

2009 HOUSE APPROPRIATIONS

HB 1419

2009 HOUSE STANDING COMMITTEE MINUTES

HB 1419

House Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: January 28, 2009

Recorder Job Number: 7954

Committee Clerk Signature

Molly N. Aund

Minutes:

Chm. Svedjan called the Committee back to order and opened the hearing on HB 1419.

Rep. Wieland, District 13, West Fargo, approached the podium and introduced HB 1419.

Rep. Wieland explained that the intent of this bill is to remove the cap on the Budget Stabilization Fund. This bill allows the addition of the interest to remain within the Budget Stabilization Fund. There is approximately \$184.5 million in the Budget Stabilization Fund currently. The Fiscal Note showed there was an additional \$326 million. It was not anticipated that additional money would be added to this fund at this time so I've asked for an amendment to adjust this bill so that the additional dollars are not added.

Rep. Ekstrom: Is there any trigger mechanism in future years if we need to have the interest come back into the General Fund? Is there a mechanism to reverse this? (2:19)

Rep. Wieland: There is no change in how the money can be taken out at any time. There's nothing other than what was on the fund before.

Rep. Berg: Currently, if there's a reduction in revenue, the Governor would need to reduce spending by 2.5 percent and then money could come out of the Budget Stabilization Fund.
(2:58)

Chm. Svedjan: My understanding is if the revenue comes in at 2.5 percent or greater lower than anticipation then there's a means by which you can access the Budget Stabilization Fund

but not to the full extent of the . . . there would have to be an allotment that you could access a portion of the Budget Stabilization Fund. I think the Fiscal Note lays that out.

Rep. Berg: The Fiscal Note just removes the cap, so that's why the Fiscal Note was so high. I think if we just allow the interest to stay in the fund to build the fund, then the interest for the 09-11 biennium currently is built into the General Fund revenue so it would probably show a loss of whatever the interest is of \$300 million. Another alternative would be to amend it so the interest stays in after the 11-13 biennium, if you wanted to eliminate the Fiscal Note. Long term, state spending is going to go up so it's probably a good idea long-term to have that interest remain there and build as long as it's . . . If we decide that 10 percent is what the amount should be, that it would build up to that amount.

Rep. Wieland: I did pass that information along when I asked for the amendment. (4:44)

Rep. Onstad: Has the state ever had to access Budget Stabilization Fund? (5:02)

Rep. Wieland: Not to my knowledge.

Rep. Berg: We would have accessed in 2003, but we didn't have any money in there. We had a \$50 million deficit going into session. Our total state spending was \$75 million. I think that may have triggered it then. (5:19)

Chm. Svedjan: I will ask OMB to clarify that when Rep. Wieland is done so we all know how it works under the current law.

There was no other testimony in favor of HB 1419.

There was no testimony in opposition to HB 1419.

Pam Sharp, OMB approached the podium. The Budget Stabilization Fund was accessed in 1992/1993 for about \$23 million. I did have some comments but now with my understanding of the amendments, I do not have to make those comments. You'd like me to explain how the Budget Stabilization Fund works? (6:19)

Chm. Svedjan: Just so the Committee understands how it works today.

Ms. Sharp: Right now, it's capped at \$200 million. Next biennium, the cap will be at 10 percent of the General Fund which would take it to a little over \$300 million for the cap. To access the fund, OMB would need to do a new forecast and that new forecast, if it projected a revenue shortfall of more than 2.5 percent less than the most recent legislative revenue forecast, we could access the Budget Stabilization Fund. We could only access after the 2.5 percent. The first 2.5 percent of the shortfall could potentially be allotted or unless there was some room in the ending balance or something like that, and then after that we would access the Budget Stabilization Fund. (6:55)

Chm. Svedjan: So, if it were a \$100 million shortfall \$25 million would have to be allotted to the agencies and then you could access the difference.

Ms. Sharp: It's actually the other way around. The first \$75 million would need to be allotted or come from an ending balance, and then \$25 million could be accessed from the Budget Stabilization Fund.

Rep. Berg: When we're talking 2.5 percent we're talking 2.5 percent of General Fund spending. (8:26)

Chm. Svedjan: In my example it wouldn't be \$25 million, it would be \$2.5 million.

Rep. Berg: Your point was that if our total budget was \$100 million and we had a shortfall, the shortfall would be \$2.5 million. You'd do a \$2.5 million allotment then it could be accessed.

Chm. Svedjan: That's correct.

Rep. Delzer: You don't have to do another revenue forecast. It actually has to be a difference of 2.5 or more from the last legislative forecast from your monthly reports. (9:09)

Chm. Svedjan: I believe that's correct. If revenues fall by 2.5 percent or more relative to the most recent revenue forecast. . .

Rep. Delzer: It says in the Century Code "to the most recent adjourned special or regular session of the legislative assembly."

Ms. Sharp: Is not the word "forecast" in there, though? (9:49)

Rep. Delzer: It does say "projects." Isn't that your monthly report?

Ms. Sharp: No. We would have to do another forecast. It wouldn't have to be one of our regularly scheduled forecasts. If we saw that there was a problem with our revenues we could take it upon ourselves to do a forecast because of that situation.

Rep. Delzer: There are no guidelines? That's wide open for you to do it any time you want?

Ms. Sharp: If we would see the need to do that we could. In 2002 and after the 2001 recession and 9-11 when we saw a huge decrease in our individual income tax collections because of the capital gains and we had so many losses instead of gains, we actually did a special revenue forecast at that time and did an allotment.

Rep. Delzer: If in your next forecast that comes out you used \$60 per barrel oil, for example, and a month after the regular session and the price is still down at \$25 per barrel and you reproject it and it was below 2.5 percent, you could access the Budget Stabilization Fund at that time? (11:08)

Ms. Sharp: If we thought conditions warranted another revenue forecast we could do that. If it was just the price of oil and it just affected the Permanent Oil Tax Trust Fund and not the General Fund then I guess that might be a little different.

Rep. Kroeber: Do you see any reason why we would want to do this? I know it will put it more money into the Budget Stabilization Fund but with the Budget Stabilization Fund being over \$300 million . . . certainly when we had a time when we didn't have a fund at all and when we had a low balance in the fund it would probably make more sense than it does now. A \$300 million Budget Stabilization Fund is a very nice thing to have, but with the way it's going to

continue to grow, I think it would be adequate to take the interest and actually use the interest in the General Fund. What's your opinion? (12:01)

Ms. Sharp: I think a 10 percent of our General Fund budget is adequate for a limit on the Budget Stabilization Fund. Right now the interest earnings are not very great so that probably wouldn't be a huge Fiscal Note because interest rates are so low right now. We also have the Permanent Oil Tax Trust Fund that we also use as a reserve fund. (12:50)

Rep. Berg: Do you anticipate the General Fund spending going up in the 11-13 biennium? (13:26)

Ms. Sharp: I don't anticipate anything about that biennium at this point.

