Legislative Council
600 East Boulevard Avenue, Bismarck, ND 58505

GOVERNMENT FINANCE COMMITTEE

Thursday, July 22, 2021
Roughrider Room, State Capitol
Bismarck, North Dakota

Representative Michael Howe, Chairman, called the meeting to order at 10:00 a.m.

Members present: Representatives Michael Howe, Jeff Delzer, Jared C. Hagert, Gary Kreidt, Lisa Meier, Corey Mock, Dave Nehring, Gary Paur, Mike Schatz, Jim Schmidt, Steve Vetter, Don Vigesaa; Senators Brad Bekkedahl, Ronald Sorvaag

Members absent: Representative Pamela Anderson; Senator Richard Marcellais

Others present: Representative Glenn Bosch, Bismarck; Senator Ray Holmberg, Grand Forks, members of the Legislative Management
Claire Ness, Legislative Council, Bismarck
See Appendix A for additional persons present.

STATE BUDGET INFORMATION

Office of Management and Budget

Mr. Joe Morrissette, Director, Office of Management and Budget, presented a report (Appendix B) on the status of the general fund, balances of selected state special funds, and the status of federal state fiscal recovery funds and the federal Coronavirus Capital Projects Fund.

In response to a question from a committee member, Mr. Morrissette indicated the state received approximately $1 billion on May 28, 2021, related to the federal state fiscal recovery funds, and the funds were deposited at the Bank of North Dakota.

In response to a question from a committee member, Mr. Morrissette noted federal guidance on the allowable uses of the federal Cornoavirus Capital Projects Fund is pending but is anticipated in the late summer of 2021. He indicated the requirements of House Bill No. 1015 (2021) require the Office of Management and Budget (OMB) to verify that projects meet the federal requirements before releasing the funds designated by the Legislative Assembly.

Legislative Council

Mr. Adam Mathiak, Senior Fiscal Analyst, Legislative Council, presented a report entitled *67th Legislative Assembly State Budget Actions for the 2021-23 Biennium* regarding details on the revenue forecast and appropriations for the 2021-23 biennium as approved by the Legislative Assembly.

Mr. Mathiak presented a memorandum entitled *Estimated Revenue Sources and Distributions for Major State Funds for the 2021-23 Biennium*, which is a flowchart regarding an overview of the inflows and outflows of major state funds.

Mr. Mathiak presented a memorandum entitled *Oil and Gas Tax Revenue Allocation Flowchart - 2021-23 Biennium*, which is a flowchart regarding the oil and gas tax revenue allocation formula for the 2021-23 biennium. He noted major changes to the formula approved during the 2021 legislative session include an increase in the allocations to the oil and gas research fund, an additional allocation to the Three Affiliated Tribes of the Fort Berthold Reservation associated with oil tax revenue from wells that cross into the reservation, and the alignment of the allocations to the non-oil-producing political subdivision infrastructure funds after the allocation to the strategic investment and improvements fund.

Mr. Mathiak presented a memorandum entitled *General Fund Revenues Monthly Update* regarding general fund revenues for the 2021-23 biennium to date through May 2021. He indicated the tax and fee revenues exceed the original legislative forecast prepared at the close of the 2019 legislative session by 3 percent as shown in the memorandum, but exceed the revised forecast prepared at the close of the 2021 legislative session by 4 percent.

Mr. Mathiak presented a memorandum entitled *Oil and Gas Tax Revenues Monthly Update* regarding oil and gas tax revenues for the 2021-23 biennium to date through May 2021. He indicated the oil and gas tax revenues were less than the original legislative forecast prepared at the close of the 2019 legislative session by 26 percent as shown in the memorandum, but are less than 1 percent less than the revised forecast prepared at the close of the 2021 legislative session.

STATE REVENUES STUDY

Mr. Mathiak presented a memorandum entitled *State Revenues and State Revenue Forecasts Study - Background Memorandum* regarding the revenue forecasting process and a proposed study plan.

