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## GOVERNMENT FINANCE COMMITTEE

Tuesday, September 17, 2024  
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, Lisa Meier, Mike Nathe, Emily O'Brien, Brandy Pyle, Steve Vetter\*, Don Vigesaa

**Members absent:** Representatives Keith Kempenich, Paul J. Thomas

**Others present:** Senators Brad Bekkedahl, Williston, and Kyle Davison, Fargo, members of the Legislative Management

Allen H. Knudson, Legislative Council, Bismarck

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

*\*Attended remotely*

**It was moved by Representative Meier, seconded by Representative O'Brien, and carried on a voice vote that the minutes of the June 18, 2024, meeting be approved as distributed.**

### STATE BUDGET INFORMATION

Ms. Susan Sisk, Director, Office of Management and Budget, presented information ([Appendix B](#)) regarding:

- The status of the general fund, which reflects an estimated June 30, 2025, balance of \$713 million based on actual revenue collections through August 31, 2024, 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 \$809 million as of May 31, 2024.
- The status of the federal State Fiscal Recovery Fund expenditures, including \$654 million of expenditures through August 31, 2024, and \$340 million of remaining spending authority.

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

- A revised memorandum entitled [Property Tax Information](#) regarding the estimated cost to replace property tax revenue and historical property tax collections with a comparison to the consumer price index.
- The [2024 North Dakota Finance Facts](#) pocket brochure regarding information on recent trends in the state budget and the state's economy.
- An overview of the Pew Charitable Trust's Fiscal 50 [webpage](#) for North Dakota which provides information on fiscal indicators for North Dakota and a comparison to other states.

### STATE-OWNED AIRCRAFT STUDY

Mr. Mathiak presented a memorandum entitled [Air Transportation Survey Results](#) regarding a summary of state agencies' responses to the use of contracted air transportation services and anticipated needs for future air transportation services. He noted:

- The Public Service Commission was the only state agency that used the state contract for air transportation services to conduct mine flyovers with an average of two trips per biennium at a cost of approximately \$1,000 per trip.

- The anticipated need for in-state air transportation services reflects 177 trips per biennium averaging three passengers per trip with 86 percent of the trips related to air transportation for the Governor's office and the Attorney General's office.
- The anticipated need for out-of-state air transportation services reflects seven trips per biennium with an average of four passengers per trip.
- State agency comments included suggestions to adjust the Department of Transportation's fleet of aircraft to provide access to more airports in the state, to provide more efficient out-of-state travel in faster aircraft with a longer range, and to provide access to aircraft with lower billing rates for air transportation services.

In response to a question from a committee member, Mr. Mathiak noted the Legislative Council staff reviewed the air transportation expenditure data provided by the Office of Management and Budget (OMB) at the March 19, 2024, meeting and verified the Public Service Commission was the only state agency using contracted air transportation services since the other expenditures related to grants, aircraft maintenance, and hanger space leases.

### DEPARTMENT OF FINANCIAL INSTITUTIONS BUDGET STUDY

Mr. Mathiak presented a revised bill draft [\[25.0060.02000\]](#) relating to the budget approval process and a continuing appropriation for the Department of Financial Institutions (DFI). He noted the bill draft was revised at the request of DFI to retain the process in which the Governor sets the salary for the commissioner rather than requiring the boards to set the salary.

Ms. Lise Kruse, Commissioner, Department of Financial Institutions, and Mr. Rick Clayburgh, President and Chief Executive Officer, North Dakota Bankers Association, provided comments supporting the bill draft.

**It was moved by Representative Pyle, seconded by Senator Roers, and carried on a roll call vote that the bill draft [\[25.0060.02000\]](#) relating to the budget approval process and a continuing appropriation for DFI be approved and recommended to the Legislative Management.** Senators Rummel, Barta, Beard, Roers, Schaible, Sorvaag, and Wobbema and Representatives Anderson, Headland, Hoverson, Meier, Nathe, O'Brien, Pyle, Vetter, and Vigesaa voted "aye." No negative votes were cast.

Chairman Rummel requested the bill draft be introduced in the Senate and asked Senator Barta to present the bill draft to the standing committees during the 2025 legislative session.

### STATE GUARDIANSHIP PROGRAMS STUDY

Mr. Mathiak presented a revised bill draft [\[25.0224.02000\]](#) relating to the creation of an office of guardianship and conservatorship. He noted the bill draft:

- Consolidates various state guardianship programs in the new office.
- Was revised to update the definitions of public conservator and public guardian and to adjust the amount for preferred claims in the recovery of funeral expenses to \$3,500 in alignment with changes approved during the 2023 legislative session.

