

2017 HOUSE APPROPRIATIONS

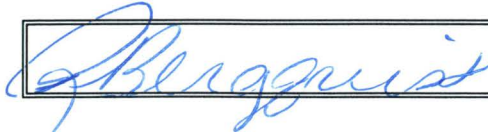
HB 1155

2017 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

HB 1155
1/18/2017
27081

- Subcommittee
 Conference Committee



Explanation or reason for introduction of bill/resolution:

Relating to transfers and expenditures from the budget stabilization fund.

Minutes:



Vice Chairman **Kempnich**: Called meeting to order

Chairman Delzer: Testifying for the HB 1155

This bill deals with the budget stabilization fund how money could go into it and how money is used out of it. Under Current law it's set up so that OMB has to do a revenue forecast and has to show that the revenues have to come in 2 ½% less than the original forecast, then the governor has to do an allotment of 2 ½% and then you can use whatever out of the budget stabilization fund. This bill would change the process, it would take 3% allotment before the governor could use the stabilization fund, then it would be set up so the governor could have used either half of what was available or 3% of the general fund spending. If the governor wanted more than that, if he took 1% out of the stabilization fund he would have to take 1% allotment.

Vice Chairman **Kempnich**: So it could be a total of 4% at the end of the period?

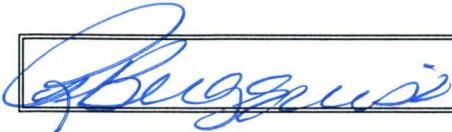
Chairman **Delzer**: They could use the whole thing but they would have to do a percent for every percent that they take out. This is because of how quick the stabilization fund went.

2017 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

HB1155
2/2/2017
27810

- Subcommittee
 Conference Committee



Explanation or reason for introduction of bill/resolution:

Relating to transfers and expenditures from the budget stabilization fund.

Minutes:

1:34 Chairman Delzer: HB 1154 and HB 1155 are here to help with the budget stabilization fund. Most of us, when we left, figured we might end up using part of budget stabilization fund, we ended up using much more than we expected. We are 28 or 29% below revenue for this biennium compared to last. We want to be in a position where we could cover ourselves when we get the budget stabilization fund full again. The general fund portion of K12 is covered for an allotment by the foundation aid stabilization fund, so that takes almost a third of the general fund off the table. What these amendments do to HB 1155, change from 9 1/2% to 15% for the cap in the stabilization fund, and then I'm proposing the first allotment 3% then it allows them to use up to 3% of the stabilization fund, if they would need more than that they would have to use 1% allotment and 2% out of the budget stabilization fund, 1 more % out of the allotment would get you 3 more % out of the stabilization fund and if you did 1 more you could use the rest of it. So if you ended up with 6% you could cover up to 28%. If we want to keep the two bills separate and keep the cap separate that's find but I do think they work together.

Representative Kempenich motion to amend HB 1155 with amendment 0101.01002

Representative Streyle second the motion

Representative Kempenich: After this last year, I think it sets up a better process than what we had, we did this anyways so this set up some direction, we're not here when this takes place so this let them know what we'd like to see happen.

Chairman Delzer: The budget stabilization fund is meant to be used is it's needed but you certainly hope to never have to use it.

Voice vote, all in favor, motion carries

Representative J. Nelson Do Pass as Amended

Representative Delmore: Seconded the Motion

A Roll Call vote was taken. Yea: 19 Nay: 0 Absent: 2

Representative Delzer will carry

Done
2/2/17
10/3

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1155

Page 1, line 1, replace "section" with "sections 54-27.2-01,"

Page 1, line 1, after "54-27.2-03" insert ", and 54-44.1-12"

Page 1, line 2, after "to" insert "the balance of the budget stabilization fund,"

Page 1, line 2, after "fund" insert ", and the allotment of funds; and to declare an emergency"

Page 1, after line 3, insert:

"SECTION 1. AMENDMENT. Section 54-27.2-01 of the North Dakota Century Code is amended and reenacted as follows:

54-27.2-01. Budget stabilization fund.

The budget stabilization fund is a special fund in the state treasury. The state investment board shall supervise investment of the budget stabilization fund in accordance with chapter 21-10. Any interest or other budget stabilization fund earnings must be ~~deposited in~~ credited to the fund. Any amounts provided by law for deposit in the fund and any interest or earnings of the fund which would bring the balance in the fund at the end of any fiscal year to an amount greater than ~~nine and one-half~~ fifteen percent of the current biennial state general fund budget, as finally approved by the most recently adjourned special or regular session of the legislative assembly, may not be deposited ~~or retained in~~ or credited to the fund but must be deposited instead in the state general fund."

Page 1, after line 17, insert:

"1."

Page 1, line 18, remove "only if general fund allotments totaling at least three"

Page 1, remove line 19

Page 1, line 20, remove "transfers made under this section is limited"

Page 1, remove lines 21 through 23

Page 2, replace lines 1 through 11 with:

- "a. After general fund allotments totaling at least three percent have been made during the biennium under section 54-44.1-12, the governor may order a transfer up to an amount equal to three percent of general fund appropriations.
- b. If the maximum transfer from the budget stabilization fund is made to the general fund under subdivision a and an additional general fund allotment of at least one percent is made under section 54-44.1-12, the governor may order a transfer up to an amount equal to two percent of general fund appropriations.

2/9/3

- c. If the maximum transfer from the budget stabilization fund is made to the general fund under subdivision b and an additional general fund allotment of at least one percent is made under section 54-44.1-12, the governor may order a transfer up to an amount equal to three percent of general fund appropriations.
- d. If the maximum transfer from the budget stabilization fund is made to the general fund under subdivision c and an additional general fund allotment of at least one percent is made under section 54-44.1-12, the governor may transfer any remaining funds in the budget stabilization fund to the general fund.
- e. The amount of a transfer made under any subdivision of this subsection may not exceed the difference between the general fund revenue projections for the biennium of the most recently adjourned special or regular session of the legislative assembly and the revised general fund revenue projections for the biennium, less the amounts of any allotments ordered under section 54-44.1-12 during the biennium, as determined by the director of the office of management and budget. For purposes of this subsection, "general fund revenue projections for the biennium" includes the general fund balance at the beginning of the biennium.

2."

Page 2, line 16, overstrike "revenue projections for the biennium" include the general fund balance at the beginning of"

Page 2, line 17, overstrike "the biennium" and insert immediately thereafter "appropriations" includes total biennium general fund appropriations approved by the most recently adjourned special or regular session of the legislative assembly"

Page 2, after line 18, insert:

"SECTION 3. AMENDMENT. Section 54-44.1-12 of the North Dakota Century Code is amended and reenacted as follows:

54-44.1-12. Control over rate of expenditures.

- 1. The director of the budget shall exercise continual control over the execution of the budget affecting the departments and agencies of state government, with the exception of the legislative and judicial branches. Execution means the analysis and approval of all commitments for conformity with the program provided in the budget, frequent comparison of actual revenues and budget estimates, and on the basis of these analyses and comparisons control the rate of expenditures through a system of allotments. The allotment must be made by specific fund and all departments and agencies that receive moneys from that fund must be allotted on a uniform percentage basis, except that appropriations to the department of public instruction for state school aid, transportation aid, and special education aid may only be allotted to the extent that the allotment can be offset by transfers from the foundation aid stabilization fund as follows:

30/3

- a. ~~The first two and one-half percent allotment from the general fund must be offset with a transfer from the foundation aid stabilization fund.~~
 - b. ~~Any general fund allotment in excess of two and one-half percent that is necessary, after all moneys available in the budget stabilization fund have been transferred to the general fund under section 54-27.2-03, may be offset with a transfer from the foundation aid stabilization fund.~~
2. Before an allotment is made which will reduce the amount of funds which can be disbursed pursuant to an appropriation or before an allotment disallowing a specific expenditure is made, the director shall find one or more of the following circumstances to exist:
- a. The moneys and estimated revenues in a specific fund from which the appropriation is made are insufficient to meet all legislative appropriations from the fund.
 - b. The payment or the obligation incurred is not authorized by law.
 - c. The expenditure or obligation is contrary to legislative intent as recorded in any reliable legislative records, including:
 - (1) Statements of legislative intent expressed in enacted appropriation measures or other measures enacted by the legislative assembly; and
 - (2) Statements of purpose of amendment explaining amendments to enacted appropriation measures, as recorded in the journals of the legislative assembly.
 - d. Circumstances or availability of facts not previously known or foreseen by the legislative assembly which make possible the accomplishment of the purpose of the appropriation at a lesser amount than that appropriated.

SECTION 4. EMERGENCY. This Act is declared to be an emergency measure."