It was moved by Senator Bekkedahl, seconded by Representative Mock, and carried on a voice vote that the Legislative Council staff prepare a request for proposal for the committee to consider at the next meeting and that the committee approve the following study plan:

1. **Contract for consulting services to receive economic forecasting data, including selected general fund tax revenues; oil prices and production; and key economic assumptions, including the value of the US Dollar and demographic trends.**
2. **Monitor actual revenue collections compared to forecasted amounts.**
3. **Receive information from industry representatives regarding current trends, including updates from the agriculture industry and the oil and gas industry.**
4. **Receive information from state agencies regarding revenue collections.**
5. **Receive testimony from interested persons regarding the study.**
6. **Develop recommendations and any bill drafts necessary to implement the recommendations.**
7. **Prepare a final report for submission to the Legislative Management.**

CLASSIFIED STATE EMPLOYEE COMPENSATION SYSTEM STUDY

Mr. Mathiak presented a memorandum entitled *Classified State Employee Compensation System Study - Background Memorandum* regarding the current classification system, recent changes to the system, and a proposed study plan.

It was moved by Representative Delzer, seconded by Representative Meier, and carried on a voice vote that the committee approve the following study plan:

1. **Receive information from the Human Resource Management Services Division of OMB regarding the current state employee job classification system and any recent changes to job classifications, including the pay grades, other employee compensation benefits, the increase in compensation expenses for the state, and market comparisons, including the external competitiveness target.**
2. **Receive information from Job Service North Dakota regarding labor market information, including any data available regarding job classifications in other state governments.**
3. **Receive information from state agencies regarding the state employee job classification system, including any concerns with the current classifications.**
4. **Receive information regarding job classification structure in other states.**
5. **Receive testimony from interested persons regarding the study.**
6. **Develop recommendations and any bill drafts necessary to implement the recommendations.**
7. **Prepare a final report for submission to the Legislative Management.**

LAW ENFORCEMENT AND CORRECTIONAL OFFICER RECRUITMENT AND RETENTION STUDY

Mr. Mathiak presented a memorandum entitled *Law Enforcement and Correctional Officer Recruitment and Retention Study - Background Memorandum* regarding existing statutory recruitment and retention programs and a proposed study plan.

It was moved by Representative Vigesaa, seconded by Representative Mock, and carried on a voice vote that the committee approve the following study plan:

1. **Receive information from the Highway Patrol regarding law enforcement recruitment, retention, turnover, and training, including any challenges and efforts to address the challenges.**
2. **Receive information from the Attorney General's office regarding law enforcement recruitment, retention, turnover, and training, including any challenges and efforts to address the challenges.**
3. **Receive information from the Department of Corrections and Rehabilitation regarding correctional officer recruitment, retention, turnover, and training, including any challenges and efforts to address the challenges.**
4. **Receive information from political subdivision law enforcement agencies regarding law enforcement recruitment, retention, turnover, and training, including any challenges and efforts to address the challenges.**
5. **Receive information regarding law enforcement compensation in other states within the region, including pay levels and any recruitment and retention programs.**
6. **Receive information regarding federal programs available to support law enforcement and correctional officer recruitment and retention.**
7. **Receive information regarding nonfinancial support offered to aid in the recruitment and retention of law enforcement and correctional officers.**
8. **Receive testimony from interested persons regarding the study.**
9. **Develop recommendations and any bill drafts necessary to implement the recommendations.**
10. **Prepare a final report for submission to the Legislative Management.**

INFORMATION TECHNOLOGY BUDGETING STUDY

Mr. Mathiak presented a memorandum entitled *Information Technology Budgeting Study - Background Memorandum* regarding previous studies, the IT unification initiative, and a proposed study plan.

It was moved by Representative Mock, seconded by Representative Hagert, and carried on a voice vote that the committee approve the following study plan:

1. **Receive information from the Information Technology Department (ITD) regarding the current budgeting and appropriations process for state government information technology (IT), including comparisons to budgeted and actual revenues and expenses for IT-related services, current billing rates, and the impact of the unification initiative on the budget process.**
2. **Receive information from other state agencies regarding the costs and benefits of the current budgeting and appropriations process for IT services, including any agencies opposed to the current process or changes to the current process.**
3. **Receive information from ITD and other state agencies regarding the quality of IT services provided by ITD to state agencies.**
4. **Receive information from OMB regarding the capabilities of new budgeting software, including reporting features and the ability to identify IT-related appropriations.**
5. **Receive information from OMB regarding the costs and benefits of the current structure for appropriating funds for ITD services compared to an alternative method and any potential budget savings that may result from changing the appropriation process.**
6. **Receive testimony from interested persons regarding the study.**
7. **Develop recommendations and any bill drafts necessary to implement the recommendations.**
8. **Prepare a final report for submission to the Legislative Management.**

STATE AGENCY FEES STUDY

Mr. Mathiak presented a memorandum entitled *State Agency Fees - Background Memorandum* regarding previous fee studies and a proposed study plan.