Ms. Cynthia Feland, Judge, South Central District Court, Ms. Donna Byzewski, Program Director, Corporate Guardianship Program, Catholic Charities North Dakota, Mr. Scott Bernstein, Executive Director, Guardian and Protective Services, and Ms. Margo Haut, Director, Guardian Angels Inc., provided comments noting support for the bill draft.

Ms. Byzewski suggested the new office of guardianship and conservatorship provide enhanced training for guardians.

Ms. Haut noted guardians require additional resources and support due to the challenging nature of their work.

Ms. Sally Holewa, State Court Administrator, noted the judicial branch provides training to guardians, but would not be able to provide enhanced training due to limited staff resources.

**It was moved by Senator Roers, seconded by Representative O'Brien, and carried on a roll call vote that the bill draft [\[25.0224.02000\]](#) relating to the creation of an office of guardianship and conservatorship be approved and recommended to the Legislative Management.** Senators Rummel, Barta, Beard, Roers, Schaible, Sorvaag, and Wobbema and Representatives Anderson, Headland, Hoverson, Meier, Nathe, O'Brien, Vetter, and Vigesaa voted "aye." No negative votes were cast.

Chairman Rummel requested the bill draft be introduced in the Senate and asked Senator Roers to present the bill draft to the standing committees during the 2025 legislative session.

**FUND ADMINISTRATION STUDY**

Mr. Mathiak presented a revised bill draft [25.0245.02000] relating to changing the administration of the state bonding fund from the Insurance Commissioner to OMB and a revised bill draft [25.0246.02000] relating to changing the administration of the state fire and tornado fund from the Insurance Commissioner to OMB. He noted the revisions clarify the provisions for OMB to contract for administrative services by requiring a two-year contract with a nine-month advanced notice of any intent to terminate the contract.

Mr. Tag Anderson, Director, Risk Management, Office of Management and Budget, provided comments (Appendix C) regarding the bill draft. He noted:

- OMB does not agree with the rationale for changing the administration of the funds and lacks staff and resources to administer the fund.
- Continuing the contract with the North Dakota Insurance Reserve Fund (NDRF) is important for the appropriate administration of the funds.

Mr. Johannes Palsgraaf, General Counsel, Insurance Department, provided comments (Appendix D) regarding the bill drafts. He noted the Insurance Department supports the bill drafts because changing the administration removes a conflict of interest for the department to regulate and contract with NDRF.

Mr. Keith Pic, Chief Executive Officer, North Dakota Insurance Reserve Fund, provided comments (Appendix E) regarding the bill drafts. He noted:

- NDRF is willing to continue providing administrative services for the funds whether the funds are managed by the Insurance Department or OMB.
- An alternative scenario would allow NDRF to write insurance coverage separately for political subdivisions apart of the state funds, but legislative changes and an actuarial study would be required to determine the feasibility.

**It was moved by Senator Schaible, seconded by Senator Roers, and carried on a roll call vote that the bill draft [25.0245.02000] relating to changing the administration of the state bonding fund from the Insurance Commissioner to OMB and the bill draft [25.0246.02000] relating to changing the administration of the state fire and tornado fund from the Insurance Commissioner to OMB be approved and recommended to the Legislative Management.** Senators Rummel, Barta, Beard, Roers, Schaible, Sorvaag, and Wobbema and Representatives Anderson, Headland, Hoverson, Meier, Nathe, and Vigessaa voted "aye." Representative Vetter voted "nay."

Chairman Rummel requested the bill drafts be introduced in the House and asked Representative O'Brien to present the bill drafts to the standing committees during the 2025 legislative session.

**REVENUE FORECAST**

Mr. Jim Diffley, Executive Director, Research Advisory Specialty Solutions, Mr. Daniel McLaughlin, Consultant, Ms. Beatriz Serrano-Suarez, Senior Technical Research Analyst, Ms. Kelly Li, Principal Consultant, and Mr. Nathan Carson, Senior Specialist, S&P Global, presented information (Appendix F) and, subsequent to the meeting, submitted a report (Appendix G) regarding the forecasting results for major general fund tax revenues and for oil price and production levels. The schedules below summarize the revised estimates for the 2023-25 biennium and the preliminary estimates for the 2025-27 biennium.