Rep. Berg: Just looking at historical trends.

Ms. Sharp: Historically they generally go up.

Rep. Berg: So if we're going to maintain 10 percent in the Budget Stabilization Fund how do we achieve that? My point is that it really doesn't matter. If we're going to have 10 percent in there next biennium we're going to take it out of the ending fund balance or someplace else. If the interest is in there and builds \$20 million extra it will be more General Fund dollars that we have in the ending balance. From my perspective I think it's a wash, if the assumption is that we have a continuing ending fund balance.

Rep. Kaldor: I tend to agree with Rep. Berg. The other side of this is that saying that we'll deposit the interest into the Budget Stabilization Fund if we remove the cap and put the interest in there, I wonder if the language in your bill precludes us from appropriating those dollars in the 11-13 biennium? (14:36)

Chm. Svedjan: Appropriating out of the Budget Stabilization Fund.

Rep. Kaldor: Right. The interest. For example, if the interest income puts the Budget Stabilization Fund in excess of 10 percent of the General Fund appropriations wouldn't we have the authority to appropriate them?

Chm. Svedjan: I believe the law though is that it can only grow to 10 percent and once it exceeds that the earnings would go into the General Fund. Under the current law we can't exceed 10 percent.

Rep. Kaldor: I understand that. I'm not sure if this legislation precludes us from appropriating the excess over 10 percent. In other words, if the interest bumps the Budget Stabilization Fund up to 11 percent of the General Fund budget, I'm not sure that the legislation would prevent us from appropriating that one percent.

Chm. Svedjan: If the 10% is removed?

Rep. Kaldor: If the cap is removed, I'm not sure that we wouldn't have the authority as a legislative body to actually appropriate out of that Budget Stabilization Fund or to say the Budget Stabilization Fund shall be such an amount.

Chm. Svedjan: If the remainder of the law stayed in place, the 2.5 percent and the process for accessing the Budget Stabilization Fund, then if you remove the cap and all the interest goes into the fund, then no you wouldn't appropriate that unless you got in a situation where revenues were projected to drop 2.5 percent or more, then the process kicks in.

Rep. Berg: We really need to see the amendments. (17:15)

Rep Onstad: We're taking out the 10 percent portion, but on Section 2, "any amount in the state General Fund in excess of \$65 million must be transferred to the Budget Stabilization Fund." (17:28)

Chm. Svedjan: That's the way it is right now.

Rep. Onstad: But if we have over \$65 million left in the General Fund, that's all transferred to the Budget Stabilization Fund up to 10 percent of our . . . ?

Chm. Svedjan: The bill in front of us removes the 10 percent cap. And the way the bill is written all the excess goes into the Budget Stabilization Fund. There are amendments being prepared to address some of these so I think we need to wait to see what those amendments look like.

Steve Cochran, Executive Director State Retirement and Investment Office – State Investment Board approached the podium to speak neutrally on HB 1419. Mr. Cochran explained that they oversee the investment of the assets that are placed with the State Investment Board for this fund. The most reconciled numbers on the fund balance through December shows a balance of \$181,799,000. The cash flow events in this fund began in fiscal year 2006 when close to \$100 million was place in the fund. During that fiscal period a little over \$3.2 million was withdrawn from the fund. During fiscal year 2007 about \$5 million additional dollars were removed from the fund. Following the second infusion into the fund of approximately \$100 million during fiscal year 2008, there was a subsequent withdrawal. Total withdrawals add up to about \$10 million. Cash in plus the income distributed equals about \$209 million. Total deposits have been about \$200 million. Net loss on the fund is about \$8.3 million which would make the percentage loss on the fund about 4 percent and would annualize over a 3.5 year period at -1.2 percent. We have \$100 million in match loan CDs with the Bank of North Dakota. These are CDs that do not fluctuate in market value. They are very advantageous for this fund because we were able to achieve rates of return that are commensurate with underlying term structure treasury notes. At this point, of this \$103 million invested in the BND CDs we're looking at a better than 5 percent rate of return on interest. As

we see credit markets loosen up we see recovery in the fund from a market value standpoint.
(18:48)

Rep. Berg: In our projections we had a certain amount projected at the end of this biennium that would be in the fund. How is that changed and how does that affect the \$111 million? Do we need to put in \$120 million to balance that out? It may be how OMB and Legislative Council take this balance and interpret it as to how much money needs to go in to meet the 10 percent of the spending. (21:37)

Mr. Cochran: I'm not in the position to give input on that.

Chm. Svedjan: The Governor's budget puts an additional \$111 million into the Budget Stabilization Fund to bring it up to \$311 million. You're point is, based on investment performance, are we down whatever that number is and do we need to replenish that in the appropriations process to get it up to the projected \$311 million total? (22:23)

Ms. Sharp: The way I would see it is that when the biennium ends, we'll need to know the market value of the fund at that time and our calculations will be a function of what that balance it and how much we need to take out of the General Fund ending balance to put into the Budget Stabilization Fund to get it to the 10 percent of whatever our budget is at that point. It might very well mean that we might need to put \$10 million more at the end of the biennium. (22:57)

Chm. Svedjan: Wouldn't it still be true though that you could, under the current situation, you could only transfer amounts over \$65 million?

Ms. Sharp: Correct.

Chm. Svedjan: That could get you up there or maybe it won't. The question is, if it doesn't get you to \$311 million, what then?

Ms. Sharp: We transfer now and the current situation we are projecting \$500 million ending balance and we'd need \$111 million to get us up to 10 percent, but that was assuming that we already had \$200 million in the fund. Now that the value is decreased somewhat we would have to transfer more to the fund to get to that cap if that money is available.

Chm. Svedjan: So it depends on what the final appropriation number is.

Ms. Sharp: Right.

Rep. Skarphol: If we have intentions of passing Rep. Wieland's bill with regard to the interest accumulating, we also need to incorporate into that that if the market value increases, any gains in that market value must go into the Budget Stabilization Fund. It's currently at \$187 million it could conceivably earn back that \$13 million and I believe it would be appropriate for us to put that back into the Budget Stabilization Fund as opposed to having it flow to the General Fund at the expense of the Budget Stabilization Fund. If we're going to put additional money to bring it to the level that it needs to be, then if it has earnings that exceed what our expectations are they need to accumulate there as well. (24:24)

Chm. Svedjan: Let's see the amendments and take that up when we work the bill.

