Legislative Council
600 East Boulevard Avenue, Bismarck, ND 58505

GOVERNMENT FINANCE COMMITTEE

Tuesday, December 12, 2023
Roughrider Room, State Capitol
Bismarck, North Dakota

Senator Dean Rummel, Chairman, called the meeting to order at 10:00 a.m.

Members present: Senators Dean Rummel, Jeff Barta, Todd Beard, Kristin Roers, Donald Schaible, Ronald Sorvaag, Michael A. Wobbema; Representatives Bert Anderson, Craig Headland*, Jeff A. Hoverson*, Keith Kempenich, Mike Nathe, Emily O'Brien, Brandy Pyle, Steve Vetter, Don Vigesaa

Members absent: Representatives Larry Bellew, Lisa Meier, and Paul J. Thomas

Others present: Senators Kyle Davison, Fargo, and Brad Bekkedahl, Williston, members of the Legislative Management
Allen H. Knudson, Legislative Council, Bismarck
See Appendix A for additional persons present.
**Attended remotely*

It was moved by Senator Schaible, seconded by Senator Barta, and carried on a voice vote that the minutes of the September 20, 2023, meeting be approved as distributed.

STATE BUDGET INFORMATION

Mr. Adam Mathiak, Senior Fiscal Analyst, Legislative Council, presented:

- A report entitled *68th Legislative Assembly State Budget Actions Supplement for the 2023-25 Biennium* regarding details on the changes to the 2023-25 biennium budget as approved by the Legislative Assembly during the October 2023 special session.
- A report entitled Budget and Fiscal Trends (Appendix B) regarding revenues, appropriations, and other state budget information since the 2013-15 biennium, including changes approved during the October 2023 special session.

Ms. Becky Ulberg, Fiscal Management Analyst, Office of Management and Budget, presented information (Appendix C) regarding:

- The status of the general fund, which reflects an estimated June 30, 2025, balance of $494 million based on actual revenue collections through November 30, 2023, and forecasted revenue collections for the remainder of the biennium.
- Selected special fund balances, including the strategic investment and improvements fund which had an uncommitted balance of $398 million as of September 30, 2023.
- The status of the federal State Fiscal Recovery Fund expenditures, including $475 million of expenditures through October 31, 2023, and $532 million of remaining spending authority.
- The status of the cash management study under Section 11 of Senate Bill No. 2393, which is anticipated to begin in January 2024 after contract negotiations are completed with a potential consultant.
- The amount of uncommitted federal Coronavirus Capital Projects Fund appropriation authority transferred from the Information Technology Department to the Department of Career and Technical Education pursuant to Section 10 of House Bill No. 1021, which was approximately $7.7 million.

Mr. Wayde Sick, Director and Executive Officer, Department of Career and Technical Education, presented information (Appendix D) regarding the amount of inflationary funding provided for each career academy project and the construction status of each project pursuant to Section 10 of House Bill No. 1021 and Section 1 of House Bill No. 1543. He noted the department awarded total funding of $122.5 million to 13 area career center projects, as follows:

Area Career Center Project	Original	Increase	Total
North Valley Area Career and Technical Education Center	$4,752,290	$1,843,718	$6,596,008
Grand Forks Career Impact Academy	10,000,000	3,879,642	13,879,642
Cass County Career and Technical Education Center	10,000,000	3,879,642	13,879,642
Southeast Region Career and Technical Education Center	2,979,975	1,156,124	4,136,099
Sheyenne Valley Area Career and Technical Education Center	3,131,986	1,215,098	4,347,084
James Valley Area Career and Technical Education Center	798,700	309,867	1,108,567
Lake Area Career and Technical Education Center	1,241,074	481,492	1,722,566
Bismarck Public Schools Career Academy	5,372,203	2,084,222	7,456,425
Heart River Career and Technical Education Center	10,000,000	3,879,642	13,879,642
Minot Area Workforce Academy	10,000,000	3,879,642	13,879,642
Southwest Area Career and Technical Education Academy	10,000,000	3,879,642	13,879,642
Williston Basin Career and Technical Education Center	10,000,000	3,879,642	13,879,642
Bakken Area Skills Center	10,000,000	3,879,642	13,879,642
Total	$88,276,228	$34,248,015	$122,524,243

In response to a question from a committee member, Mr. Sick noted the department has not estimated the ongoing cost to support the operations of the projects, but anticipates an estimate may be available by the 2025 regular legislative session.