Renumber accordingly

Date: 2/2/2017
 Roll Call Vote #: 1

**2017 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. HB 1155**

House Appropriations Committee

Subcommittee

Amendment LC# or Description: 17.0101.01002

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Representative Kempenich Seconded By Representative Streyle

| Representatives | Yes | No | Representatives | Yes | No |
|----------------------------|-----|----|------------------------|-----|----|
| Chairman Delzer | | | | | |
| Representative Kempenich | | | Representative Streyle | | |
| Representative: Boehning | | | Representative Vigesaa | | |
| Representative: Brabandt | | | | | |
| Representative Brandenburg | | | | | |
| Representative Kading | | | Representative Boe | | |
| Representative Kreidt | | | Representative Delmore | | |
| Representative Martinson | | | Representative Holman | | |
| Representative Meier | | | | | |
| Representative Monson | | | | | |
| Representative Nathe | | | | | |
| Representative J. Nelson | | | | | |
| Representative Pollert | | | | | |
| Representative Sanford | | | | | |
| Representative Schatz | | | | | |
| Representative Schmidt | | | | | |

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Motion carries

Date: 2/2/2017
 Roll Call Vote #: 2

**2017 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. HB 1155**

House Appropriations Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Representative J. Nelson Seconded By Representative Delmore

| Representatives | Yes | No | Representatives | Yes | No |
|----------------------------|-----|----|------------------------|-----|----|
| Chairman Delzer | X | | | | |
| Representative Kempenich | X | | Representative Streyle | X | |
| Representative: Boehning | X | | Representative Vigesaa | X | |
| Representative: Brabandt | X | | | | |
| Representative Brandenburg | X | | | | |
| Representative Kading | X | | Representative Boe | X | |
| Representative Kreidt | A | | Representative Delmore | X | |
| Representative Martinson | X | | Representative Holman | X | |
| Representative Meier | X | | | | |
| Representative Monson | X | | | | |
| Representative Nathe | X | | | | |
| Representative J. Nelson | X | | | | |
| Representative Pollert | X | | | | |
| Representative Sanford | X | | | | |
| Representative Schatz | X | | | | |
| Representative Schmidt | A | | | | |

Total (Yes) 19 No 0

Absent 2

Floor Assignment Representative Delzer

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1155: Appropriations Committee (Rep. Delzer, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (19 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). HB 1155 was placed on the Sixth order on the calendar.

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Page 1, line 2, after "to" insert "the balance of the budget stabilization fund,"

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Page 1, after line 3, insert:

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54-27.2-01. Budget stabilization fund.

The budget stabilization fund is a special fund in the state treasury. The state investment board shall supervise investment of the budget stabilization fund in accordance with chapter 21-10. Any interest or other budget stabilization fund earnings must be deposited ~~inc~~credited to the fund. Any amounts provided by law for deposit in the fund and any interest or earnings of the fund which would bring the balance in the fund at the end of any fiscal year to an amount greater than ~~nine and one-half~~fifteen percent of the current biennial state general fund budget, as finally approved by the most recently adjourned special or regular session of the legislative assembly, may not be deposited ~~or retained in~~ or credited to the fund but must be deposited instead in the state general fund."

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- b. If the maximum transfer from the budget stabilization fund is made to the general fund under subdivision a and an additional general fund allotment of at least one percent is made under section 54-44.1-12, the governor may order a transfer up to an amount equal to two percent of general fund appropriations.
- c. If the maximum transfer from the budget stabilization fund is made to the general fund under subdivision b and an additional general fund allotment of at least one percent is made under section 54-44.1-12,

the governor may order a transfer up to an amount equal to three percent of general fund appropriations.

- d. If the maximum transfer from the budget stabilization fund is made to the general fund under subdivision c and an additional general fund allotment of at least one percent is made under section 54-44.1-12, the governor may transfer any remaining funds in the budget stabilization fund to the general fund.
- e. The amount of a transfer made under any subdivision of this subsection may not exceed the difference between the general fund revenue projections for the biennium of the most recently adjourned special or regular session of the legislative assembly and the revised general fund revenue projections for the biennium, less the amounts of any allotments ordered under section 54-44.1-12 during the biennium, as determined by the director of the office of management and budget. For purposes of this subsection, "general fund revenue projections for the biennium" includes the general fund balance at the beginning of the biennium.

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Page 2, after line 18, insert:

"SECTION 3. AMENDMENT. Section 54-44.1-12 of the North Dakota Century Code is amended and reenacted as follows:

54-44.1-12. Control over rate of expenditures.

1. The director of the budget shall exercise continual control over the execution of the budget affecting the departments and agencies of state government, with the exception of the legislative and judicial branches. Execution means the analysis and approval of all commitments for conformity with the program provided in the budget, frequent comparison of actual revenues and budget estimates, and on the basis of these analyses and comparisons control the rate of expenditures through a system of allotments. The allotment must be made by specific fund and all departments and agencies that receive moneys from that fund must be allotted on a uniform percentage basis, except that appropriations to the department of public instruction for state school aid, transportation aid, and special education aid may only be allotted to the extent that the allotment can be offset by transfers from the foundation aid stabilization fund as follows:
 - a. ~~The first two and one-half percent allotment from the general fund must be offset with a transfer from the foundation aid stabilization fund.~~
 - b. ~~Any general fund allotment in excess of two and one-half percent that is necessary, after all moneys available in the budget stabilization fund have been transferred to the general fund under section 54-27.2-03, may be offset with a transfer from the foundation aid stabilization fund.~~

2. Before an allotment is made which will reduce the amount of funds which can be disbursed pursuant to an appropriation or before an allotment disallowing a specific expenditure is made, the director shall find one or more of the following circumstances to exist:
 - a. The moneys and estimated revenues in a specific fund from which the appropriation is made are insufficient to meet all legislative appropriations from the fund.
 - b. The payment or the obligation incurred is not authorized by law.
 - c. The expenditure or obligation is contrary to legislative intent as recorded in any reliable legislative records, including:
 - (1) Statements of legislative intent expressed in enacted appropriation measures or other measures enacted by the legislative assembly; and
 - (2) Statements of purpose of amendment explaining amendments to enacted appropriation measures, as recorded in the journals of the legislative assembly.
 - d. Circumstances or availability of facts not previously known or foreseen by the legislative assembly which make possible the accomplishment of the purpose of the appropriation at a lesser amount than that appropriated.

SECTION 4. EMERGENCY. This Act is declared to be an emergency measure."

Renumber accordingly

2017 SENATE APPROPRIATIONS

HB 1155

2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

HB 1155
3/22/2017
JOB # 29537

- Subcommittee
 Conference Committee

Committee Clerk Signature

Sandy Baumgartner for Allen Delzer

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to amend and reenact NDCC, relating to the balance of the budget stabilization fund, transfers and expenditures from the budget stabilization fund, and the allotment of funds, and to declare an emergency

Minutes:

1. Seed Department Budget & Activity Report
2. Use of Budget Stabilization Fund from Rep. Delzer

Chairman Holmberg: There has been a report turned into our committee by Brady Larson, Legislative Council. He stated it had been turned into his department and he then delivered it to the Appropriations Committee. Chairman Holmberg stated that it is a required report. You have received the statutory requirement of the Seed Department Budget and Activity Report. (See Attachment # 1). (This report is filed in HB 1155 and also in SB 2020 – NDSU Research Division by the Appropriations Clerk on 03/22/17 for future reference)

Chairman Holmberg: called the Committee to order on HB 1155. We will start with the calling of the roll. All committee members were present. Brady Larson, Legislative Council, Becky Deichert, OMB and Sheila Peterson, OMB were also present.

Representative Jeff Delzer, District 8 explained the bill # 1155. And presented written Testimony attached # 2, Use of Budget Stabilization Fund. The bill does two things. We are down 28%. At the end of the biennium we will 65 mill in general fund. We had that full up to 91/2 % last time, but now we are 28% down. What this bill does is changes it from 91/2% to 15. We would hope for the best from what we consider one of the worst. My handout shows what was done before passover. The numbers match for passover. We are down a couple million dollars on our appropriation level. We are down a couple million on the revenue side as well. The percentages are about the same. What the 15% would do is when you take the foundation aid, take that off our general fund spending it would still cover up to 28%. That is what section 1 does in the bill. It is very important. Currently we know that 91/2% is not enough. The second part of the bill, Number 2, changes the allotment process. The governor has to call a 2 1/2 % allotment across the board. Then he can access whole amount in the budget stabilization fund. We come in at 6 1/2% for most agencies except Human Services and Corrections. We are still \$144m short right now and had to take that out of the Bank of North Dakota. This bill raises it from 2 1/2 % to 3%. If they need to go further. They can go to a 2% allotment, then if they need to go further they can take another 1%. Then it would be

five. And if they did another 1%, which would be 6% total. They could take the rest of the budget of the stabilization fund and that would cover the 28% budget shortfall. That is what the bill does. Think about how we want to use that. We hope that with proper budgeting and proper forecast we don't ever fall into that. We need a decision on how to go forward on it.

Chairman Holmberg: The budget stabilization fund used to be at 10% and then reduced it to 9½% to meet the budget.

Rep. Delzer: People thought we were saving too much. We proved that we can get caught on both sides of that issue.

Senator Mathern: One of the concerns I have is establishing in law this principle across the board cuts. Sometimes, do we do a long term good to cut across the board? Is that good? Frankly, it's not in our long term interest to create new things. I understand the principle here. Couldn't there be a better way than just do across the board cuts?

Rep. Delzer: Certainly we did. But it's a legislative body, and I don't think we want to put in code to allow the governor to make changes from our legislative appropriation without straight across the board. The issue you are talking about it with the agency heads and how they are going to cover the allotment. That needs to be in code. I don't know how you would do it, just do it as the governor wants to do whatever he wants with it? The issue is that the legislature is supposed to set the budget.

Chairman Holmberg: There has always been a lot of discussion on that. The governor did his allotment according to this. On some of the agencies, particularly the Human Services, it was the last in and the first out.

Rep. Delzer: The Governor has the right to tell the agency what he wants cut and what he doesn't want cut. He doesn't have the right to move money from one side to another unless we have given him the authority.

Senator Dever: The 15% that is consistent with the foundation aid stab fund? Am I seeing here the total general appropriations even though foundation aid is considered separately, should it say exclusive of?

Rep. Delzer: Section 3 deals with the foundation aid. that sets up the same 3% we used the foundation aid for K through 12 before. That's the reason they both covered.

Senator Mathern: Though we follow through that the legislature makes the budget, let's say we amend your bill. Anything over 3% needs legislation to make those decisions.

Rep. Delzer: I don't know if we had the authority to tell the governor when to call a special session.

Senator Mathern: I think that sits with his realm in the constitution. If we have days you could say that.

Chairman Holmberg: Brady will check on that.

Senator Kilzer: This is an engrossed bill. What changes did the House make?