It was moved by Senator Sorvaag, seconded by Representative Vetter, and carried on a voice vote that the committee approve the following study plan:

1. **Review and discuss the timing of the required reports and timing of the recommendations required for the committee.**
2. **Develop a template for agencies to use for submitting information on each of their fees and inform agencies of the deadline for submitting their reports.**
3. **Receive a report from OMB by September 2022 regarding details of the fees imposed by state agencies that have 40 or fewer fees, including an analysis of each fee.**
4. **Identify potential state agency fees to be reviewed during the subsequent biennium.**
5. **Make a recommendation for each fee identifying whether the fee should remain unchanged or be eliminated, increased, decreased, or modified and the rationale for the recommendation.**
6. **Develop recommendations and any necessary legislation to implement the recommendations.**
7. **Prepare a final report for presentation to the Legislative Management.**

SENATE BILL NO. 2290 - EMERGENCY COMMISSION AND BUDGET SECTION APPROVAL PROCESS STUDY

Mr. Mathiak presented a memorandum entitled *Senate Bill No. 2290 - Emergency Commission - Background Memorandum* regarding the history of the Emergency Commission, recent Budget Section spending approvals, and a proposed study plan.

Senator Holmberg, Chairman, Senate Appropriations Committee, provided comments regarding the history of Senate Bill No. 2290. He noted the authority of the Emergency Commission and Budget Section to adjust spending levels provides flexibility to address budgetary changes between legislative sessions.

Ms. Claire Ness, Counsel, Legislative Council, presented a memorandum entitled *Senate Bill No. 2290 (2021)* regarding the constitutionality of Senate Bill No. 2290. She indicated the Legislative Assembly overrode the Governor's veto of the bill. She noted the bill is consistent with the provisions of the constitution and Supreme Court rulings.

Chairman Howe distributed and read a letter (Appendix C) submitted to the committee by Senator David Hogue who was the primary sponsor of Senate Bill No. 2290.

Representative Delzer indicated a cumulative limit of $75 million or $100 million for both state special funds and federal funds related to the spending approvals by the Emergency Commission and Budget Section may be more appropriate than the current $5 million limit for state special funds and $50 million limit for federal funds. He noted proposals could be considered regarding changes to the membership of the Emergency Commission.

Chairman Howe requested the Legislative Council staff prepare a bill draft for the next meeting to amend the provisions of Senate Bill No. 2290 (2021) to increase the Emergency Commission and Budget Section spending approval limits to $75 million for both state special funds and federal funds.

It was moved by Representative Vetter, seconded by Representative Mock, and carried on a voice vote that the committee approve the following study plan:

1. **Review the provisions of Senate Bill No. 2290 and any potential issues related to the Emergency Commission and Budget Section approval limits for spending requests during the interim.**
2. **Review the historical Emergency Commission and Budget Section approval limits for spending requests during the interim.**
3. **Receive information from OMB regarding potential benefits and concerns with the approval limits for spending requests.**
4. **Receive information from interested persons regarding the study.**
5. **Develop recommendations and any bill drafts necessary to implement the recommendations.**
6. **Prepare a final report for submission to the Legislative Management.**

OTHER DUTIES

Mr. Mathiak presented a memorandum entitled *Other Duties of the Government Finance Committee - Background Memorandum* regarding the committee's assigned responsibilities to monitor the state budget and to receive other reports.

Chairman Howe requested the Legislative Council staff distribute information to all legislators regarding the preliminary general fund beginning balance for the 2021-23 biennium, including the variance to the forecast prepared at the close of the 2021 legislative session.

Chairman Howe noted the next committee meeting is tentatively scheduled for Tuesday, September 21, 2021, in Bismarck.

No further business appearing, Chairman Howe adjourned the meeting at 2:45 p.m.

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Adam Mathiak
Senior Fiscal Analyst

ATTACH:3