Ms. Sharp: Currently because the value has gone below \$200 million, current interest on the fund is staying in the Budget Stabilization Fund and not going into the General Fund. (25:24)

Rep. Berg: The Governor recommendation, you anticipated there would be \$200 million in that fund at the end of the biennium? We just heard today that there is \$181 million today. That's \$19 million below and so all our budgets are . . . My point is, if nothing changes, rather than \$111 going into the Budget Stabilization Fund, \$130 million will go in and that means rather than \$357 million being available for one-time spending it would be \$338 million available for one-time spending. That's why this is important for us to monitor. (25:39)

Chm. Svedjan: And the other factor in all of that is what it is we ultimately appropriate to get to the 10 percent.

Ms. Sharp: We had assumed an ending balance of \$392 million so that would be available for one-time spending. \$357 million is actually the one-time spending we have in the budget so there is a little cushion there. (26:51)

Chm. Svedjan closed the hearing on HB 1419 and it will be taken up later when the Committee receives the amendments.

2009 HOUSE STANDING COMMITTEE MINUTES

HB 1419

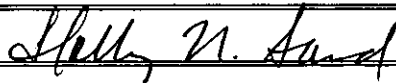
House Appropriations Committee

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Hearing Date: February 5, 2009

Recorder Job Number: 8743

Committee Clerk Signature



Minutes:

Chm. Svedjan moved the Committee Work discussion to HB 1419.

Rep. Wieland distributed amendment .0101 (Attachment A) and amendment .0102 (Attachment B).

Chm. Svedjan: This bill has to do with the Budget Stabilization Fund. In its original form it would have removed the 10 percent cap and the interest earnings would have gone into the fund.

Rep. Berg: There is also another amendment .0103 (Attachment C) that will be coming around.

Rep. Berg: Allen Knudson is going to come down and address .0103. (2:39)

Rep. Wieland: If you remember, there was a huge Fiscal Note attached and that was not the intent of the bill. The intent was only to remove the cap and allow the interest to collect and .0101 amends the bill so that we would not have the balance of funds put into the Budget Stabilization Fund. The interest could still be added in. What they did on the Fiscal Note was take whatever the balance was and put the whole amount in and that was not the intent. (3:00)

Rep. Wieland: Amendment .0102 changes the balance in the fund from 10 percent of the budget to 12.5 percent.

Chm. Svedjan: So amendment .0101 allows for the accumulation in the fund. Amendment .0102 raises the cap from 10 percent to 12.5 percent.

Rep. Wieland: It doesn't really make that a cap, it just says that that is the amount that we would put in, but it still allows the interest to grow.

Rep. Wieland moved to adopt amendment .0101. Rep. Kreidt seconded the motion.

Rep. Kaldor: I would like clarification. In Section 1 of the bill we would basically unstrike the overstrike. That language would remain as it is in current law. (4:59)

Rep. Wieland: Amendment .0101 removes lines 7-15. So that part of the Section is removed.

On page 1, line 16, we overstrike the date and put "Effective after June 30, 2009."

Allen Knudson, Legislative Council: Amendment .0102 is a replacement for .0101.

Amendment .0102 includes the changes in .0101 already. You don't have to approve both. If you want to raise the cap to 12.5 percent and after that point take the cap off so the interest stays in, that's what .0102 does.

Chm. Svedjan: We could withdraw the motion on .0101?

Mr. Knudson: Yes.

Rep. Wieland withdrew the motion to adopt amendment .0101. Rep. Kreidt removed his second.

Rep. Wieland moved amendment .0102. Rep. Kreidt seconded the motion.

Rep. Hawken: It says, "remove lines 7 through 15" on .0101. It says remove the overstrike on .0102 so that's not the same. (7:10)

Mr. Knudson: In .0101, the plan was that the transfer on June 30 would not be affected but that the cap would be removed starting August 1. That's why we removed lines 7 through 15 because that's what's effective now through June 30. That would stay the same under .0101. Then beginning August 1, the cap would be removed so the money would stay in the fund. We didn't need to have the different effective dates on .0101 if the intent was just to remove the cap beginning August 1. Then .0102 keeps the emergency clause on . . . There's a typo on .0102. The effective June 30 should remain the same, so that "Page 1, line 7" shouldn't be over stricken or shouldn't be changed to "July 31." No. I'm sorry. The reason we are doing that is we're saying through July 31 of this year the cap is changed to 12.5 percent. Then the second section is changed to after July 31, the cap is removed so the interest stays in the fund. That's the reason the June 30 is changed to July 31 on line 7 so that will affect this transfer that's made at the end of this biennium.

Chm. Svedjan: Amendment .0102 raises the cap to 12.5 percent and that would be effective at the end of this biennium?

Mr. Knudson: That would be effective through July 31, 2009.

Chm. Svedjan: And thereafter, the interest earnings on that fund accumulate to the fund.

Mr. Knudson: That's right.

Chm. Svedjan: So that's what essentially .0102 does.

Mr. Knudson: That's correct.

Rep. Hawken: It's right now.

Rep. Glassheim: It's for this biennium? We would have to put 12.5 percent in, is that right?

Chm. Svedjan: The July 31 date referenced on line 7 would allow for the cap to go from 10 to 12.5 percent effective July 31, 2009. Thereafter, the 12.5 percent would stay at that level but the earnings on that fund would accumulate to the fund.

Rep. Kaldor: If the Emergency Clause does not go into effect what is the effect of the legislation? (11:33)

Mr. Knudson: Then the act would be effective on August 1, so the cap would remain at 10 percent which is under current law but then after August 1, the interest would stay in the fund.

Chm. Svedjan: And the 12.5 percent would be a moot point.

Mr. Knudson: Right.

Rep. Berg: If you carry this into the future, what amount of money would flow from the . . . let's assume we had an ending fund balance of \$500 million . . . what amount of that would flow into this fund? Any of it? All of it? Or would this eliminate that transfer of any money over \$65 million? (12:13)

Ms. Knudson: Any amount in the General Fund at the end of the biennium over \$65 million in future biennia would flow to the Budget Stabilization Fund unless a future legislative assembly would put a cap on it again. (12:41)

Rep. Berg: If there was \$500 million, then all \$500 million would flow in?

Mr. Knudson: Less \$65 million.

Rep. Berg: \$435 million.

Chm. Svedjan: Are you saying the 10 percent would no longer be in effect?

Mr. Knudson: Yes. With the provisions in the bill, beginning August 1 the cap is removed which allows interest to build up in the fund. If in future biennia there is additional money in the General Fund at the end of the biennium there is no longer a cap on the Budget Stabilization

Fund, so any amount over \$65 million would be transferred into the fund unless the legislative assembly would put a cap on.