STATE AGENCY FEE STUDY

Summary

Mr. Mathiak presented a memorandum entitled *Agency Fee Report Summary* regarding a summary of the fees reported in September 2022 by state agencies with 40 or fewer fees. He noted:

- Some agencies did not include any comments regarding their evaluation of the fees as required by North Dakota Century Code Section 54-35-27(2).
- Some fees reported by the judicial branch also were reported by the State Treasurer, since the State Treasurer is the collecting agent.
- Some agencies indicated their fees are low and have not been adjusted for many years.

A committee member noted state agencies could provide information to the Appropriations Committees during each regular legislative session regarding the revenue collected from fees, expenditures associated with the fees, and the appropriateness of the fees.

State Treasurer

Mr. Thomas Beadle, State Treasurer, presented information (Appendix E) regarding the fees collected by the State Treasurer's office. He noted:

- The fees are collected by the State Treasurer and are deposited in the state general fund, but the fees are not related to the State Treasurer's operations.
- The Legislative Assembly could consider depositing the fees into a special fund rather than the general fund or allocating the collections to political subdivisions or a state agency rather than using them for general government spending.

Tax Department

Ms. Shannon Fleischer, Associate Director, Tax Administration Division, Tax Department, presented information (Appendix F) regarding the fees collected by the Tax Department. She noted:

- The department collects alcohol licensing fees, motor fuel fees, tribal agreement administration fees, and sales and use tax permit reinstatement fees.
- The sales and use tax permit reinstatement fee of $50 has been assessed only three times since 2018 and could be repealed.

A committee member noted some fee amounts may be set at a certain level to incentivize or disincentivize activity without consideration of the cost to administer the fee.

Judicial Branch

Ms. Sally Holewa, State Court Administrator, presented information (Appendix G) regarding the fees collected by the judicial branch. She noted:

- Because fees collected by the judicial branch are set by the Legislative Assembly, the judicial branch is hesitant to make recommendations for the fees.
- The Legislative Assembly could consider doubling the fee amounts for civil filing fees because the civil filing fees have not been increased since 1995.

Department of Trust Lands

Mr. Joseph Stegmiller, Surface Director, and Mr. Chris Suelzle, Mineral Director, Department of Trust Lands, presented information (Appendix H) regarding the fees collected by the Department of Trust Lands.

Mr. Stegmiller noted:

- The North Dakota Century Code provides authorization for the department to charge fees, and the department determines the amount for each fee.
- The department plans to increase the surface lease fee and land sale application fee and remove the surface lease assignment fee.
- The department is not considering any increases or decreases to the other surface-related fees because the fee collections cover the cost to administer the fees.

Mr. Suelzle noted:

- The department plans to remove the coal lease assignment application fee, coal lease amendment or renewal application fee, oil well shut-in fee, and oil and gas lease advertising fee and to increase the oil and gas lease extension or amendment application fee.
- The department is not considering any increases or decreases to the other mineral-related fees because the fee collections cover the cost to administer the fees.

A committee member noted the Department of Trust Lands should consider reviewing the state's other trespassing fees to verify the department's fees conform with any other relevant trespassing fees in state law.

DEPARTMENT OF COMMERCE REPORTS

Mr. Josh Teigen, Commissioner, Department of Commerce, provided comments regarding the status of the uncrewed aircraft systems test site pursuant to North Dakota Century Code Section 54-60-28 and the development of the beyond visual line of sight uncrewed aircraft system program pursuant to Section 54-60-29.1 and presented information (Appendix I) regarding the status of each grant program in Section 2 of House Bill No. 1018 (2023), including the funding spent, award recipients, and use of funding, pursuant to Section 30 of House Bill No. 1018. He noted the Legislative Assembly appropriated $80,350,000 for selected grant programs administered by the department, of which approximately $4,000 was spent through December 7, 2023, as follows:

Grant Program	Appropriations	Grant Awards	Expenditures
Beyond visual line of sight uncrewed aircraft system	$26,000,000	$26,000,000	$0
Tourism destination development initiative	25,000,000	25,000,000	0
Workforce investment grant program	12,500,000	0	0
Enhanced use lease grant	10,000,000	10,000,000	0
Technical skills training grants	2,000,000	0	0
Rural workforce grant program	2,000,000	0	4,196
New Americans workforce training grant programs	2,000,000	0	0
Motion picture production and recruitment grant	600,000	600,000	0
Creamery assistance grant	250,000	250,000	0
Total	$80,350,000	$61,850,000	$4,196

In response to a question from a committee member, Ms. Katie Ralston Howe, Director, Workforce Development Division, Department of Commerce, noted the funding for the workforce investment grant program is allocated regionally based on population.