Rep. Delzer: I think when I started out, there was 3% and then something about only use ½ of the balance and could use only half of the balance and then make one for one transfer. The way we amended it in the Senate it will give the governor a few more options of getting that sum of money a little easier and it covered a higher amount in the end. If you did the one to one you would end up with the 7½ % to get the 15%.

Chairman Holmberg: The original bill had the 3%.

Rep. Delzer: The 3% was there both times. The 2½% was not enough to start with. I think that the way it is worded if you wanted to go to a 4 or 5%, they could. It would freeze up more of the budget stabilization.

Chairman Holmberg: There is no money in the budget stabilization fund. The only tool or then the governor could do two things: allotting or calling.

Rep. Delzer: There won't be a whole lot. This bill has an emergency clause. I don't know if that matters. There is not going to be a whole lot of money in the stabilization fund.

Chairman Holmberg: Remember that the budget stabilization fund has been around a lot longer than money in it.

Rep. Delzer: Many years the budget stabilization fund we had oil. The whole oil system wasn't much over 100 million. We are still even with our forecast of 3 billion dollars of oil money.

Chairman Holmberg: Any other questions? Anyone else going to testify on 1155. We will get some further information from Brady.

Senator Mathern: Why are we not getting any testimony from the governor's office? Someone should weigh in on this deal from the governor's branch.

Pam Sharp; Director of OMB: What were you asking?

Senator Mathern: We have a bill before us on how the executive branch deals with shortfall. My question is what is the governor thinking about this? It seems there would be an opinion how to handle this shortfall. I would think the executive branch would weigh in.

Pam Sharp: I have not discussed this bill with the governor. For myself, when a shortfall happens we very carefully follow statute. The body of legislature says we will follow that. The governor did allot 6.5% and used all of it. I don't think that scenario would have changed. We still would have had to allot that much. It would have taken the whole amount of the stabilization fund. Regarding the governor having to do across the board cuts, I think it is appropriate to have the legislature to weigh in on the across the board cuts.

Senator Mathern: I have no question that you don't follow the law. We are talking about the future process. What is the best way?

Chairman Holmberg: The other thing, the Budget Stabilization Fund is in right now, this is really in large part an aspirational bill. Because there may be nothing there. Both governor's budgets had a healthy budget stabilization fund, but none of the things that I have seen legislatively have those things in there.

Pam Sharp: We do plan to take the last money from the budget stabilization fund at the end of this month. As far as the bills through legislation, the only one I am aware of is the bucket bill that puts a \$100 million into the budget stabilization fund.

Chairman Holmberg: We heard that one yesterday. Any other person to testify? We will close the hearing on 1155.

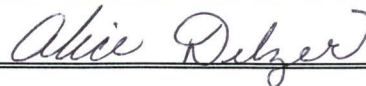
2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

HB 1155
3/29/2017
JOB # 29779

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A DO PASS ASA AMENDED regarding the budget stabilization fund.

Minutes:

1. Proposed Amendment # 17.0101.02001

Chairman Holmberg: called the Committee to order on HB 1155. All committee members were present. Lori Laschkewitsch, OMB, Brady Larson, Legislative Council and Adam Mathiak, Legislative Council were also present. **Chairman Holmberg:** presented Proposed Amendment # 17.0101.02001 and explained the amendment. The bill deals with the balance in the Budget Stabilization Fund. As you recall the Budget Stabilization Fund has fluctuated. First of all it was in effect for many years but didn't have any money in it. At one point we were at a goal of 10% of the general fund appropriation. A couple a years ago we reduced it to 9 ½ % so we could balance the budget. And this bill sets it at 15%, which is an aspirational goal but no money goes into it until the legislature puts the money in. That is a goal that is viewed as a goal standard for states to have something like 15%. We have, right now, zero in it. The amendment that I passed out, we had a meeting with OMB and House folks, Representative Delzer to talk about the bill. and I think I am not mischaracterizing it. OMB didn't have heartburn over it because it is aspirational but they had a suggestion that the House liked, and that was looking at what happened this last biennium with the allotments and wondering if there was a way we could fashion a little flexibility in two specific areas: Department of Human Services (DHS) Direct Care and Department of Corrections (DOCR). so what this amendment says that, uses the example the governor is going to do a 3% allotment, which is the threshold for accessing money in the Budget Stabilization Fund. 3% under this bill he would have the ability to exempt up to 1% of that total dollar amount from Corrections and DHS Direct Care. Even though it's 3% across the board return, all other agencies might have 3.1 because they start to make up the dollar amount but it would give a little flexibility. Keeping in mind if things are bad, the governor has the opportunity to call the legislature back. And if we have our act together, we could call ourselves back. But we don't know how many days if we have any left. So if someone would move that amendment?

Senator Robinson: moved the Amendment. 2nd by V. Chairman Krebsbach.

Chairman Holmberg: Call the roll on Amendment # 17.0101.02001.

**A Roll Call vote was taken on the Amendment: Yea: 14; Nay:0; Absent: 0.
Senator Robinson: Moved a Do Pass as Amended. 2nd by V. Chairman Krebsbach.**

Chairman Holmberg: Call the roll on a Do Pass as Amended on HB 1155.

A Roll Call vote was taken: Yea:14; Nay: 0; Absent: 0. Chairman Holmberg will carry the bill and let the record show it's a Delzer bill that I am carrying for a Do Pass as Amended.

The hearing was closed on HB 1155.

OK
3/29/17

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1155

Page 3, after line 2, insert:

- "f. For purposes of this subsection, the calculation of total percentage general fund allotments made under section 54-44.1-12 must be based on total general fund allotments after any allotment exemption granted by the director of the budget compared to total general fund appropriations."

Page 3, line 24, overstrike the comma

Page 3, line 24, overstrike "that appropriations to the department of public instruction for state"

Page 3, overstrike lines 25 and 26

Page 3, line 27, overstrike "fund"

Page 3, line 27, remove the overstrike over "as follows:"

Page 4, after line 2, insert:

- "a. The following appropriations may be allotted only to the extent that the allotment can be offset by transfers from the foundation aid stabilization fund:
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 - (2) General fund appropriations to the department of career and technical education for grants to school districts.
- b. The director of the budget may exempt the following appropriations from up to one percent of an allotment each biennium:
- (1) General fund appropriations to the department of corrections and rehabilitation; and
 - (2) General fund appropriations to the department of human services for direct care programs."

Renumber accordingly

Date: 3-29-17

Roll Call Vote #: 1

2017 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1155

Senate Appropriations Committee

Subcommittee

Amendment LC# or Description: 17.0101.02001

- Recommendation: Adopt Amendment
- Do Pass Do Not Pass Without Committee Recommendation
- As Amended Rerefer to Appropriations
- Place on Consent Calendar
- Other Actions: Reconsider _____

Motion Made By Robinson Seconded By Krebsbach

| Senators | Yes | No | Senators | Yes | No |
|----------------------|-----|----|-------------------|-----|----|
| Chairman Holmberg | ✓ | | Senator Mathern | ✓ | |
| Vice Chair Krebsbach | ✓ | | Senator Grabinger | ✓ | |
| Vice Chair Bowman | ✓ | | Senator Robinson | ✓ | |
| Senator Erbele | ✓ | | | | |
| Senator Wanzek | ✓ | | | | |
| Senator Kilzer | ✓ | | | | |
| Senator Lee | ✓ | | | | |
| Senator Dever | ✓ | | | | |
| Senator Sorvaag | ✓ | | | | |
| Senator Oehlke | ✓ | | | | |
| Senator Hogue | ✓ | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Total (Yes) 14 No 0

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: 3-29-17

Roll Call Vote #: 2

**2017 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1155**

Senate Appropriations Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar

Other Actions: Reconsider _____

Motion Made By Robinson Seconded By Krebsbach

| Senators | Yes | No | Senators | Yes | No |
|----------------------|-----|----|-------------------|-----|----|
| Chairman Holmberg | ✓ | | Senator Mathern | ✓ | |
| Vice Chair Krebsbach | ✓ | | Senator Grabinger | ✓ | |
| Vice Chair Bowman | ✓ | | Senator Robinson | ✓ | |
| Senator Erbele | ✓ | | | | |
| Senator Wanzek | ✓ | | | | |
| Senator Kilzer | ✓ | | | | |
| Senator Lee | ✓ | | | | |
| Senator Dever | ✓ | | | | |
| Senator Sorvaag | ✓ | | | | |
| Senator Oehlke | ✓ | | | | |
| Senator Hogue | ✓ | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Total (Yes) 14 No 0

Absent 0

Floor Assignment Holmberg

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1155, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1155 was placed on the Sixth order on the calendar.

Page 3, after line 2, insert:

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(1) General fund appropriations to the department of corrections and rehabilitation; and

(2) General fund appropriations to the department of human services for direct care programs."

Renumber accordingly

2017 CONFERENCE COMMITTEE

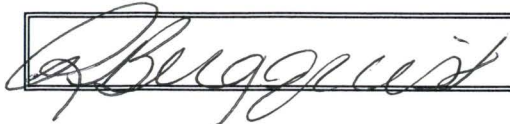
HB 1155

2017 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

HB 1155
4/11/2017
30032

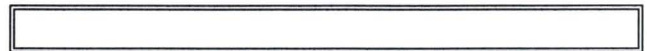
Subcommittee
 Conference Committee



Explanation or reason for introduction of bill/resolution:

Relating to the balance of the budget stabilization fund, transfers and expenditures from the budget stabilization fund

Minutes:



Chairman Delzer: We see what the senate put in for an amendment. We are really don't have a lot of issue. The bill's pretty much how it was but I think you said if they do an allotment it has to equal 3% but then they would have some freedom to do 1% less for corrections and DHS for direct patient care.