Rep. Berg: My understanding was that we would keep a cap in there, that it would stay at 12.5 percent but between now and the next session, the interest would build in there so we would have at least 12.5 percent formula set up at the end of a biennium. What is the intention of the sponsors? (13:47)

Rep. Wieland: The intention of the bill originally, without the 12.5 percent, was to allow the fund to grow with the earnings on the fund. Then we added in the 12.5 percent instead of the 10 percent. The intent was that the Budget Stabilization Fund would be at 12.5 percent but the earnings would grow on top of that. (14:29)

Chm. Svedjan: What we're saying now, based on what Allen just said is that amendment .0102 would put the 12.5 percent in effect until July 31, 2009, but thereafter the 12.5 percent would go off but the earnings would go accumulate to the fund. Is that correct?

Mr. Knudson: Right. The reason that the earnings don't go into the fund now is that the fund is at the cap. To allow the interest to stay in there, removing the cap would be the simplest way to do that. Then future legislative assemblies could decide whether there should be a cap each time.

Rep. Hawken: If the goal is to have the interest go into the Budget Stabilization Fund why wouldn't it be easier to simply state 10 percent plus interest? I would not vote to have all the money over \$65 million go into the Budget Stabilization Fund. I think that's the end result of what we've got here and I can't go that direction. Ten percent plus the interest makes more sense. We sometimes try to make these things so hard. If that's what we're trying to do, let's just do that. (15:58)

Chm. Svedjan: We are attempting to raise the cap from 10 percent to 12.5 percent but the earnings on the fund could allow that fund to exceed 12.5 percent. (16:53)

Rep. Wieland: That was the intent.

Chm. Svedjan: So what we're being told now is that this amendment does not do that.

Rep. Berg: I think we should have the amendment redrafted. (17:20)

Rep. Kaldor: When we calculate the cap or the amount that should be in the Budget Stabilization Fund, I'm assuming that's done at the outset when we plan the budget, have the revenue forecast and everything. It's 10 percent of the appropriations budget right now that goes into the Budget Stabilization Fund. Is the interest that which is accumulated over the biennium? I respect Rep. Hawken's position, but it's still complicated to have a cap and then to say that interest shall accumulate because then you really don't have a cap. It's not a cap if you allow the interest to go in. (17:30)

Rep. Berg: The intent is if we have a surplus at the end of the biennium, any amount over \$65 million would go in this fund. If there's only a little bit of money that goes in the fund or none at all then it's set up so that all the interest in that fund would stay in that fund until it hit 10 percent. Then when it hit 10 percent, because that's the level we've determined that we think is appropriate, then the money would flow into the General Fund. If we want to keep it simple, we raise the cap to 12.5 percent and leave everything else the same. (18:29)

Chm. Svedjan: "Leave everything the same," meaning?

Rep. Berg: Meaning we switch the 10 percent to 12.5 percent. If there's not 12.5 percent in the fund the interest would accumulate to get it up to 12.5 percent or money would flow out of ending fund balance. We all assume that spending is going to go up two years from now. So does it make sense to let that interest accumulate during the interim? It might make sense to

let it build over 12.5 percent but that it becomes reconciled at the end of the biennium. The committee needs to decide what level is appropriate as a percentage and then . . .

Chm. Svedjan: Do we want the fund to be at 12.5 percent July 31, 2009? I think it is. Do we want the 12.5 percent to be in effect during the next biennium? I think the answer is yes. Do we want the earnings to accumulate to the fund to exceed 12.5 percent? If the answer to all three of those is yes, our amendment does not say that at this point. (20:22)

Rep. Delzer: Instead of wording that as a cap just have it that on that day you look at that and it goes in there, if there isn't 12.5 percent it goes into 12.5 percent, but it's not a cap. The only day you look at the 12.5 percent is the end of the biennium. (21:35)

Chm. Svedjan: Right.

Rep. Skarphol: We have another issue that we need to consider and that is that right now the Budget Stabilization Fund is short of what we should have because of the losses that have been incurred. If we transfer to 12.5 percent at the end of this biennium it's going to take more than what we normally have transferred because of those losses. Are we going to allow those earnings to accumulate as well as the interest? I think they should. (21:59)

Rep. Berg: Keep it simple. At the end of the biennium we want 12.5 percent in there. At the end of the next biennium we want 12.5 percent and we want the gains within that fund to stay within that fund during the interim.

Chm. Svedjan: Which could put you over 12.5 percent.

Rep. Berg: Let's take it one step further, maybe have a 20 percent gain in the fund, the fund may put money back into the General Fund at the end of the biennium. If there's 15 percent in the fund and we square up at the end of a biennium that could happen. (22:55)

Chm. Svedjan: I'm going to ask that the motion be withdrawn on the adoption of .0102.

Rep. Wieland withdrew his motion to adopt amendment .0102. Rep. Kreidt withdrew his second.

Chm. Svedjan asked Rep. Wieland if he would you proceed in developing those amendments?

Chm. Svedjan: Rep. Berg, based on your last comment, are we asking that the 15 percent be part of this amendment?

Rep. Berg: I think that's intuitive the way you described it.

Chm. Svedjan: We want the amendment to say we will have 12.5 percent in the fund at the end of this biennium. We want the 12.5 percent in effect during the next biennium and the earnings accumulate to the fund. If that grows it to 15 percent do we need language in there that reconciles it?

Rep. Berg: I think that's the way it's set up now. I think we're saying that we need an emergency clause to move it from 10 percent to 12.5 percent for this biennium.

Mr. Knudson: I got a little confused by your last comment that the money would go back to the General Fund. If next biennium the legislature appropriated the same amount as this biennium, we're at 12.5 percent, but then we've got 15 percent based on the interest, you want the money then to go back to the General Fund to get back to 12.5 percent? (25:20)

Rep. Berg: I think that has to happen otherwise we have no cap.

Chm. Svedjan: That was your (Rep. Kaldor) point.

Rep. Kaldor: Theoretically you could have 100 percent of the appropriations budget.

Chm. Svedjan: Let's have those drafted and we will take that up later.

Rep. Berg discussed .0103 (Attachment C). The question is, what is the purpose of the Budget Stabilization Fund? How do we use it if we get into a drought? This amendment says

that if we have declining revenue during the interim, when we're not in session, this could be used. It also says that if we go into the session with flat revenue, that the fund can be used to pay for the cost to continue. If you look at next biennium, right now, it will take about \$125 million to continue the salaries from the second year of this upcoming biennium through the next biennium. This fund would become a solid safety net when the legislature comes back into session and revenues are below where they were this year. The only other change, the Governor came in to eliminate the 2.5 percent allotment. This says that the allotment won't be 2.5 percent but the reduction in revenue would be 50 percent from the allotment and 50 percent from the Budget Stabilization Fund. If the allotment is 5 percent it doesn't make any difference. It would have the same impact. If the allotment is more than 5 percent or the reduction in revenues more than 5 percent then there would be a higher allotment. (26:11)

Chm. Svedjan: What triggers it? Is it that revenues are estimated to drop by at least 2 percent?

