Legislative Council
600 East Boulevard Avenue, Bismarck, ND 58505

GOVERNMENT FINANCE COMMITTEE

Tuesday, September 21, 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, Pamela Anderson, Jeff Delzer, Jared C. Hagert, Gary Kreidt, Lisa Meier, Corey Mock, Dave Nehring, Gary Paur, Mike Schatz, Steve Vetter, Don Vigesaa; Senators Brad Bekkedahl, Richard Marcellais, Ronald Sorvaag

Member absent: Representative Jim Schmidt

Others present: Representative Glenn Bosch, Bismarck, member of the Legislative Management
Allen H. Knudson, Legislative Council, Bismarck
See Appendix A for additional persons present.

It was moved by Representative Kreidt, seconded by Representative Meier, and carried on a voice vote that the minutes of the July 22, 2021, meeting be approved as distributed.

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 the federal State Fiscal Recovery Fund and the federal Coronavirus Capital Projects Fund. He indicated the June 30, 2021, ending fund balance of the general fund was $1,122.4 million, which was $412.1 million more than the 2021 legislative forecast primarily due to additional legacy fund earnings and unspent 2019-21 biennium general fund appropriations (turnback).

In response to a committee member question, Mr. Morrissette noted some of the projects approved from the Coronavirus Capital Projects Fund during the 2021 legislative session do not meet the guidelines released by the federal government.

Legislative Council

Mr. Allen H. Knudson, Legislative Budget Analyst and Auditor, Legislative Council, presented a report entitled *Presentation to the Government Finance Committee* (Appendix C) regarding a summary of North Dakota's budgeting process since the 1980s, including a comparison of ongoing general fund revenues and appropriations.

Mr. Knudson presented a memorandum entitled *Budget Outlook - 2021-23 and 2023-25 Bienniums*, including estimated cost-to-continue items and funding sources available to balance the state budget for the 2023-25 biennium.

Mr. Adam Mathiak, Senior Fiscal Analyst, Legislative Council, presented a report entitled *Budget and Fiscal Trends* (Appendix D) regarding state revenues and appropriations since the 2011-13 biennium.

Mr. Mathiak presented the Legislative Council publication entitled *2021 North Dakota Finance Facts* regarding information on recent trends in the state budget and the state's economy.

REVENUE FORECASTING STUDY

Mr. Mathiak presented a draft of a request for proposal (Appendix E) relating to consulting services for economic forecasting data. He noted the request for proposal is similar to the ones issued in the last two interims with additional information required in the bids related to cost reductions for remote presentations and additional costs if the consulting services are extended by 2 years for a total consulting period of 4 years.

It was moved by Representative Kreidt, seconded by Senator Sorvaag, and carried on a voice vote to seek approval from the Chairman of the Legislative Management to distribute the request for proposal and to hire a consultant.

SENATE BILL NO. 2290 (2021) STUDY

Mr. Mathiak presented a bill draft [21.1080.01000] relating to Emergency Commission and Budget Section approval to accept and disburse federal funds and state special funds based on an adjustment to the current limits. He noted the bill draft increases the approval limit for federal funds by $25 million, from $50 million to $75 million per biennium, and increases the approval limit for state special funds by $70 million, from $5 million to $75 million per biennium.

Mr. Mathiak presented a bill draft [21.1085.01000] relating to Emergency Commission and Budget Section approval to accept and disburse federal funds and state special funds based on percentage limits. He explained the bill draft:

- Replaces the approval limit of $50 million for federal funds with an amount based on 2 percent of the current biennial state general fund budget as approved by the Legislative Assembly;
- Replaces the approval limit of $5 million for state special funds with an amount based on 1 percent of the current biennial state general fund budget as approved by the Legislative Assembly; and
- Includes other minor updates for clarity and consistency.

In response to a committee member question, Mr. Mathiak noted the percentage limits under the provisions of the bill draft would be $99,859,147 for federal funds and $49,929,573 for special funds based on the 2021-23 biennium general fund budget of $4,992,957,330.