STUDY OF STATE-OWNED AIRCRAFT

Mr. Mathiak presented a memorandum entitled *State-Owned Aircraft Modernization Study - Background Memorandum* regarding the committee's study of the need to modernize the fleet of state-owned aircraft.

Attorney General's Office

Ms. Becky Keller, Director of Finance, Attorney General's office, presented information (Appendix J) regarding the types, maintenance status, and use of state-owned aircraft operated by the Attorney General's office. She noted:

- The Attorney General's office received a 1966 Beechcraft Baron aircraft in 1993 through a federal program.
- The agency is returning the plane to the federal government due to high maintenance costs and a significant mechanical failure during a flight in January 2023.
- The agency anticipates needing air transportation services two to four times per month.

In response to a question from a committee member, Ms. Keller noted no aircraft are available to the agency from the federal program and any future availability of aircraft is unknown.

Department of Transportation

Ms. Robin Rehborg, Deputy Director, Driver Safety, Department of Transportation, presented information (Appendix K) regarding the types, maintenance status, and use of state-owned aircraft operated by the Department of Transportation. She noted:

- The department provides air transportation services using two Beechcraft King Air B200 aircraft, which are flown with two pilots.
- The department has three full-time pilots, one full-time mechanic, and three part-time pilots to operate the three aircraft owned by the department.

In response to a question from a committee member, Ms. Rehborg noted the department will provide information to the committee at a future meeting regarding the estimated cost to replace the two Beechcraft King Air B200 aircraft with upgraded Beechcraft King Air 350 aircraft.

Comments

Representative Todd Porter, Mandan, provided comments regarding the committee's study of state-owned aircraft. He noted:

- Aircraft must be maintained according to federal standards at specific intervals, which can result in high costs for operating aircraft.
- A periodic review by the Legislative Assembly of the use and condition of state-owned aircraft is beneficial.
- The last review by the Legislative Assembly was completed during the 2011-12 interim study.
- State agencies may contract for air transportation services through the private sector or pay for tickets on commercial flights for state employee travel.

Discussion

A committee member noted additional information regarding any state agency contracts for air transportation services may be helpful to the committee's study.

The committee expressed support to proceed with the proposed study plan, which includes:

- Receiving information from state agencies regarding the inventory of state-owned aircraft; and
- Receiving comments from selected state agencies regarding the adequacy of the aircraft and the need to modernize any aircraft.

DEPARTMENT OF FINANCIAL INSTITUTIONS BUDGET STUDY

Department of Financial Institutions

Ms. Lise Kruse, Commissioner, Department of Financial Institutions, presented information (Appendix L) regarding a brief comparison of similar agencies in other states. She provided a comparison of North Dakota's Department of Financial Institutions to Oklahoma's State Banking Department and Texas's Department of Banking and noted:

- Oklahoma's State Banking Department is similar in size to North Dakota's Department of Financial Institutions and has used an alternative appropriation process since 2003.
- The budget for Oklahoma's State Banking Department is approved by the state's budget office, but full-time equivalent positions are authorized by the state legislature.

- The budget and full-time equivalent positions for Texas's Department of Banking are both approved by a finance commission.

Office of Management and Budget

Ms. Stephanie Gullickson, Fiscal Management Analyst, Office of Management and Budget, provided comments (Appendix M) regarding the current appropriation method and feasibility and desirability of changing the appropriation method and staffing structure for the Department of Financial Institutions. She noted the Office of Management and Budget has no concerns to change the appropriation process for the Department of Financial Institutions since the agency is funded through fee collections set by regulatory boards.

Comments

Mr. Rick Clayburgh, President and Chief Executive Officer, North Dakota Bankers Association, provided comments regarding the committee's study of the appropriation procedures for the Department of Financial Institutions noting the banking industry supports changing the appropriation procedures for the department.

OIL AND GAS ACTIVITY

Mr. Justin Kringstad, Executive Director, North Dakota Pipeline Authority, presented information (Appendix N) regarding the status of oil and gas activities in the state. He noted:

- An increase in oil wells with a 3-mile horizontal lateral segment has increased the efficiencies and economics for oil production.
- Natural gas production continues to increase, but a lack of transportation and processing capacity may restrict the growth of oil and gas development activities.
- In recent years, the Flint Hills Resources posted oil prices for North Dakota light sweet crude have been within 1 to 2 percent of the prices reported by the Tax Department compared to variances exceeding 5 percent in earlier years.

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

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Adam Mathiak
Senior Fiscal Analyst

ATTACH:14