Rep. Berg: There is a lot of confusion. If our revenues decline over the forecast when the legislature ends, it requires the Governor to do an allotment. That's in statute. Fifty percent of the allotment would come out of here. What would trigger the other is the legislature comes back into next session with flat revenue, you could use this fund for the cost to continue – those things specified on the back page. (29:05)

Chm. Svedjan: Based on the Governor's budget proposal the costs to continue if we were to approve that budget the way it is, is \$123.9 million. Using your scenario, if revenues were flat this fund could be used to cover that cost to continue.

Rep. Berg: It goes against my grain to use one-time money to cover the ongoing costs but I think that's the purpose of the Budget Stabilization Fund.

Chm. Svedjan: I like both of these provisions. The latter gives legitimate use to a Budget Stabilization Fund. I also like the feature where if our revenues are falling below projection, you get in a situation where at least part of the difference can be funded through the Budget Stabilization Fund but part has to come from budgets. We have to get our spending under control too.

Rep. Berg moved to adopt amendment .0103. Rep. Thoreson seconded the motion.

Rep. Kroeber: On p. 2, if you had the reduction in revenue there would be no allotment for the elementary and secondary education because of the Foundation Aid Stabilization Fund. I do not think that should be in there. (32:13)

Mr. Knudson: On page 2, that does not deal with the allotment process. Subsection 2 gives direction to future legislative assemblies as to when transfers could be made from the Budget Stabilization Fund. The allotment part is only Subsection 1. (32:35)

Rep. Kaldor: I think Section 2 is very positive. As to how the 50/50 works, if there's a small shortfall it's very positive for state government because they don't have to go through an allotment. The greater the magnitude of the shortfall really does change the effect on budget cuts as compared to the current situation. I have concern about that. The magnitude of their cuts would be much greater than they would be under current law. I applaud the intention to lower that to 2 percent, but am concerned if we have a 10 percent reduction we will be forcing a much greater allotment than we will under the current law. (33:02)

Rep. Berg: That's exactly why we should do it. If we have a big crisis, people should know we have a big crisis. (34:38)

Rep. Kaldor: The only problem I have is that we're sitting with a Budget Stabilization Fund that is quite high and could cover the shortfall. We will be causing significant turmoil. There's no question that when the next legislative session comes in they will have to lower the bar. But it will be hard to face the consequences if we have a significant Budget Stabilization Fund and we are requiring agencies to make more severe cuts than under current law. (35:12)

Chm. Svedjan: Couldn't it also be argued that if you were to reduce the size of the allotment, something less than 50 percent, and you cover that with the Budget Stabilization Fund, when the legislature comes in next time, you would be facing huge reductions anyway? (35:33)

Rep. Kaldor: I think that's probably true. On the other hand, obligations are made during a biennium, some of which will be more difficult to deal with through that allotment process.

Rep. Delzer: I had some of those same concerns and as we were having this discussion one thing occurred to me. Timing on these is everything. Usually the allotment isn't going to happen until the second year of the biennium. The next legislative session basically comes in six month before the end of the biennium. Having this in place gives them the opportunity to make the decisions they are worried about. (37:01)

Rep. Glassheim: I would like to see a hypothetical for 2 percent and 5 percent.

Rep. Berg: I asked Council to put together a sheet on the Budget Stabilization Fund and one of the problems is that we've got all these decisions that we're making right now on it so they want to wait to put that together.

Mr. Knudson: Under current law, if there was a \$2 billion revenue and a 2 percent shortfall, that would be a total of \$40 million. Under current law, agencies would be required to do an allotment for \$25 million, \$15 million would come out of the Budget Stabilization Fund. (39:26)

Rep. Berg: I think I see the confusion. On that second line it says 2 percent and I think what they're saying here is that if you have a 2 percent allotment, half of that is going to come out of

the Budget Stabilization Fund. The question is what if you have a 1 percent reduction in revenue?

Mr. Knudson: Under current law if there's a 2 percent shortfall, the agencies would need an allotment for that full amount. Under the amendments half of it would come out of the Budget Stabilization Fund.

Chm. Svedjan: Explain how you get to them paying the whole allotment now under current law.

Mr. Knudson: Under current law, the revenues need to drop by more than 2.5 percent before the Budget Stabilization Fund can be accessed. So anything up to 2.5 percent is handled through an allotment process. (41:23)

Rep. Glassheim: Then at 5 percent?

Mr. Knudson: There would be no difference because 2.5 percent would come out of the Budget Stabilization Fund and 2.5 percent by an allotment. If it was a 10 percent reduction then under current law agencies would allot 2.5 percent, 7.5 percent would come out of the Budget Stabilization Fund. Under the amendments agencies would need to allot 5 percent.

Rep. Glassheim: So with a large decrease you would have a larger allotment than current law.

Rep. Nelson: The trigger mechanism has been lowered from 2.5 percent to 2 percent in the amendment. Why was that chosen?

Mr. Knudson: It was just that it would be a 50 percent share.

Rep. Berg: It doesn't need to be 2 percent. It could be any allotment.

Mr. Knudson: As it is written, it's a 2 percent. There would need to be a 2 percent reduction.

Rep. Kempenich: If you had a 10 percent shortfall and it fell into where things are at, you'd be making up 7 or 7.5 percent. The Budget Stabilization Fund is to keep stable. At some point, if

you hit something like that, you are in trouble anyway. Something has to give. You won't have any revenue to cover the costs to continue going forward so you can't even stabilize what you've done in the last session let alone try to carry the next session forward. (43:31)

Chm. Svedjan: That was my point. It's going to haunt you sooner or later.

The motion to adopt amendment .0103 carried by a voice vote and the amendment was adopted.

Chm. Svedjan: We will wait for revised amendments.

Rep. Delzer: There is another issue we should discuss. When you look at the Section of the Code (reading from Century Code) it says that the Director of Office of Management and Budget projects that General Fund revenues for the biennium will be at least 2.5 percent." I'm not sure if using the projection or using the actual report of income. OMB said the other day that they have to go in and do a reprojection before it's triggered. (45:20)

Chm. Svedjan: You are suggesting that it should say "actual revenue has declined by."

Rep. Delzer: I think that's something we should discuss.

Rep. Berg: That is my intent, that it is the amount that we approved at the end of the session.

Mr. Knudson: The section reads now that it's OMB's projection during the interim compared to the revenue forecast that you approved during the session. The base amount is what you approved during the session. I think the concern with going to actual revenues is the fluctuation from month to month. If one month revenues are down that could just be a temporary situation so I don't know how you'd work through that.

Chm. Svedjan: And we do see those blips sometimes. I think we'll proceed with how we've instructed you and go from there.

Rep. Berg: What if there's a 1 percent reduction in revenue?

Mr. Knudson: If it was 1 percent it would be an allotment of 1 percent. With these amendments it wouldn't kick in until there is a 2 percent reduction.