Senator Holmberg: We didn't have a lot of issue but that would make more sense. What we tried to do was to conform to what happened this last cycle which seems to work as well as to be expected. We also know that no money goes there unless we put it there.

Chairman Delzer: The general fund in excess of 65 million, which we hope we get to. We did have some discussion about this even before you put the amendments on and I was part of those discussions. I was thinking that it wouldn't happen until we were at the 3% threshold and then it would be above the 3%. If you think about it in 2001, we had to do a little bit out of the bank of ND, there is a possibility that OMB could be caught in a position that if they didn't forest say 40 million, they would need to do some allotment or adjustment. One thing that does concern me is that on a small allotment I think it should be across the board. I would be more comfortable if we did something like 2 1/2% before the 1% adjustment could come into play.

Senator Holmberg: How would that work?

Chairman Delzer: Brady how would you do that? It has to be a 3% allotment before we could use the budget stabilization fund but the first 2 1/2% Has to be across the board, and then they would have the freedoms that are in the rest of the bill.

Brady Larson Legislative Council: Yes, chairman that's how we would have to write it.

Chairman Delzer: That number is a little flexible, you think about human services is the biggest ones. Lets' just say it's a billion dollars, 1% is 10 million.

Senator Holmberg: I know there's nothing we can do about it but last time human services were the last thing we pushed out. It's the last in and the last out.

Chairman Delzer: I also have concerns about legislative authority, anytime we give them authority it's take 2/3 to get it back if we decide we did the wrong thing.

Senator Wanzek: You are saying with a smaller allotment

Chairman Delzer: It would be 2 ½ across the board. It would cover the worst case scenario, hope for the best but plan for the worst.

Senator Wanzek: How about 2% across the board.

Senator Holmberg: I would second that

Chairman Delzer: How about 2 ¼

Senator Grabinger: I think 2 is ok

Representative Holman: I am ok with that.

Chairman Delzer: It would go where it's talking about the 3% allotment to hit the stabilization fund. We are limiting them to 1%.

Representative Vigesaa: I know that you prefer 2 ½ and I would like to be there.

Chairman Delzer: Let's think about it another day, we'll get those numbers the numbers on what we'd be at and the language that would be needed. Brady do the number s at 2 ½ you can change it to 2 if you need to.

Representative Vigesaa: We will get some numbers and look at it.

Chairman Delzer: We could get those now they don't mean a lot right in the future.

Representative Vigesaa: But to get the numbers and compare between the 2 and 2 ½.

Chairman Delzer: This is for the future, there's not going to be any money in the stabilization fund very quick anyway. Let's hope we don't end up in an allotment situation.

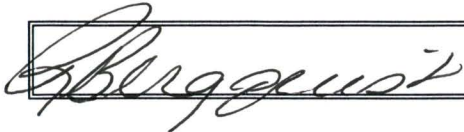
Chairman Delzer: With that we will stand adjourned.

2017 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

HB 1155
4/12/2017
30091

- Subcommittee
 Conference Committee



Explanation or reason for introduction of bill/resolution:

Relating to the balance of the budget stabilization fund, transfers and expenditures from the budget stabilization fund

Minutes:

Attachment 1

Started the recording late, all members of the conference committee are present. Brady Larson from Legislative Council started out reviewing attachment 1 (17.9714.01000)

Chairman Delzer: We had asked for new language and how it would look. We now have amendment 17.0101.02002 and attachment 17.9714.01000

Brady Larson, Legislative Council: For the purpose of this demonstration we used the general fund appropriations as of cross over and of course those number have changed since then, as of cross over there's approximately 4.3 billion dollars' general funds appropriations and the first table highlights the major categories of those appropriations. We did include an estimate of the human services direct care programs funding, and those number will change. Based on a 4.3 billion dollar general fund budget and an allotment of 0.5% would be approximately 21.7 million and the 1% would be 43.4 million. The table at the very bottom of the page demonstrates how the allotments and the stabilization fund transfers would be handled under the proposed amendment. The first 2 1/2% of any revenue short fall there would be an across the board allotment and that would total appotimently 108 million dollars. The rest of that first portion, the next 0.5% the director of the budget would have the option to provide an exemption to the department of human services for the direct care programs and to the department of corrections. Those allotment amounts would then be transferred over to the other general funds appropriations and that would equal about 21.7 million.

The effect to the other agencies of providing those exemptions would be an allotment effective rate of 3.27% on the first 3% allotment amount and then after that, from 3-6% the governor and the director of the budget would have the option to offset that revenue short fall with a transfer from the stabilization fund, that would be 130 million. Then after that

there would be another 1% allotment, however the director of the budget would have the authority to provide exemptions for the remaining ½% of the 1% exemption allowed for the two agencies. That would equate out, there would be 21.7 million would be ½% allotment and if that ½% exemption were provided from the 6-7% revenue shortfall the allotment rate would be 1.27% for the nonexempt agencies.

Chairman Delzer: Question by the committee?

Senator Wanzek: When you look at how the allotment is allocated at the first 2 ½ if you were to drop that to 2 it would take 6.48 million off of human services and 1.1 million off of department of corrections but that would be added on to the other agencies to come up with the 108, so we'd be shifting 7½ million with a 1/2%.

Mr. Larson: That is correct.

Chairman Delzer: Currently we are setting at 2 ½ percent before anything triggers. This one does change it to 3 before it triggers the stabilization fund, that's why I thought the 2 ½ percent might be the best scenario. If we go to the 2% that is a pretty good hit on the other agencies. They could do a lesser exemption if they so desire.

Senator Holmberg: Make a motion to adopt the amendment. I think it's a decent compromise that we might be able to sell. We need to keep the other agencies in mind when we look at that 1/2 %

Senator Wanzek: I was want to clarify, with the first 2 1/2 percent allocated across the board then they are exempt the next half and then from 3-6 we would be providing the stabilization fund transfer to basically offset any more cuts, all the way up to beyond 7 ½ percent then they kick back in right?

Chairman Delzer: It does give them 1% that they can use and this is permissive language so they can use whatever they want, it would just have to be the 2 ½ before the exemption kicked in. Then they could use it anywhere the OMB wanted to in that area.

Senator Wanzek: If the stabilization fund doesn't have the money and then everybody takes the hit?

Chairman Delzer: We have a motion for the senate to recede from its amendment and the conference committee then further amend with .02002.

Representative Vigesaa: Second

Chairman Delzer: Discussion? We'll have a roll call vote

A Roll Call vote was taken. Yea: 6 Nay: 0 Absent: 0

Motion Carries

Chairman Delzer: Thanks for coming, that completes this committee.

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1155

That the Senate recede from its amendments as printed on page 1295 of the House Journal and pages 1063 and 1064 of the Senate Journal and that Engrossed House Bill No. 1155 be amended as follows:

Page 3, after line 2, insert:

- "f. For purposes of this subsection, the calculation of total percentage general fund allotments made under section 54-44.1-12 must be based on total general fund allotments after any allotment exemption granted by the director of the budget compared to total general fund appropriations."

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- b. After allotments of two and one-half percent have been ordered during a biennium, the director of the budget may exempt the following appropriations from up to one percent of an allotment each biennium:
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Re-number accordingly

**2017 HOUSE CONFERENCE COMMITTEE
ROLL CALL VOTES**

BILL/RESOLUTION NO. HB 1155 as (re) engrossed

House Appropriation Committee

- Action Taken**
- HOUSE accede to Senate Amendments
 - HOUSE accede to Senate Amendments and further amend
 - SENATE recede from Senate amendments
 - SENATE recede from Senate amendments and amend as follows
 - Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Senator Holmberg Seconded by: Representative Vigesaa

| Representatives | | | | | Senators | | | | |
|------------------------|------|------|-----|----|-------------------|------|------|-----|----|
| | 4/11 | 4/12 | Yes | No | | 4/11 | 4/12 | Yes | No |
| Chairman Delzer | X | X | X | | Chairman Holmberg | X | X | X | |
| Representative Vigesaa | X | X | X | | Senator Wanzek | X | X | X | |
| Representative Holman | X | X | X | | Senator Gabinger | X | x | X | |
| | | | | | | | | | |
| | | | | | | | | | |
| Total Rep. Vote | | | 3 | | Total Senate Vote | | | 3 | |

Vote Count Yes: 6 No: 0 Absent: 0

House Carrier Chairman Delzer Senate Carrier Chairman Holmberg

LC Number 17.0101 . 02002 of amendment

LC Number _____ . 04000 of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

Insert LC: 17.0101.02002
House Carrier: Delzer
Senate Carrier: Holmberg

REPORT OF CONFERENCE COMMITTEE

HB 1155, as engrossed: Your conference committee (Sens. Holmberg, Wanzek, Grabinger and Reps. Delzer, Vigesaa, Holman) recommends that the **SENATE RECEDE** from the Senate amendments as printed on HJ page 1295, adopt amendments as follows, and place HB 1155 on the Seventh order:

That the Senate recede from its amendments as printed on page 1295 of the House Journal and pages 1063 and 1064 of the Senate Journal and that Engrossed House Bill No. 1155 be amended as follows:

Page 3, after line 2, insert:

"f. For purposes of this subsection, the calculation of total percentage general fund allotments made under section 54-44.1-12 must be based on total general fund allotments after any allotment exemption granted by the director of the budget compared to total general fund appropriations."

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- (1) General fund appropriations to the department of corrections and rehabilitation; and
- (2) General fund appropriations to the department of human services for direct care programs"

ReNUMBER accordingly

Engrossed HB 1155 was placed on the Seventh order of business on the calendar.