It was moved by Representative Delzer, seconded by Senator Bekkedahl, and carried on a roll call vote that the bill draft [21.1085.01000] relating to Emergency Commission and Budget Section approval to accept and disburse federal funds and state special funds based on percentage limits be approved and recommended to the Legislative Management for consideration during a 2021 special or reconvened legislative session or during the 2023 regular legislative session. Representatives Howe, Anderson, Delzer, Hagert, Kreidt, Meier, Nehring, Schatz, and Vigesaa and Senators Bekkedahl, Marcellais, and Sorvaag voted "aye." Representatives Paur and Vetter voted "nay."

It was moved by Representative Kreidt, seconded by Representative Delzer, and carried on a voice vote that the Legislative Management consider temporarily increasing the state special fund approval limit by $15 million, from $5 million to $20 million, for the remainder of the 2021-23 biennium during a special or reconvened legislative session and that the Chairman and the Legislative Council staff be requested to prepare a report and the bill draft recommended by the committee and to present the report and recommended bill draft to the Legislative Management.

INFORMATION TECHNOLOGY BUDGETING STUDY

Mr. Mathiak reviewed a memorandum entitled *Information Technology Budgeting Study - Background Memorandum* regarding previous information technology budgeting studies and the information technology (IT) unification initiative.

Mr. Greg Hoffman, Director of Administrative Services, Information Technology Department, presented information (Appendix F) regarding the 2021-23 biennium budget for the Information Technology Department (ITD), fees charged for services, and the advantages and disadvantages of the current budget process and potential changes. He noted the fees charged for services are regularly reviewed and the rates are set approximately 1 year before the start of each biennium to allow state agencies to develop their budgets. He indicated the current budgeting process provides flexibility to ITD for spending and includes a review of state agencies' proposed IT projects but requires two appropriations, one in the agency budget and one in the ITD budget. He noted providing a general fund appropriation to ITD may increase the transparency of IT costs but may increase demand for services since agencies would not be limited to a certain level of services based on their budgets.

Ms. Pam Anderson, Program Manager, Information Technology Department, presented information (Appendix G) regarding the IT unification initiative. She indicated the state is saving $1.6 million per biennium with bulk licensing discounts and $504,000 per biennium from standardized IT hardware purchases as a result of the unification initiative. She noted duplicate services have decreased and best practices have been implemented creating efficiencies with staff time because of the unification. She noted the initial consolidation increased the workload more than anticipated and resulted in state agencies perceiving a lack of timely responses after the IT unification initiative was implemented.

In response to a question from a committee member, Mr. Duane Schell, Chief Technology Officer, Information Technology Department, noted state agencies are billed a monthly rate for each technology device as a part of the desktop support services provided by ITD. He indicated replacement costs for the devices are included in the monthly rate and the devices are upgraded based on replacement schedules.

Mr. Christopher D. Jones, Executive Director, Department of Human Services, provided comments (Appendix H) regarding the department's IT unification. He noted the IT unification initiative improved the Department of Human Service's delivery of services and resulted in approximately $4.7 million of cost-savings.

Mr. Tom Bodine, Deputy Commissioner, Department of Agriculture, provided comments (Appendix I) regarding the department's IT unification, the current budgeting process for IT services, and the advantages and disadvantages of providing a general fund appropriation to ITD rather than a general fund appropriation to the department. He indicated the Department of Agriculture benefited from volume pricing through the IT unification, but encountered challenges with technology devices and policy changes that did not meet the department's unique needs.

Mr. Troy Seibel, Chief Deputy Attorney General, Attorney General's office, provided comments regarding IT unification, the current budgeting process for IT services, and the advantages and disadvantages of providing a general fund appropriation to ITD rather than a general fund appropriation to the agency. He noted the Attorney General's office was not included in the IT unification initiative because of federal requirements for criminal information sharing. He indicated the agency supports providing a general fund appropriation to ITD for IT services to decrease the agency's administrative responsibility to submit payments to ITD.

No further business appearing, Chairman Howe adjourned the meeting at 4:00 p.m.

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Adam Mathiak
Senior Fiscal Analyst

ATTACH:9