Rep. Berg: So when there's a 2 percent reduction, 1 percent would come out of the fund and 1 percent allotment.

Chm. Svedjan: That's correct.

Rep. Nelson: That wasn't in the explanation. The argument was made that it was evening out the impact from any reduction. It does say it has to be 2 percent.

Chm. Svedjan: The 2 percent is the trigger, so anything up to 2 percent would be done in an allotment completely.

Chm. Svedjan recessed the Committee for a ten minute break.

2009 HOUSE STANDING COMMITTEE MINUTES

HB 1419

House Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: February 11, 2009

Recorder Job Number: 9231

Committee Clerk Signature

Holly N. Sand

Minutes:

Chm. Svedjan called the meeting of the House Appropriations Committee to order. Clerk, Holly Sand, called the roll and a quorum was declared.

Chm. Svedjan reviewed the schedule and noted that he may need to deviate from the schedule depending on the progress made and the availability of amendments being prepared. The Full Committee may have to recess for the Sections so they can conclude their work. The Full Committee has 80 bills total to get through.

Chm. Svedjan turned the discussion to HB 1419 and reminded the Committee of the work done at the last meeting on this bill. (4:58)

Rep. Berg distributed amendment .0105 (Attachment A). It only has one change. The amendment that was adopted said that the revenue forecast had to be 2 percent down and the split would be 50/50. The intention was that it would split the Budget Stabilization Fund 50/50 from the first dollar of reduction. (5:25)

Rep. Berg moved to reconsider the action whereby amendment .0103 was adopted. **Rep. Wald** seconded the motion.

Rep. Berg: The amendments we adopted that we are reconsidering now, if there was a 1 percent allocation no money would come from the Budget Stabilization Fund. The amendments I wanted to adopt would say whatever the allocation is, half would come from the Budget Stabilization Fund.

The motion to reconsider the action whereby amendment .0103 was adopted carried by a voice vote.

Rep. Berg moved amendment .0105. Rep. Thoreson seconded the motion.

Chm. Svedjan: In my view this is a significant improvement to what was contained in .0103.

Rep. Meyer: According to .0105 if there is ever any projected lowering it would automatically, instead of having a 2 percent. There's no cushion if it ever comes in that the General Fund revenues are lower.

Rep. Berg: That's correct. Amendment .0105 is a tremendous change from how we viewed the Budget Stabilization Fund. Rep. Berg reviewed the amendment. (9:12)

The motion to adopt amendment .0105 carried by voice vote and the amendment was adopted.

Rep. Berg distributed amendment .0107 (Attachment B).

Rep. Berg: There are two issues: What is an appropriate amount to have in our Budget Stabilization Fund and whether or not we want to allow interest to build the fund during the interim. As we move forward our spending goes up so the only way to increase the Budget

Stabilization Fund is if we have a big reserve at the end of the biennium. The discussion was to allow the interest to stay in the fund through the interim and it will track closer to the percent we appropriate the next biennium. This amendment would change from 10 percent to 12.5 percent. Because you don't want the fund to grow forever, once every two years at the end of the biennium, you look at the fund and if it is at 13.5 percent, 1 percent would come out of the fund and it would continue the next two year period keeping the interest.

Chm. Svedjan: And that one percent in your example would go into the General Fund so it would maintain the Budget Stabilization Fund at 12.5 percent.

Rep. Berg: The only time it will probably ever be right at that number would probably be at the end of the biennium.

Rep. Berg moved amendment .0107. Rep. Wald seconded the motion.

Rep. Hawken: What is the rationale for moving to 12.5 percent from 10 percent? (13:51)

Rep. Berg: This Budget Stabilization Fund is a safety net for state government. Let's assume we have a crisis like we did in '89 where we had over 8 percent allotment, the Budget Stabilization Fund would be a Band-Aid for two biennia.

Rep. Hawken: I'm not sure why we think we need to raise that right now. There are a few things constitutionally that we have to pay for, pensions we have to pay for, bond payments. We keep talking about the costs to continue and that's great when things are good. But we're really good at making cuts in budgets and if things are good we don't have to continue anything except those things that are mandated. If things are that bad, then we'll do that. But right now when we have some opportunities to invest, this is once again putting more money where we cannot invest in the future of North Dakota.

Rep. Meyer: Where does this address if it's in '07 or '05 that the interest flows into it?

Allen Knudson, Legislative Council: If you look on the bill, lines 18 and 19, that's in current law that the interest stays in the fund. Under current law, because that cap was also included in these sections, . . . we set the cap anytime the interest would not stay in the fund where now we're just going to look at the cap at the end of the biennium so the interest will stay in during the biennium. (16:51)

The motion to adopt amendment .0107 to HB 1419 carried by voice vote and the amendment was adopted.

Rep. Berg moved a Do Pass as Amended to HB 1419. Rep. Wieland seconded the motion. The motion carried by a roll call vote of 14 yeas, 10 nays and 1 absent and not voting. Rep. Berg will carry the bill.

Rep. Berg: If this bill does not pass it would require a 2.5 percent allotment by all state agencies before anything comes out of the Budget Stabilization Fund. There would not be money coming out of the Budget Stabilization Fund on a cost to continue.

Chm. Svedjan: That's correct. So it basically reverts back to where it is.

Rep. Glassheim: Two or three parts of the bill are extremely good, but it also means another \$85 million out of the General Fund which means absolutely no General Fund balance at all. That's the part that is a sticking point.

Rep. Berg: Every forecast we've looked at shows we are going to have about \$800 million dollars sitting aside. This will preserve the money to be used in our ongoing budgeting.

Chm. Svedjan ended the discussion on HB 1419.

FISCAL NOTE
Requested by Legislative Council
02/16/2009

Amendment to: HB 1419

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	(\$81,800,000)	\$81,800,000	(\$4,000,000)	\$4,000,000
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This engrossed bill raises the cap on the budget stabilization fund (BSF) to 12.5% of appropriations for determining transfers to the fund and provides that all interest on the fund balance is to be retained in the fund, even if the fund balance is at the statutory cap for transfers.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The engrossed bill results in an additional transfer to the BSF at the close of the 2007-09 biennium, reducing the ending general fund balance and revenues available for 2009-11. Under the engrossed bill, the interest on the fund balance would accrue to the BSF rather than the general fund.

The engrossed bill also limits the ability of the Governor to use the BSF to address a revenue shortfall to 1/2 of the shortfall, which would result in the need to reduce spending authority through an allotment to address the remaining shortfall. Current law requires an allotment to address revenue shortfalls in excess of 2.5%, but allows the BSF to be used to address the amount of the shortfall in excess of 2.5%.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The engrossed bill would result in transfer of \$188.9 million to the BSF, compared to the transfer of \$111.1 million anticipated under current law. Assuming a .5% money market return and no additional transfers to the fund, interest earnings of \$4.0 million would accrue to the BSF rather than the general fund each biennium.