Tax Revenue Deposits - General Fund	2023-25 Biennium Revised - Baseline Estimates	2025-27 Biennium Preliminary - Baseline Estimates
Sales and use tax	\$2,309,659,149	\$2,362,313,884
Motor vehicle excise tax	\$175,464,322	\$183,457,294
Individual income tax	\$905,968,067	\$975,306,703
Corporate income tax	\$534,040,968	\$479,566,866

Oil Statistics	2023-25 Biennium Revised - Baseline Estimates	2025-27 Biennium Preliminary - Baseline Estimates
Average oil price (per barrel)	Decreasing: \$80-75 (West Texas Intermediate price)	Increasing: \$75-80 (West Texas Intermediate price)
Average daily oil production (barrels)	Averaging: 1.2 million	Averaging: 1.3 million

**CASH MANAGEMENT STUDY REPORT**

Mr. Joshua Kevan, Chief Executive Officer Elect and Senior Consultant, Mr. Dylan Crowover, Associate Consultant, and Mr. Jim Voytko, Director of Research and Senior Consultant, RVK, Inc., presented information ([Appendix H](#)) and a study report ([Appendix I](#)) regarding the findings and recommendations of a cash management study to improve the cash management practices of the state. The recommendations include developing a comprehensive cash management system, consolidating reserve funds, and investing through a custodian bank to improve investment returns and transparency.

Ms. Sisk provided comments ([Appendix J](#)) noting the cash management study steering committee's support to continue studying the state's cash management practices and to identify options to recapitalize the Bank of North Dakota if state operating funds are transferred to another institution.

Mr. Don Morgan, President and Chief Executive Officer, Bank of North Dakota, noted more research is necessary to comprehensively evaluate the Bank's role in the cash management process before making significant changes to the process.

Mr. Clayburgh noted the state has not experienced a bank failure in over 30 years which highlights the health of the banking sector of North Dakota's economy. He also noted the importance of the partnerships involving local banks and the Bank of North Dakota.

Ms. Alexis Baxley, President, Independent Community Banks of North Dakota, noted the Bank of North Dakota provides support to local banks.

Ms. Sarah Getzlaff, Chief Executive Officer, Security First Bank of North Dakota, noted the Bank of North Dakota's programs support local economic development initiatives.

Mr. Jordan Nelson, Chief Financial Officer, Peoples State Bank of Velva, noted the Bank of North Dakota's participation in loans creates a beneficial economic impact for local communities rather than directing investments outside the state.

**AGENCY FEE REPORT**

Ms. Sisk provided a report ([Appendix K](#)) regarding state agency fees for state agencies with more than 40 fees pursuant to North Dakota Century Code Section 54-35-27.

**UNITED STATES HIGHWAY 85 PROJECT REPORT**

Mr. Ron Henke, Director, Department of Transportation, presented an overview ([Appendix L](#)) and a report ([Appendix M](#)) regarding the department's plan to complete the US Highway 85 four-lane project pursuant to Section 17 of House Bill No. 1012 (2023). He noted the department recommends the Legislative Assembly authorize the issuance of bonds to finance the project, which has an estimated cost of \$560 million and an estimated completion date of 2030.

**DEPARTMENT OF COMMERCE REPORTS**

Mr. Josh Teigen, Commissioner, Department of Commerce, presented information ([Appendix N](#)) regarding:

- The status of each grant program in Section 2 of House Bill No. 1018 (2023), including the funding spent, the individuals or businesses awarded funding, grant criteria, and a detailed listing of how the funding was used pursuant to Section 30 of House Bill No. 1018.
- The status of the uncrewed aircraft systems test site pursuant to Section 54-60-28.
- The development of the beyond visual line of sight uncrewed aircraft systems program and the total amount deposited in the general fund pursuant to Section 54-60-29.1.

Mr. Teigen noted the Legislative Assembly appropriated \$80,350,000 for selected grant programs, of which \$31,001,831 was spent through July 31, 2024, as follows:

Grant Program	Appropriations	Grant Awards	Expenditures
Beyond visual line of sight uncrewed aircraft system	\$26,000,000	\$26,000,000	\$26,000,000
Tourism destination development initiative	25,000,000	25,000,000	655,242
Workforce investment grant program	12,500,000	10,742,575	3,200,600
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	1,484,159	295,989
New Americans workforce training grant programs	2,000,000	201,332	0

Grant Program	Appropriations	Grant Awards	Expenditures
Motion picture production and recruitment grant	600,000	600,000	600,000
Creamery assistance grant	250,000	250,000	250,000
Total	\$80,350,000	\$74,278,066	\$31,001,831

**COMMITTEE DISCUSSION**

It was moved by Senator Roers, seconded by Senator Schaible, and carried on a voice vote that the Chairman and the Legislative Council staff be requested to prepare a report and the bill drafts recommended by the committee and to present the report and recommended bill drafts to the Legislative Management.

It was moved by Representative O'Brien, seconded by Senator Roers, and carried on a voice vote that the committee be adjourned sine die.

No further business appearing, Chairman Rummel adjourned the committee sine die at 4:15 p.m.

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Adam Mathiak  
Senior Fiscal Analyst

ATTACH:14