2017 TESTIMONY

HB 1155

AA1 HB 1155
Feb. 2 2017

USE OF BUDGET STABILIZATION FUND - BASED ON PROPOSED AMENDMENTS TO 2017 HOUSE BILL NO. 1155

This memorandum summarizes the use of funding from the budget stabilization fund based on proposed amendments [17.0101.01002] to 2017 House Bill No. 1155.

OVERVIEW OF AMENDMENTS

The proposed amendments to House Bill No. 1155 would increase the maximum balance of the budget stabilization fund from 9.5 to 15 percent of general fund appropriations as approved by the most recent regular or special session of the Legislative Assembly. The proposed amendments also would adjust the use of the budget stabilization fund and foundation aid stabilization fund in the event of a general fund revenue shortfall. The amendments would provide for a transfer from the foundation aid stabilization fund to offset any allotments of state school aid payments and would make available, based on certain criteria, funds from the budget stabilization fund to be used to offset other general fund appropriations. The amendments would require a minimum percentage allotment to be made in order to transfer funds from the budget stabilization fund to the general fund as follows:

| Amount of Revenue Shortfall | Use of Allotments and Transfers from the Budget Stabilization Fund ¹ |
|---------------------------------------|---|
| First 3 percent | Allotment |
| From 3 to 6 percent | Transfer from budget stabilization fund |
| From 6 to 7 percent | Allotment |
| From 7 to 9 percent | Transfer from budget stabilization fund |
| From 9 to 10 percent | Allotment |
| From 10 to 13 percent | Transfer from budget stabilization fund |
| From 13 to 14 percent | Allotment |
| From 14 to 28 percent ² | Transfer from budget stabilization fund |
| Any shortfall greater than 28 percent | Allotment |

¹Assumes the minimum required percentage allotment is made in order to transfer funds from the budget stabilization fund.
²Assumes the maximum balance is available in the budget stabilization fund.

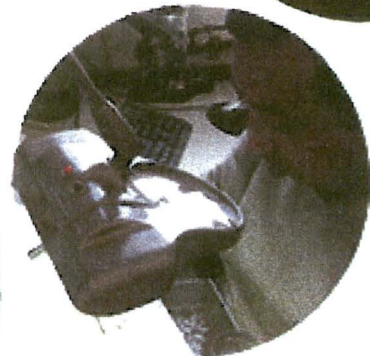
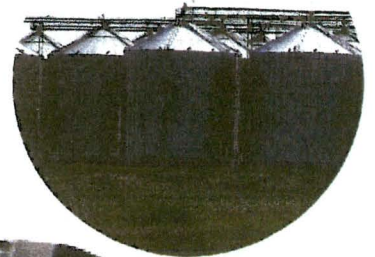
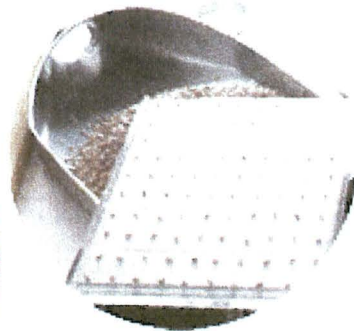
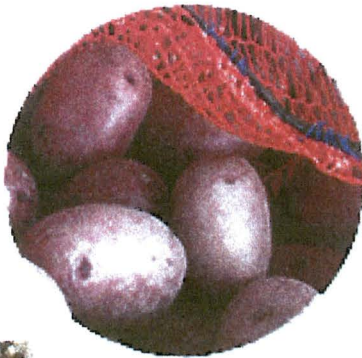
EXAMPLE BASED ON 2017-19 BASE LEVEL GENERAL FUND APPROPRIATIONS

The 2017-19 biennium base level general fund appropriations total \$4,571,649,696, of which \$1,576,456,547 is for state school aid payments and \$2,995,193,149 is for other purposes. Based on the proposed amendments, this level of general fund appropriations would result in a maximum budget stabilization fund balance of \$685,747,454. The schedule below details the use of allotments and transfers from budget stabilization fund to offset revenue shortfalls for non-state school aid general fund appropriations.

| Offset of Revenue Shortfalls for Non-State School Aid General Fund Appropriations ¹ (Based on Proposed Amendments [17.0101.01002]) | | |
|--|---|---|
| Amount of Revenue Shortfall | Allotment Required | Transfer from Budget Stabilization Fund Allowed |
| First 3 percent | \$89.86 million | |
| From 3 to 6 percent | | \$89.86 million |
| From 6 to 7 percent | \$29.95 million | |
| From 7 to 9 percent | | \$59.90 million |
| From 9 to 10 percent | \$29.95 million | |
| From 10 to 13 percent | | \$89.86 million |
| From 13 to 14 percent | \$29.95 million | |
| From 14 to 28 percent | | \$446.13 million |
| Above 28 percent | Any additional revenue shortfall amount | |

Seed Department Budget and Activity Report

February 2017



3-22-17
 HB 1155
 #1
 p2

North Dakota State Seed Department Budget and Activity Report

Ken Bertsch
 ND State Seed Commissioner
 February, 2017

Mr. Chairman and members of the Appropriations Committee: For the record, my name is Ken Bertsch and I serve as State Seed Commissioner and Administrator of the State Seed Department. I appreciate the opportunity to present, on behalf of the State Seed Commission, a report to the committee on activities of the ND State Seed Department (NDSSD).

This report is an overview of agency activities as required by NDCC Chapter 4.1-52-11. Legislative Council, with the advice of committee chairmen, asked that this report be presented in written form.

Department Activities

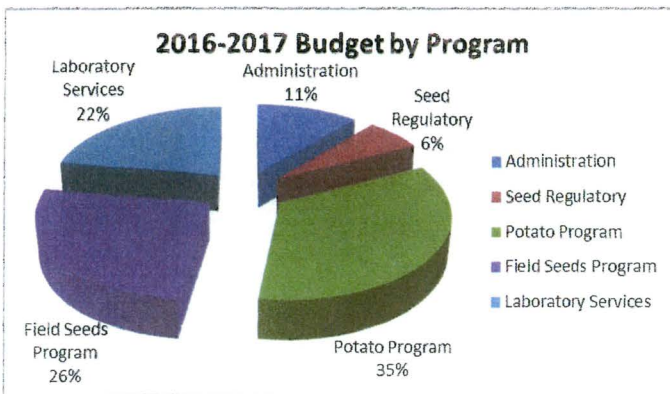
The North Dakota State Seed Department is the state-designated authority for seed certification, seed regulatory and laboratory testing services to North Dakota producers and the agriculture industry. As a self-funded agency of government, the ND State Seed Department derives its revenues from fees for services provided.

A nine-member commission, which serves as a board of directors by setting policy guidelines, approving budgets, approving major program changes, and appointing the Seed Commissioner, governs the Department. The Seed Commission is comprised of members from various industries the Department serves, and represents a broad cross-section of agricultural commodities grown in this state and region.

The Department is unique among its counterparts in the United States, in that all seed related matters are accomplished by one entity. In other states, seed certification is often performed by private associations and/or university programs. Seed regulatory enforcement is usually the responsibility of a division of the state department of agriculture. The NDSSD is one of only two programs in the nation that certifies all field crops and potatoes, and the only program performing seed regulatory duties along with certification and testing.

The agency's main offices, laboratories and tissue culture/greenhouse are located in Fargo on the campus of North Dakota State University. A regional office is located in Grafton and is primarily associated with potato certification programs. 25-28 FTE's and 30-40 temporary/seasonal staff provides field and crop inspection, laboratory testing, potato seed production and support services to the industry.

The NDSSD operates five major programs: Administration, Seed Regulatory, Field Seed Certification, Potato Certification and Laboratory Services. The current operating budget for these program areas is shown below:



| | |
|---------------------|--------------------|
| Administration | \$375,000 |
| Seed Regulatory | \$213,100 |
| Field Seed Program | \$856,750 |
| Potato Program | \$1,149,550 |
| Laboratory Services | <u>\$738,600</u> |
| Total | \$3,333,000 |

Administration (NDCC Chapter 4.1-52)

The Administration program line item outlines overall program support for legal, fiscal, technology, equipment, facilities and resource management for the agency. Administrative and support salaries are allocated to program operation areas of the Department.

Seed Regulatory (NDCC Chapter 4.1-53)

The Regulatory program enforces state and federal seed laws through a process of sampling and examination of seed lots offered for sale throughout the state. The NDSSD utilizes full and part-time inspectors to obtain samples from facilities throughout the state, which are subsequently tested in NDSSD laboratories to determine accuracy of label claims and compliance with state and federal labeling requirements.

Agency regulatory, certification and laboratory staff work cooperatively to ensure the integrity and quality of seed marketed in the state. Approximately 1500-2500 regulatory samples are acquired by regulatory staff and tested in our laboratories on an annual basis. Additionally, Department personnel work closely with public institutions and private variety owners to protect intellectual property through enforcement of Plant Variety Protection Act (PVPA).

