog, Mock, Monson, Nelson, Sanford, Schatz, Schobinger, and Strinden and Senators Bekkedahl, Davison, Dever, Erbele, Heckaman, Hogue, Holmberg, Klein, Krebsbach, Mathern, Oban, Oehlke, Sorvaag, and Wardner voted "aye." No negative votes were cast.

STATUS OF THE UNEMPLOYMENT INSURANCE TRUST FUND AND THE MODIFIED AVERAGE HIGH-COST MULTIPLIER

Mr. Darren Brostrom, Deputy Director, Job Service North Dakota, presented information ([Appendix H](#)) on the status of the unemployment insurance trust fund and the targeted modified average high-cost multiplier pursuant to Section 52-02-17. He reported the multiplier is an actuarial calculation used to project the length of time the existing fund balance could support benefit payments at historically high payout rates and with no future revenue. He reported the trust fund is financed by quarterly employer unemployment insurance taxes and these funds are used to pay unemployment insurance benefits.

Mr. Brostrom reported as of December 31, 2020, the balance of the unemployment trust fund was \$285.7 million, \$46.4 million more than the target balance of \$239.3 million, and the modified average high-cost multiplier was 1.01, 0.01 above the projected target of 1.0.

OTHER BUSINESS

Chairman Vigesaa said the Budget Section is tentatively scheduled to meet next on Wednesday, September 22, 2021.

No further business appearing, Chairman Vigesaa adjourned the meeting at 12:00 noon.

Allen H. Knudson
Legislative Budget Analyst and Auditor

Brady A. Larson
Assistant Legislative Budget Analyst and Auditor

ATTACH:8