

STUDY OF STATUTORY AND REGULATORY REQUIREMENTS AS A CONDITION OF FEDERAL FUNDING - BACKGROUND MEMORANDUM

STUDY RESPONSIBILITIES

House Bill No. 1029 (2017) ([Appendix A](#)) provides for a study of statutory and regulatory requirements placed on North Dakota state government agencies by United States government agencies as a condition of the receipt of federal funding. The study must determine whether there are viable options to meet the needs of the state without having the federal government's oversight and involvement, which state needs can be met if federal funding associated with undesirable regulation or excessive direct and indirect costs is refused, and whether the benefit of accepting certain federal funds outweighs the benefit of participation in the federal programs. The responsibility for this study was assigned to the Government Administration Committee by the Legislative Management.

PREVIOUS LEGISLATIVE STUDIES

The 2015-16 Government Finance Committee studied statutory and regulatory requirements placed on North Dakota state government agencies by United States government agencies as a condition of the receipt of federal funding. The committee learned the State Auditor performs a "single audit" to review agency spending of federal funds on a biennial basis. The committee learned over 70 percent of the federal funds spent by state agencies in fiscal year 2014 were spent by three agencies, the Department of Human Services, the Department of Transportation, and the Department of Public Instruction (DPI). The committee learned the Department of Corrections and Rehabilitation administers four major federal grant programs--programs for crime victim's assistance, crime victim's compensation, state criminal alien assistance, and juvenile justice and delinquency prevention. The committee learned DPI anticipated receiving over \$129 million in federal funds for various grant programs for fiscal year 2016, of which approximately \$121 million would be provided to individual school districts. The committee learned certain federal programs administered by DPI do not require a local funding match and certain programs also provide support for the department's administrative costs.

The 2015-16 Government Finance Committee recommended House Bill No. 1029, which requires state agencies to perform an analysis prior to applying for or accepting federal funds. The bill also provides for the Legislative Management to continue, in the 2017-18 interim, the study of statutory and regulatory requirements placed on North Dakota state government agencies by United States government agencies as a condition of the receipt of federal funds.

BACKGROUND INFORMATION

Beginning with the 1987-88 interim, the Legislative Council has presented a memorandum identifying the federal funds appropriated and the estimated federal funds to be received each biennium by each agency. The memorandum for the 2015-17 and 2017-19 bienniums ([Appendix B](#)) was presented to the Budget Section in September 2016. The memorandum identifies the agency name, program name, federal funds appropriated, estimated federal funds to be received, variance, appropriated general fund matching funds, appropriated other funds matching funds, required general fund maintenance of effort, required other funds maintenance of effort, and estimated amount of indirect costs reimbursed.

State agencies with significant federal funds appropriations during the 2015-17 biennium, and those anticipating to receive significant federal funds during the 2017-19 biennium include:

Agency	Original 2015-17 Federal Funds Appropriation	Estimated 2017-19 Federal Funds to be Received
Department of Public Instruction	\$284,948,800	\$270,060,734
State Department of Health	123,345,053	118,438,137
Department of Human Services	2,074,351,759	2,262,647,081
Job Service North Dakota	69,777,470	58,826,922
North Dakota Housing Finance Agency	25,227,780	31,244,828
Adjutant General	185,048,805	113,285,203
Department of Commerce	54,926,671	47,267,813
Upper Great Plains Transportation Institute	4,479,226	16,611,761
Game and Fish Department	32,735,500	37,775,000
State Water Commission	15,620,238	6,825,119
Department of Transportation	616,500,000	664,300,000
Other state agencies	104,286,663	103,433,981
Total	\$3,591,247,965	\$3,730,716,579

STUDY PLAN

The following is a proposed study plan for the committee's consideration in its study of statutory and regulatory requirements placed on North Dakota state government agencies by United States government agencies as a condition of the receipt of federal funds:

1. Receive information from the Office of Management and Budget regarding federal funds received by state agencies and anticipated 2017-19 biennium federal funds by agency.
2. Receive information from the State Auditor on the audit of federal funds conducted as part of the statewide single audit.
3. Select state agencies receiving significant federal funds for further review.
4. Receive information from selected state agencies regarding statutory and regulatory requirements placed on the agencies by United States government agencies as a condition of the receipt of federal funds.
5. Receive information from selected state agencies regarding the analysis required by 2017 House Bill No. 1029.
6. Receive information from selected state agencies regarding potential alternative funding sources for programs financed with federal funds.
7. Receive information from selected state agencies regarding the benefits and risks of discontinuing programs financed with federal funds.
8. Receive testimony from interested persons regarding the study.
9. Develop recommendations and any bill drafts necessary to implement the recommendations.
10. Prepare a final report for submission to the Legislative Management.

ATTACH:2