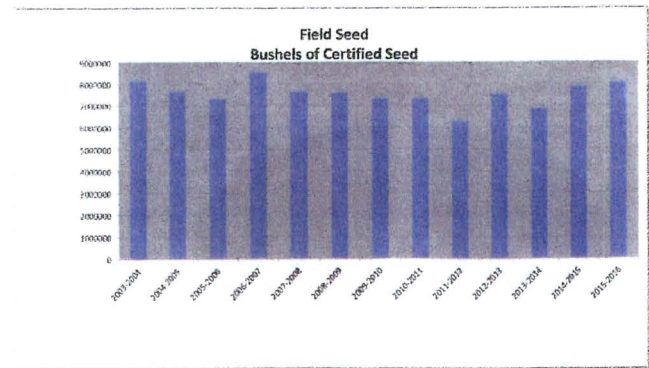
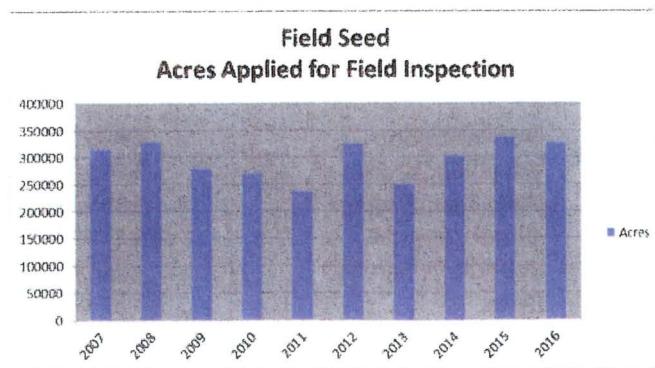
Field Seed Certification (Authority, NDCC Chapter 4.1-53)

The NDSSD also serves as the state's designated authority for certification of all field crops including cereals, oilseeds, pulses and other specialty crops produced in North Dakota. Program staff (full-time and temporary) inspects, on average, over 300,000 acres of these crops for over 500 individual producers and dozens of seed companies. Seed fields are inspected visually under strict field standards for the presence of disease, genetic purity and other standards established by administrative rule for each crop.

Approximately 7-8 million bushels of seed is approved for final certification in the state each year. The second part of seed certification requires that all certified seed samples are analyzed under standards set forth in administrative rule to determine final certification status. The Department also provides inspection and certification of seed conditioning facilities statewide to ensure that varietal identity and purity of seed is maintained throughout the conditioning and handling process.

Our certification programs collaborate externally with partner organizations to maintain North Dakota's position as a leader in the industry. Field Seed program staff assumes leadership roles in the Association of Official Seed Certifying Agencies (AOSCA), which is the national/international governing body for seed certification, and affect seed certification and quality standards developed by the organization. The North Dakota Crop Improvement Association and NDSU breeding programs are high-profile and valuable in-state partners.

The Field Seed program also provides seed Quality Assurance, Identity Preserved and other customized inspection/audit programs for producers and seed companies



The NDSSD Field Seed Program continues to hold its position as the largest field crop certification program of its kind in the United States.

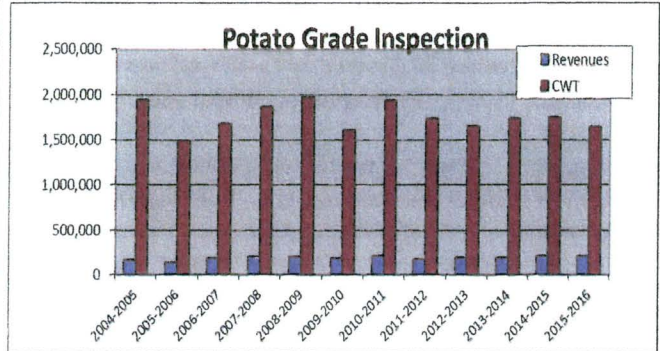
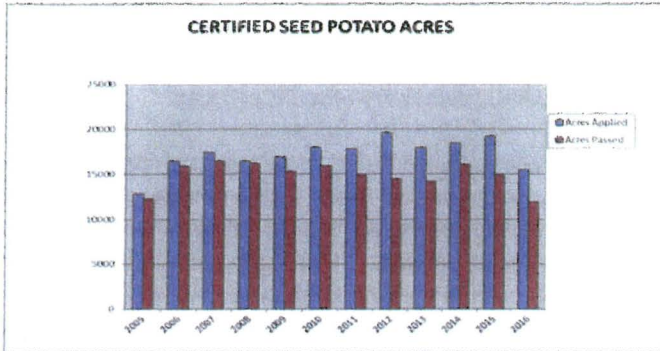
3-22-17
 HB 1155

#1
 PH

Potato Certification (NDCC Chapter 4.1-55)

The Potato Program is the state's designated authority for the certification of potato seed. NDSSD's six full-time staff inspects 15-20,000 acres of certified seed potatoes annually. Generally speaking, field inspection of potato is a more labor and training-intensive process by comparison to field crop inspection. Potato seed (as a perishable product) is prone to infection by numerous pathogens and diseases that impact seed quality, and ultimately lead to field or storage loss of commercial production. Potato seed production is high-risk at the grower level, and similarly high-risk in legal terms for the certification agent; hence the need for highly trained and experienced inspectors.

NDSSD also operates under a cooperative agreement with USDA to provide shipping point (grade) inspections of the physical quality of seed, commercial and tablestock potatoes at warehouses, processing and wash plants in many areas of the state. NDSSD inspects, on average, 175-200 million hundredweight of potatoes annually.

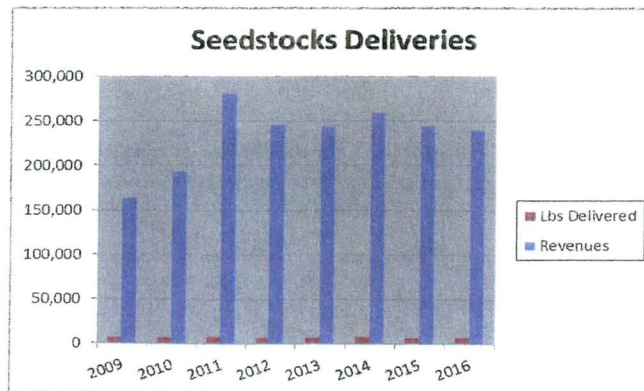


The NDSSD program continues to rank as the second-largest potato certification agency in the United States.

Potato Program personnel are actively involved at the national level with National Potato Council and United States Potato Board seed certification and seed export committees. Staff also works closely with North Dakota Certified Seed Potato Growers Association and Northern Plains Potato Growers Association to the benefit of seed growers and the seed industry.

Additionally, the Potato Program produces nuclear (lowest) generation potato seed in our Fargo facility. The agency operates a tissue culture laboratory, where stem cuttings of potato plantlets are performed in a quarantine environment, multiplied and transferred to our on-site greenhouse for production of potato mini-tubers. Most of the commercial potatoes produced in North Dakota originate from tissue culture performed in our facilities.

The NDSSD tissue culture bank serves as the official repository for all potato varieties developed by the NDSU Potato Breeding Program and released by the NDSU Research Foundation. Our bank houses hundreds of other varieties and clones from around the U.S., which are used by ND seed potato growers to supply the state and regional potato industry.



Lastly, the NDSSD operates a Wholesale Potato Dealers license program, which bonds and licenses approximately 35-40 wholesale potato dealers to ensure financial stability of businesses purchasing and selling potatoes in North Dakota. The authority for this licensing program is found in NDCC Chapter 4.1-57.

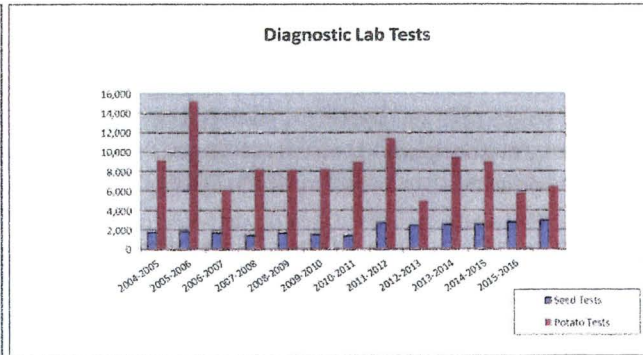
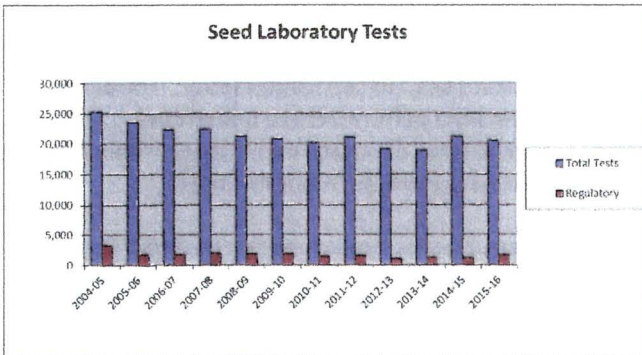
Laboratory Services

The NDSSD operates two separate laboratories, staffed by highly-trained seed analysts who perform testing on a wide range of seed quality issues.

The State Seed Laboratory performs 20-25,000 tests on samples submitted for final certification through the NDSSD certification program and service samples for growers requesting analysis for germination, purity, herbicide tolerance and several other quality factors. The seed laboratory also analyzes samples for the Regulatory program to determine conformance with labeling claims. The seed laboratory is staffed by 4 full-time seed analysts who have, or are in the process of achieving, Registered or Certified Seed Analyst (RST, CSA) accreditation by the Society of Commercial Seed Technologists (SCST), Association of Official Seed Analysts (AOSA) along with several part-time employees.

The Diagnostic Laboratory performs 2-3,000 tests annually on a diverse range of seed health, trait and genetic issues primarily on pulse crops and soybean. The diagnostic laboratory also performs variety identification testing on all spring wheat, barley and field peas grown in the certification program, utilizing both seed protein-electrophoresis and DNA testing tools for variety ID testing depending on the crop and technology available. The diagnostic laboratory also provides a full range of disease and virus testing for potato certification and is the primary pathology support unit for the Potato Program. The diagnostic laboratory is staffed by two full-time and one half-time technicians. Our laboratory manager has achieved Registered Genetic Technologist (RGT) accreditation and is considered a national expert in variety identification testing technologies.

The NDSSD Laboratory Services Program is one of the few public laboratory entities operating (on a large scale) in this region. NDSSD also performs service tests a large number of service samples coming here from Minnesota, South Dakota, Montana, Wyoming and Colorado.



This is a brief outline of activities in the major program areas of the agency. A complete 2016-2017 line item budget as approved by the Seed Commission (with comparative budget and actual spending from previous years) is provided in the last page of this report.