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Joe Morrisette	Agency:	OMB
Phone Number:	328-1024	Date Prepared:	02/17/2009

FISCAL NOTE
Requested by Legislative Council
01/15/2009

Bill/Resolution No.: HB 1419

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	(\$333,236,221)	\$333,236,221	(\$6,459,392)	\$6,459,392
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill removes the cap on the budget stabilization fund (BSF) and provides for the transfer of any end of biennium general fund balances in excess of \$65.0 million.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Removal of the cap results in an additional transfer to the BSF at the close of the 2007-09 biennium, reducing the ending general fund balance and revenues available for 2009-11. Removal of the cap results in interest on the fund balance accruing to the BSF rather than the general fund.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Removal of the cap would result in an additional transfer of \$326,840,941 to the BSF, compared to the transfer of \$111,092,167 proposed under current law. Assuming a .5% money market return and no additional transfers to the fund, interest earnings of \$6.4 million would accrue to the BSF rather than the general fund each biennium.

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Joe Morrisette	Agency:	OMB
Phone Number:	328-1024	Date Prepared:	01/16/2009

90696.0101
Title.

Prepared by the Legislative Council staff for
Representative Wieland
January 28, 2009

Attachment A
2/5/09
HB 1419

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1419

Page 1, line 3, remove "; and to declare an emergency"

Page 1, remove lines 7 through 15

Page 1, line 16, overstrike "(Effective after June 30, 2009)"

Page 2, remove line 9

Renumber accordingly

Date: 2/5/09
Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1419

Full House Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 90696.0101

Action Taken adopt Amendment 0101

Motion Made By Wieland Seconded By Kreidt

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan					
Vice Chairman Kempenich					
Rep. Skarphol			Rep. Kroeber		
Rep. Wald			Rep. Onstad		
Rep. Hawken			Rep. Williams		
Rep. Klein					
Rep. Martinson					
Rep. Delzer			Rep. Glassheim		
Rep. Thoreson			Rep. Kaldor		
Rep. Berg			Rep. Meyer		
Rep. Dosch					
Rep. Pollert			Rep. Ekstrom		
Rep. Bellew			Rep. Kerzman		
Rep. Kreidt			Rep. Metcalf		
Rep. Nelson					
Rep. Wieland					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

withdrawn

90696.0102
Title.

Prepared by the Legislative Council staff for HB 1419
Representative Wieland
February 2, 2009

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1419

Page 1, line 3, after the semicolon insert "to provide an effective date;"

Page 1, line 7, overstrike "**June 30**" and insert immediately thereafter "**July 31**"

Page 1, line 10, remove the overstrike over "~~Any~~"

Page 1, remove the overstrike over line 11

Page 1, line 12, remove the overstrike over "~~would bring the balance in the fund to an amount greater than~~", after "~~five~~" insert "twelve and one-half", and remove the overstrike over "~~percent of the current~~"

Page 1, remove the overstrike over lines 13 through 15

Page 1, line 16, overstrike "**June 30**" and insert immediately thereafter "**July 31**"

Page 2, after line 8, insert:

"SECTION 3. EFFECTIVE DATE. Section 2 of this Act becomes effective on August 1, 2009."

Renumber accordingly

Date: 2/5/09
Roll Call Vote #: 2

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1419

Full House Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 90696.0102

Action Taken Adopt amendment .0102

Motion Made By Wieland Seconded By Kreidt

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan					
Vice Chairman Kempenich					
Rep. Skarphol			Rep. Kroeber		
Rep. Wald			Rep. Onstad		
Rep. Hawken			Rep. Williams		
Rep. Klein					
Rep. Martinson					
Rep. Delzer			Rep. Glassheim		
Rep. Thoreson			Rep. Kaldor		
Rep. Berg			Rep. Meyer		
Rep. Dosch					
Rep. Pollert			Rep. Ekstrom		
Rep. Bellew			Rep. Kerzman		
Rep. Kreidt			Rep. Metcalf		
Rep. Nelson					
Rep. Wieland					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Withdraw

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1419

Page 1, line 1, replace the second "and" with a comma and after "54-27.2-02" insert ", and 54-27.2-03"

Page 1, line 2, replace "and" with a comma

Page 1, line 3, after "fund" insert ", and transfers from the budget stabilization fund"

Page 2, after line 8, insert:

"SECTION 3. AMENDMENT. Section 54-27.2-03 of the North Dakota Century Code is amended and reenacted as follows:

54-27.2-03. Transfers and expenditures from budget stabilization fund.

1. If the director of the office of management and budget projects that general fund revenues for the biennium will be at least two ~~and one-half~~ percent less than estimated by the most recently adjourned special or regular session of the legislative assembly, and if the governor orders a transfer, which must be reported to the budget section of the legislative council, the state treasurer shall transfer the appropriate funds from the budget stabilization fund to the state general fund to offset one-half of the decrease in general fund revenues. The amount transferred from the budget stabilization fund upon order of the governor may not exceed the difference between an amount two and one-half percent below the general fund revenue projections for the biennium of the most recently adjourned special or regular session of the legislative assembly and the general fund revenue projections for the biennium by the director of the office of management and budget. The amount transferred from the budget stabilization fund upon order of the governor to the state general fund may be expended within the limits of legislative guidelines and general fund appropriations of the most recently adjourned special or regular session of the legislative assembly. For purposes of this section, "general fund revenues for the biennium" and "general fund revenue projections for the biennium" include the general fund balance at the beginning of the biennium.
2.
 - a. If during a regular or special session of the legislative assembly the estimated amount of general fund revenues for the current biennium is not sufficient to provide for the general fund appropriations approved by the most recently adjourned regular or special session of the legislative assembly, the legislative assembly may transfer funds from the budget stabilization fund to the general fund in an amount necessary to provide funding equal to the general fund appropriations approved by the most recently adjourned regular or special session of the legislative assembly.
 - b. If during a regular or special session of the legislative assembly the estimated amount of general fund revenues projected for the subsequent biennium is not sufficient to provide for the general fund appropriations approved by the most recently adjourned regular or

special session of the legislative assembly plus costs to continue, the legislative assembly may transfer funds from the budget stabilization fund in an amount necessary to provide that funding. For purposes of this section, "costs to continue" means the estimated funding adjustments necessary to continue for two years in the subsequent biennium state employee salaries, elementary and secondary education state school aid, and human service provider payments at the same level as the second year of the current biennium, or other adjustments necessary to provide for state employee health insurance coverage or as a result of federal medical assistance percentage changes to maintain human services programs."

