

BUDGET SECTION

Wednesday, December 4, 2024 Senate Chamber, State Capitol Bismarck, North Dakota

Senator Brad Bekkedahl, Chairman, called the meeting to order at 12:30 p.m.

Members present: Senators Brad Bekkedahl, Randy A. Burckhard, Sean Cleary, Kyle Davison, Dick Dever, Robert Erbele, Kathy Hogan, David Hogue, Jerry Klein, Jeffery J. Magrum, Tim Mathern, Scott Meyer, Jonathan Sickler, Ronald Sorvaag, Paul J. Thomas, Terry M. Wanzek; Representatives Bert Anderson, Mike Berg, Glenn Bosch, Mike Brandenburg, Gretchen Dobervich, Jay Fisher, Karla Rose Hanson, Zachary Ista, Keith Kempenich, Mike Lefor, Bob Martinson, Lisa Meier, Alisa Mitskog, David Monson, Eric J. Murphy, Mike Nathe, Jon O. Nelson, Emily O'Brien, Brandy L. Pyle, David Richter, Mark Sanford*, Gregory Stemen, Steve Swiontek, Don Vigesaa, Scott Wagner, Robin Weisz

Members absent: Senators Josh Boschee, Michael Dwyer, Donald Schaible; Representative Scott Louser

Others present: Renae Bloms, Stephanie Gullickson, Larry Martin, Susan Sisk, and Becky Ulberg, Office of Management and Budget; Emily Mandel, Moody's Analytics; and Don Wolf, Supreme Court Allen H. Knudson, Brady A. Larson, Adam Mathiak, Legislative Council, Bismarck
*Attended remotely

It was moved by Senator Mathern, seconded by Representative Swiontek, and carried on a voice vote that the minutes of the September 18, 2024, meeting be approved as distributed.

STATE BUDGET INFORMATION General Fund Status

Ms. Susan Sisk, Director, Office of Management and Budget, presented a report (<u>Appendix A</u>) on the status of the general fund, balances of selected special funds, general fund revenue collections, oil prices and production, and the executive branch new and vacant FTE funding pool.

IRREGULARITIES IN THE FISCAL PRACTICES OF THE STATE

Ms. Sisk presented information (<u>Appendix B</u>) on irregularities in the fiscal practices of the state, pursuant to North Dakota Century Code Section 54-14-03.1. She presented the following fiscal irregularities for the period September 2024 through November 2024:

Agency	Fiscal Irregularity	Amount
Information Technology Department	Retroactive pay	\$507
Attorney General	Retroactive pay	\$557
Department of Health and Human Services	Retroactive pay	\$16,886
Tax Department	Temporary salary increase	\$700
Legal Counsel for Indigents	Temporary salary increase	\$3,000
Retirement and Investment Office	Temporary salary increase	\$9,176
Public Employees Retirement System	Temporary salary increase	\$15,547
Department of Public Instruction	Temporary salary increase	\$1,947
Veterans Home	Temporary salary increase	\$507
Department of Veterans Affairs	Temporary salary increase	\$6,194
Department of Health and Human Services	Temporary salary increase	\$18,098
Job Service North Dakota	Temporary salary increase	\$1,749
Department of Corrections and Rehabilitation	Temporary salary increase	\$4,500
Department of Commerce	Temporary salary increase	\$1,000
Agriculture Department	Temporary salary increase	\$1,000
Parks and Recreation Department	Temporary salary increase	\$5,250
Department of Water Resources	Temporary salary increase	\$23,000

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STATE AGENCY APPLICATIONS FOR FEDERAL GRANTS

Ms. Sisk presented information (Appendix C) on state agencies that applied for federal grants estimated to be \$25,000 or more, pursuant to Section 54-27-27. She noted the following agencies have applied for a federal grant estimated to be \$25,000 or more:

Agency	Time Period of Grant	Amount
Aeronautics Commission	January 2029	\$444,000
Department of Transportation	August 2025 - February 2028	\$1,920,000
Department of Transportation	tion October 2024 - December 2027	
Department of Transportation	June 2028 - March 2032	\$89,100,000
Department of Transportation	March 2028 - March 2032	\$32,500,000
Department of Transportation	March 2026 - March 2031	\$29,900,000
Department of Transportation	March 2026 - March 2030	\$2,700,000
Department of Transportation	January 2025 - January 2030	\$25,000,000
Department of Transportation	August 2025 - February 2028	\$1,920,000

Ms. Sisk noted the following agencies were awarded federal grants:

Agency	ncy Time Period of Grant	
Department of Public Instruction	October 2024 - October 2029	\$2,102,326
Aeronautics Commission	June 2028	\$1,156,112
Department of Corrections and Rehabilitation	October 2024	\$542,000
Department of Corrections and Rehabilitation	October 2024 - September 2028	\$696,500
Department of Transportation	January 2026 - March 2029	\$19,950,000
Department of Transportation	March 2026 - March 2030	\$2,700,000
Department of Transportation	March 2026 - March 2030	\$9,400,000
Department of Transportation	July 2024 - September 2031	\$31,933,577

SPECIFIC EXEMPT COMMODITIES AND SERVICES

Ms. Sisk presented information (<u>Appendix D</u>) on specified commodities and services exempted from the procurement requirements of Section 54-44.4-02.2. She noted:

- The two procurement exemptions provided were for indigent defense contracts and the purchase of educational materials by the Center for Distance Education.
- The Office of Management and Budget will be proposing new exemptions for the purchase of consumables at Department of Health and Human Services residential facilities and for marketing services for the direct placement of media in newspapers, magazines, radio, television, and social media.

2025-27 EXECUTIVE BUDGET RECOMMENDATION

Ms. Sisk presented information (Appendix E) on the executive budget for the 2025-27 biennium and the revised 2023-25 biennium revenue forecast. She presented the following general fund summary:

	2023-25 Original	2023-25	2025-27
	Legislative Budget	Adjusted Budget	Executive Budget
Beginning balance	\$1,198,158,717	\$1,488,329,948	\$1,215,141,503
Revenues	4,969,565,300	5,421,316,359	5,470,215,627
Appropriations	(6,096,193,537)	(5,896,504,335)	(6,519,873,384)
Transfer from budget	0	201,999,531	0
stabilization fund			
Ending balance	\$71,530,480	\$1,215,141,503	\$165,483,746

Ms. Sisk noted the executive revenue forecast assumes:

- Oil prices will remain at \$62 for the remainder of the 2023-25 biennium, remain at \$62 during the 1st year of the 2025-27 biennium, and decrease to \$60 during the 2nd year of the biennium.
- Oil production of 1.1 million barrels per day for the remainder of the 2023-25 biennium and continuing through the 2025-27 biennium.

Ms. Emily Mandel, Senior Economist, Moody's Analytics, presented information (<u>Appendix F</u>) regarding economic indicators including projected inflation and unemployment rates.

Ms. Renae Bloms, Ms. Stephanie Gullickson, Mr. Larry Martin, and Ms. Becky Ulberg, Budget Analysts, Office of Management and Budget, reviewed items included in the executive budget recommendation.

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AGENCY REQUESTS APPROVED BY THE EMERGENCY COMMISSION

Chairman Bekkedahl directed the Budget Section to consider agency requests (Appendix G) that have been authorized by the Emergency Commission and forwarded to the Budget Section pursuant to Chapter 54-16.

Ms. Stephanie Gullickson, Fiscal Management Analyst, Office of Management and Budget, presented information regarding the following requests that were authorized by the Emergency Commission and require consideration by the Budget Section:

- **Department of Commerce (Request #2142)** The request is to expend federal funds of \$107,017 for building code education and awareness efforts. The department has sufficient appropriation authority but the funding was not specifically appropriated for this purpose.
- Attorney General (Request #2144) The request is to transfer \$250,000 from the capital assets line item to the operating expenses line item to appropriately categorize costs to be incurred for State Crime Laboratory capital improvements.
- **Department of Environmental Quality (Request #2145)** The request is to transfer \$280,000 of general fund spending authority provided for the licensing and maintenance of a new laboratory information management system from the operating expenses line item to the capital assets line item.
- Department of Environmental Quality (Request #2146) The request is to increase federal funds spending authority by \$313,000 in the capital assets line item to accept and expend federal funding provided for the PM2.5 air monitoring program to improve infrastructure for the existing ambient air monitoring sites and to purchase equipment for a new multipoint air monitoring station to be located in northeastern North Dakota.
- Office of Management and Budget (Request #2148) The request is to increase federal funds spending authority by \$802,000 to accept and expend the Governor's Emergency Education Relief funds for statewide educational needs.

It was moved by Representative Lefor, seconded by Senator Klien, and carried on a roll call vote to approve Requests #2142, #2144, #2145, #2146, and #2148. Senators Bekkedahl, Burckhard, Conley, Davison, Dever, Erbele, Hogan, Hogue, Klein, Mathern, Meyer, Sorvaag, Thomas, and Wanzek and Representatives Berg, Bosch, Brandenburg, Dobervich, Fisher, Hanson, Ista, Kempenich, Lefor, Martinson, Meier, Mitskog, Murphy, Nathe, Nelson, O'Brien, Pyle, Richter, Stemen, Swiontek, and Wagner voted "aye." Senator Magrum voted "nay."

LEGACY AND BUDGET STABILIZATION FUND ADVISORY BOARD REPORT

Mr. Adam Mathiak, Senior Fiscal Analyst, Legislative Council, presented a memorandum entitled <u>Legacy and Budget Stabilization Fund Advisory Board - Status Report to the Budget Section December 4, 2024</u>, regarding the investment of funds in the legacy fund and budget stabilization fund, pursuant to Section 21-10-11. He reported:

- The asset allocation of the budget stabilization fund is 99.1 percent short-term fixed income and cash and 0.9 percent cash and equivalents.
- For the fiscal year to date through September 2024, the earnings of the fund were 2.6 percent compound to a benchmark of 2.93 percent.
- The legacy fund's net return for the fiscal year to date through September 2024 was 4.96 percent compared to a benchmark return of 5.36 percent.

NEW AND VACANT FTE FUNDING POOLS

Mr. Allen H. Knudson, Legislative Budget Analyst and Auditor, Legislative Council, presented a report (<u>Appendix H</u>), pursuant to Section 6 of House Bill No. 1001 (2023) regarding the legislative branch new and vacant FTE funding pool and vacant position savings. He noted:

- One new FTE position has been hired and \$209,000 has been transferred from the pool.
- A total of \$509,083 has been saved to date from vacant FTE positions, of which \$77,069 was used for accrued leave payments and temporary salaries.

Mr. Don Wolf, Director of Finance, Supreme Court, presented a report (Appendix I), pursuant to Section 5 of House Bill No. 1002 (2023) regarding the judicial branch new and vacant FTE funding pool and vacant position savings. He noted:

22 new FTE positions have been hired and \$3,989,161 has been transferred from the pool.

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 A total of \$1,145,926 has been saved to date from vacant FTE positions, of which \$365,532 was used for accrued leave payments, compensation pay, overtime, position reclassifications, equity adjustments, and step system increases.

ANNUAL FULL-TIME EQUIVALENT POSITION REPORT

At the request of Chairman Bekkedahl, Mr. Brady A. Larson, Assistant Legislative Budget Analyst and Auditor, Legislative Counil, distributed annual reports (<u>Appendix J</u>) on full-time equivalent position adjustments made for the North Dakota State University Extension Service, Northern Crops Institute, Upper Great Plains Transportation Institute, North Dakota State University Main Research Center, branch research centers, and Agronomy Seed Farm, pursuant to Sections 11-38-12 and 15-12.1-05 and Section 10 of House Bill No. 1020 (2023).

No further business appearing, Chairman Bekkedahl adjourned the meeting at 2:50 p.m.

Brady A. Larson
Assistant Legislative Budget Analyst and Auditor

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Allen H. Knudson Legislative Budget Analyst and Auditor

ATTACH:10