Thank you for the opportunity to report to the Committee. Please direct any questions on program, operating or fiscal issues to me and I will provide additional information or appear before the Committee at your request.

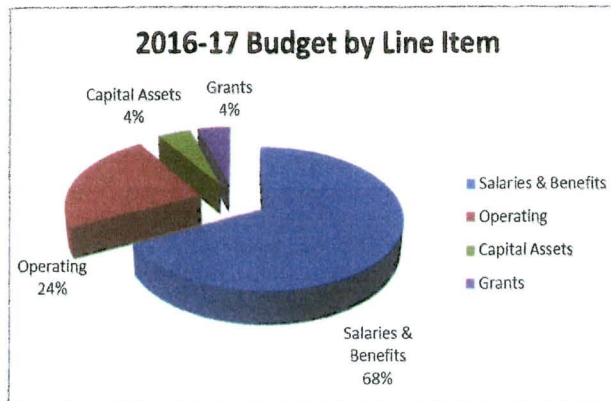
HB 1155
3-22-17
#1
p6

Statement of Revenues and Expenditures

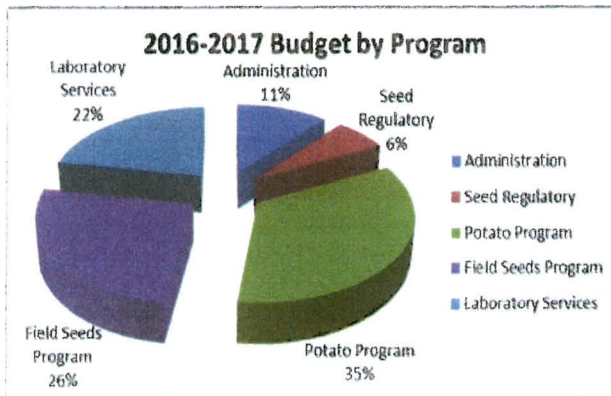
With the passage of HB 1027 in the 2011 Session, the Legislature directed agency funds to be appropriated on a continuing basis.

The following information provides actual expenditures and revenue for the July 1, 2015 to June 30, 2016 fiscal year and budget for the 2016-2017 fiscal year.

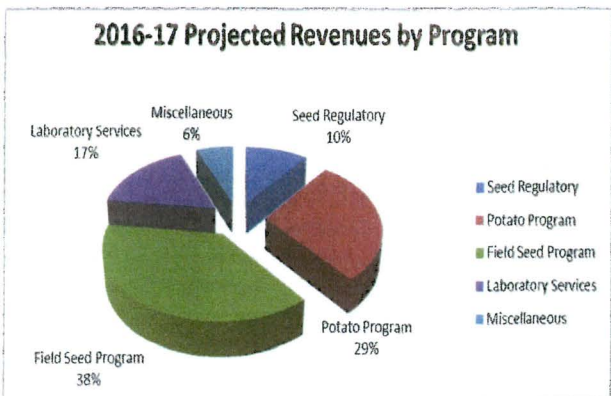
| | 2015-16 Actual | 2016-17 Budget |
|-----------------------------|-------------------|-------------------|
| Expenditures by Line | | |
| Salaries & Benefits | 2,101,592 | 2,254,550 |
| Operating | 645,760 | 783,450 |
| Capital Assets | 197,054 | 150,000 |
| Grants | 159,644 | 145,000 |
| Total | 3,104,050 | 3,333,000 |



| | 2015-16 Actual | 2016-17 Budget |
|--------------------------------|-------------------|-------------------|
| Expenditures by Program | | |
| Administration | 388,966 | 375,000 |
| Seed Regulatory | 196,572 | 213,100 |
| Potato Program | 1,096,186 | 1,149,550 |
| Field Seed Program | 767,209 | 856,750 |
| Laboratory Services | 655,116 | 738,600 |
| Total | 3,104,049 | 3,333,000 |



| | 2015-16 Actual | 2016-17 Budget |
|----------------------------|-------------------|-------------------|
| Revenues by Program | | |
| Seed Regulatory | 355,524 | 320,000 |
| Potato Program | 858,887 | 877,000 |
| Field Seed Program | 1,360,767 | 1,150,000 |
| Laboratory Services | 515,452 | 510,000 |
| Miscellaneous | 247,789 | 187,720 |
| Total | 3,338,419 | 3,044,720 |



NORTH DAKOTA STATE SEED DEPARTMENT - DEPARTMENT 616

WB 3-22-17
WB 1155 #1
PM

| | Budget 7/16-6/17 | Budget 7/15-6/16 | Actual 7/15-6/16 | Budget 7/14-6/15 | Actual 7/14-6/15 | Actual 7/13-6/14 | Actual 7/12-6/13 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| REVENUES | | | | | | | |
| PROGRAM RELATED | 2,857,000 | 2,775,000 | 3,090,631 | 2,756,625 | 3,149,675 | 2,848,041 | 2,508,334 |
| RESEARCH FEES | 100,000 | 100,000 | 134,339 | 98,000 | 107,221 | 94,049 | 108,495 |
| INTEREST | 7,000 | 7,000 | 8,351 | 7,000 | 9,664 | 7,465 | 9,073 |
| GRANT INCOME | 75,000 | 100,000 | 99,378 | 82,000 | 97,433 | 81,331 | |
| RENTAL INCOME/MISC | 5,720 | 5,720 | 5,720 | 5,720 | 5,720 | 5,720 | 5,720 |
| TOTAL REVENUES | 3,044,720 | 2,987,720 | 3,338,419 | 2,949,345 | 3,369,713 | 3,036,606 | 2,631,622 |
| EXPENDITURES | | | | | | | |
| SALARIES | | | | | | | |
| FULL-TIME | 1,421,350 | 1,362,836 | 1,333,341 | 1,273,189 | 1,257,364 | 1,196,201 | 1,185,474 |
| TEMP/OT | 176,500 | 185,000 | 146,302 | 185,500 | 166,602 | 168,998 | 171,288 |
| BENEFITS | 656,700 | 672,354 | 621,949 | 571,585 | 564,523 | 517,107 | 479,748 |
| TOTAL SALARIES | 2,254,550 | 2,220,190 | 2,101,592 | 2,030,274 | 1,988,489 | 1,882,307 | 1,836,510 |
| OPERATING EXPENSES | | | | | | | |
| DIRECT (Program related) | | | | | | | |
| TRAVEL | 183,500 | 180,500 | 169,150 | 186,575 | 171,670 | 154,089 | 167,552 |
| PROFESSIONAL SUPPLY | 44,750 | 37,900 | 41,407 | 38,200 | 44,156 | 35,060 | 21,830 |
| MISC SUPPLY | 1,050 | 0 | 444 | 0 | 2,200 | 0 | 0 |
| OFFICE SUPPLIES | 17,200 | 19,500 | 13,354 | 20,100 | 12,096 | 26,328 | 10,843 |
| POSTAGE | 29,800 | 29,000 | 29,636 | 25,750 | 25,751 | 21,604 | 23,816 |
| PRINTING | 18,650 | 20,000 | 15,414 | 20,100 | 12,079 | 18,666 | 14,142 |
| IT EQUIPMENT UNDER \$5000 | 15,300 | 6,750 | 2,598 | 6,500 | 0 | 2,768 | 95 |
| EQUIPMENT-UNDER \$5,000 | 10,200 | 10,700 | 0 | 10,600 | 2,646 | 3,535 | 7,056 |
| TELECOM-ISD | 17,800 | 17,650 | 15,255 | 17,100 | 13,793 | 14,658 | 14,797 |
| PROFESSIONAL DEV | 35,400 | 30,000 | 32,239 | 29,330 | 30,923 | 21,603 | 25,405 |
| PROFESSIONAL SVCS | 62,500 | 65,150 | 52,520 | 63,950 | 50,158 | 52,927 | 58,110 |
| MEDICAL, DENTAL, OPT(LAB SUPPLY) | 43,000 | 46,000 | 37,859 | 42,000 | 31,815 | 34,425 | 32,850 |
| TOTAL DIRECT | 479,150 | 463,150 | 409,875 | 460,205 | 397,287 | 385,663 | 376,497 |
| INDIRECT (Allocated to Programs) | | | | | | | |
| IT-SOFTWARE/SUPPLIES | 10,500 | 10,800 | 4,649 | 8,350 | 11,899 | 5,775 | 9,037 |
| BLDG, GRNDS | 10,200 | 11,600 | 3,258 | 32,000 | 24,727 | 23,079 | 9,520 |
| UTILITIES | 103,500 | 110,000 | 94,788 | 116,500 | 92,839 | 102,481 | 90,418 |
| INSURANCE | 8,900 | 8,000 | 8,235 | 10,100 | 5,142 | 8,029 | 9,156 |
| LEASE/RENT-EQUIPMENT | 9,600 | 12,000 | 7,439 | 11,600 | 9,305 | 11,038 | 10,946 |
| REPAIRS | 52,500 | 59,000 | 29,112 | 45,800 | 28,005 | 39,639 | 11,703 |
| DATA PROCESSING | 7,000 | 7,000 | 697 | 8,000 | 5,852 | 5,887 | 5,177 |
| IT-CONTRACT | 34,600 | 36,600 | 16,559 | 26,025 | 29,407 | 17,957 | 19,213 |
| OPERATING FEES & SVC | 67,500 | 73,926 | 71,148 | 58,600 | 44,615 | 43,682 | 29,603 |
| TOTAL INDIRECT | 304,300 | 328,926 | 235,885 | 316,975 | 251,793 | 257,567 | 194,767 |
| TOTAL OPERATING | 783,450 | 792,076 | 645,760 | 777,180 | 649,079 | 643,230 | 571,263 |
| TOTAL SALARIES AND OPERATING | 3,038,000 | 3,012,265 | 2,747,352 | 2,807,454 | 2,637,568 | 2,525,537 | 2,407,773 |
| GRANTS | 70,000 | 70,000 | 70,000 | 70,000 | 70,000 | 70,000 | 70,000 |
| GRANTS - PCN PROJECT | 75,000 | 100,000 | 89,644 | 82,000 | 97,583 | 81,331 | |
| NET PROFIT(LOSS)From Operations | (138,280) | (194,545) | 431,423 | (10,109) | 564,562 | 359,738 | 153,849 |
| CAPITAL EXPENDITURES | | | | | | | |
| EQUIPMENT | 20,000 | 20,000 | 0 | 35,000 | 0 | 0 | 0 |
| CAPITAL ASSETS | 100,000 | | 197,054 | | 0 | 0 | 0 |
| IT EQUIP/SFTWR OVER \$5000 | 30,000 | 10,000 | 0 | 10,000 | 0 | 0 | 89,426 |
| TOTAL CAPITAL EXPENDITURES | 150,000 | 30,000 | 197,054 | 45,000 | 0 | 0 | 89,426 |
| CONTINGENCIES | 0 | 0 | 0 | 0 | 0 | 0 | |
| TOTAL EXPENDITURES | 3,333,000 | 3,212,265 | 3,104,049 | 3,004,454 | 2,805,151 | 2,676,868 | 2,567,199 |

#2

P1

**USE OF BUDGET STABILIZATION FUND -
BASED ON PROPOSED AMENDMENTS TO 2017 HOUSE BILL NO. 1155**

This memorandum summarizes the use of funding from the budget stabilization fund based on proposed amendments [17.0101.01002] to 2017 House Bill No. 1155.

OVERVIEW OF AMENDMENTS

The proposed amendments to House Bill No. 1155 would increase the maximum balance of the budget stabilization fund from 9.5 to 15 percent of general fund appropriations as approved by the most recent regular or special session of the Legislative Assembly. The proposed amendments also would adjust the use of the budget stabilization fund and foundation aid stabilization fund in the event of a general fund revenue shortfall. The amendments would provide for a transfer from the foundation aid stabilization fund to offset any allotments of state school aid payments and would make available, based on certain criteria, funds from the budget stabilization fund to be used to offset other general fund appropriations. The amendments would require a minimum percentage allotment to be made in order to transfer funds from the budget stabilization fund to the general fund as follows:

| Amount of Revenue Shortfall | Use of Allotments and Transfers from the Budget Stabilization Fund ¹ |
|---------------------------------------|---|
| First 3 percent | Allotment |
| From 3 to 6 percent | Transfer from budget stabilization fund |
| From 6 to 7 percent | Allotment |
| From 7 to 9 percent | Transfer from budget stabilization fund |
| From 9 to 10 percent | Allotment |
| From 10 to 13 percent | Transfer from budget stabilization fund |
| From 13 to 14 percent | Allotment |
| From 14 to 28 percent ² | Transfer from budget stabilization fund |
| Any shortfall greater than 28 percent | Allotment |

¹Assumes the minimum required percentage allotment is made in order to transfer funds from the budget stabilization fund.
²Assumes the maximum balance is available in the budget stabilization fund.

EXAMPLE BASED ON 2017-19 BASE LEVEL GENERAL FUND APPROPRIATIONS

The 2017-19 biennium base level general fund appropriations total \$4,571,649,696, of which \$1,576,456,547 is for state school aid payments and \$2,995,193,149 is for other purposes. Based on the proposed amendments, this level of general fund appropriations would result in a maximum budget stabilization fund balance of \$685,747,454. The schedule below details the use of allotments and transfers from budget stabilization fund to offset revenue shortfalls for non-state school aid general fund appropriations.

| Offset of Revenue Shortfalls for Non-State School Aid General Fund Appropriations ¹ (Based on Proposed Amendments [17.0101.01002]) | | |
|--|---|---|
| Amount of Revenue Shortfall | Allotment Required | Transfer from Budget Stabilization Fund Allowed |
| First 3 percent | \$89.86 million | |
| From 3 to 6 percent | | \$89.86 million |
| From 6 to 7 percent | \$29.95 million | |
| From 7 to 9 percent | | \$59.90 million |
| From 9 to 10 percent | \$29.95 million | |
| From 10 to 13 percent | | \$89.86 million |
| From 13 to 14 percent | \$29.95 million | |
| From 14 to 28 percent | | \$446.13 million |
| Above 28 percent | Any additional revenue shortfall amount | |

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1155

Page 3, after line 2, insert:

- "f. For purposes of this subsection, the calculation of total percentage general fund allotments made under section 54-44.1-12 must be based on total general fund allotments after any allotment exemption granted by the director of the budget compared to total general fund appropriations"

Page 3, line 24, overstrike the comma

Page 3, line 24, overstrike "that appropriations to the department of public instruction for state"

Page 3, overstrike lines 25 and 26

Page 3, line 27, overstrike "fund"

Page 3, line 27, remove the overstrike over "as follows:"

Page 4, after line 2, insert:

- "a. The following appropriations may be allotted only to the extent that the allotment can be offset by transfers from the foundation aid stabilization fund:
- (1) General fund appropriations to the department of public instruction for state school aid, transportation aid, and special education aid; and
 - (2) General fund appropriations to the department of career and technical education for grants to school districts.
- b. The director of the budget may exempt the following appropriations from up to one percent of an allotment each biennium:
- (1) General fund appropriations to the department of corrections and rehabilitation; and
 - (2) General fund appropriations to the department of human services for direct care programs."

Renumber accordingly

**HOUSE BILL NO. 1155 - ALLOTMENT EXAMPLE
 (BASED ON AMENDMENTS [17.0101.02002])**

This memorandum demonstrates how a potential allotment would be ordered based on proposed amendments [17.0101.02002] to House Bill No. 1155. Under the proposed amendments to House Bill No. 1155, the Director of the Budget would be authorized to grant a 1 percent allotment exemption to the Department of Human Services for direct care programs and to the Department of Corrections and Rehabilitation. The exemption could only be provided after allotments of 2.5 percent were ordered during the biennium.

The amendments continue the provision that any general fund allotments of state school aid payments would be offset with a transfer from the foundation aid stabilization fund. The amendments also provide that any general fund allotments for school grants in the Department of Career and Technical Education would be offset with a transfer from the foundation aid stabilization fund.

As of crossover, total general fund appropriations totaled \$4,344,499,221. The following schedule details the appropriations by major category:

| | |
|---|------------------------|
| Department of Human Services direct care programs (estimate for demonstration purposes only) | \$1,296,795,811 |
| Department of Corrections and Rehabilitation | 215,357,973 |
| State school aid payments and Department of Career and Technical Education grants to school districts | 1,457,348,136 |
| Other general fund appropriations subject to allotment | 1,374,997,301 |
| Total | \$4,344,499,221 |

The following schedule details the total general fund appropriations that would be reduced from agency budgets based on various allotment percentages:

| General Fund Allotment Amounts (Based on General Fund Appropriations as of Crossover) | | | | | |
|---|--------------|--------------|--------------|---------------|---------------|
| | 0.5 Percent | 1 Percent | 2 Percent | 2.5 Percent | 3.0 Percent |
| Total allotment amount ¹ | \$21,722,496 | \$43,444,992 | \$86,889,984 | \$108,612,481 | \$130,334,977 |

¹Allotments of general fund appropriations for state school aid and Department of Career and Technical Education grants to school districts would be offset with a transfer from the foundation aid stabilization fund.

The following schedule provides an example of allotments and transfers from the budget stabilization fund that would be used to offset general fund revenue shortfalls based on the proposed amendments:

| General Fund Allotment Example - Based on Amendments [17.0101.02002] | | | | | |
|---|--|--|--------------------------------------|-----------------------------------|---------------|
| Shortfall Offset by Allotment or Transfer from Budget Stabilization Fund | Amount of Allotment or Transfer from Budget Stabilization Fund | | | | |
| | Department of Human Services Direct Care Programs | Department of Corrections and Rehabilitation | State School Aid Payments and Grants | Other General Fund Appropriations | Total |
| First 2.5 percent - Allotment | \$32,419,896 | \$5,383,949 | \$36,433,703 ¹ | \$34,374,933 | \$108,612,481 |
| Next 0.5 percent - Allotment ² | Exempt | Exempt | \$11,177,040 ¹ | \$10,545,456 | \$21,722,496 |
| From 3 to 6 percent - Budget stabilization fund transfer | \$38,903,875 | \$6,460,739 | \$43,720,444 | \$41,249,919 | \$130,334,977 |
| From 6 to 6.5 percent - Allotment ³ | Exempt | Exempt | \$11,177,040 ¹ | \$10,545,456 | \$21,722,496 |
| From 6.5 to 7 percent - Allotment | \$6,483,978 | \$1,076,790 | \$7,286,741 ¹ | \$6,874,987 | \$21,722,496 |
| From 7 to 9 percent - Budget stabilization fund transfer | \$25,935,916 | \$4,307,159 | \$29,146,963 | \$27,499,946 | \$86,889,984 |
| From 9 to 10 percent - Allotment | \$12,967,958 | \$2,153,580 | \$14,573,481 ¹ | \$13,749,973 | \$43,444,992 |

¹Allotments of state school aid would be offset with a transfer from the foundation aid stabilization fund.
²If a 0.5 percent exemption is provided to eligible programs under a 3 percent allotment, the effective allotment rate for other general fund appropriations would be approximately 3.27 percent.
³If a 0.5 percent exemption is provided to eligible programs under a 1 percent allotment, the effective allotment rate for other general fund appropriations would be approximately 1.27 percent.