Renumber accordingly

Date: 2/5/09
Roll Call Vote #: 3

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1419

Full House Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 90696.0103

Action Taken Adopt Amendment 0103

Motion Made By Berg Seconded By Thoreson

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan					
Vice Chairman Kempenich					
Rep. Skarphol			Rep. Kroeber		
Rep. Wald			Rep. Onstad		
Rep. Hawken			Rep. Williams		
Rep. Klein					
Rep. Martinson					
Rep. Delzer			Rep. Glassheim		
Rep. Thoreson			Rep. Kaldor		
Rep. Berg			Rep. Meyer		
Rep. Dosch					
Rep. Pollert			Rep. Ekstrom		
Rep. Bellew			Rep. Kerzman		
Rep. Kreidt			Rep. Metcalf		
Rep. Nelson					
Rep. Wieland					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Voices Vote - carries

May 27

Date: 2/11/09
Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1419

Full House Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Reconsideration whereby .0103 was

Motion Made By Berg Seconded By Wald adopted

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan					
Vice Chairman Kempenich					
Rep. Skarphol			Rep. Kroeber		
Rep. Wald			Rep. Onstad		
Rep. Hawken			Rep. Williams		
Rep. Klein					
Rep. Martinson					
Rep. Delzer			Rep. Glassheim		
Rep. Thoreson			Rep. Kaldor		
Rep. Berg			Rep. Meyer		
Rep. Dosch					
Rep. Pollert			Rep. Ekstrom		
Rep. Bellew			Rep. Kerzman		
Rep. Kreidt			Rep. Metcalf		
Rep. Nelson					
Rep. Wieland					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Voices Vote - carries

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1419

Page 1, line 1, replace the second "and" with a comma and after "54-27.2-02" insert ", and 54-27.2-03"

Page 1, line 2, replace "and" with a comma

Page 1, line 3, after "fund" insert ", and transfers from the budget stabilization fund"

Page 2, after line 8, insert:

"SECTION 3. AMENDMENT. Section 54-27.2-03 of the North Dakota Century Code is amended and reenacted as follows:

54-27.2-03. Transfers and expenditures from budget stabilization fund.

1. If the director of the office of management and budget projects that general fund revenues for the biennium will be ~~at least two and one-half percent less than estimated by the most recently adjourned special or regular session of the legislative assembly, and if the governor orders a transfer, which must be reported to the budget section of the legislative council, the state treasurer shall transfer the appropriate funds from the budget stabilization fund to the state general fund to offset one-half of the decrease in general fund revenues. The amount transferred from the budget stabilization fund upon order of the governor may not exceed the difference between an amount two and one-half percent below the general fund revenue projections for the biennium of the most recently adjourned special or regular session of the legislative assembly and the general fund revenue projections for the biennium by the director of the office of management and budget.~~ The amount transferred from the budget stabilization fund upon order of the governor to the state general fund may be expended within the limits of legislative guidelines and general fund appropriations of the most recently adjourned special or regular session of the legislative assembly. For purposes of this section, "general fund revenues for the biennium" and "general fund revenue projections for the biennium" include the general fund balance at the beginning of the biennium.
2. a. If during a regular or special session of the legislative assembly the estimated amount of general fund revenues for the current biennium is not sufficient to provide for the general fund appropriations approved by the most recently adjourned regular or special session of the legislative assembly, the legislative assembly may transfer funds from the budget stabilization fund to the general fund in an amount necessary to provide funding equal to the general fund appropriations approved by the most recently adjourned regular or special session of the legislative assembly.
b. If during a regular or special session of the legislative assembly the estimated amount of general fund revenues projected for the subsequent biennium is not sufficient to provide for the general fund appropriations approved by the most recently adjourned regular or

special session of the legislative assembly plus costs to continue, the legislative assembly may transfer funds from the budget stabilization fund in an amount necessary to provide that funding. For purposes of this section, "costs to continue" means the estimated funding adjustments necessary to continue for two years in the subsequent biennium state employee salaries, elementary and secondary education state school aid, and human service provider payments at the same level as the second year of the current biennium, or other adjustments necessary to provide for state employee health insurance coverage or as a result of federal medical assistance percentage changes to maintain human services programs."

Renumber accordingly

May 27

Date: 2/11/09
Roll Call Vote #: 2

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1419

Full House Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 90696.0105

Action Taken Adopt Amendment .0105

Motion Made By Berg Seconded By Thoreson

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan					
Vice Chairman Kempenich					
Rep. Skarphol			Rep. Kroeber		
Rep. Wald			Rep. Onstad		
Rep. Hawken			Rep. Williams		
Rep. Klein					
Rep. Martinson					
Rep. Delzer			Rep. Glassheim		
Rep. Thoreson			Rep. Kaldor		
Rep. Berg			Rep. Meyer		
Rep. Dosch					
Rep. Pollert			Rep. Ekstrom		
Rep. Bellew			Rep. Kerzman		
Rep. Kreidt			Rep. Metcalf		
Rep. Nelson					
Rep. Wieland					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Voie Vote - carries

Attachment B
2/11/09

90696.0107
Title.

Prepared by the Legislative Council staff for
House Appropriations
February 9, 2009

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1419

Page 1, remove lines 7 through 15

Page 1, line 16, after "fund" insert "**- Maximum balance - Transfer to general fund**"

Page 1, line 24, after the overstruck period insert "Any amount in the budget stabilization fund at the end of any biennium in excess of twelve and one-half 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, must be transferred by the state treasurer to the general fund. For purposes of this section, "at the end of any biennium" means after cancellation of unexpended appropriations under section 54-44.1-11."

Page 2, line 4, after "fund" insert "**- Limitation**"

Page 2, line 6, after "fund" insert "except that the state treasurer may not transfer any funds that would bring the balance in the budget stabilization fund to an amount in excess of twelve and one-half 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"

Renumber accordingly

May 27

Date: 2/11/09
Roll Call Vote #: 3

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1419

Full House Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 90696.0107

Action Taken adopt amendment .0107

Motion Made By Burg Seconded By Wald

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan					
Vice Chairman Kempenich					
Rep. Skarphol			Rep. Kroeber		
Rep. Wald			Rep. Onstad		
Rep. Hawken			Rep. Williams		
Rep. Klein					
Rep. Martinson					
Rep. Delzer			Rep. Glassheim		
Rep. Thoreson			Rep. Kaldor		
Rep. Berg			Rep. Meyer		
Rep. Dosch					
Rep. Pollert			Rep. Ekstrom		
Rep. Bellew			Rep. Kerzman		
Rep. Kreidt			Rep. Metcalf		
Rep. Nelson					
Rep. Wieland					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Voices Vote - carried

VK
2/12/09
1082

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1419

Page 1, line 1, replace the second "and" with a comma and after "54-27.2-02" insert ", and 54-27.2-03"

Page 1, line 2, replace "and" with a comma and after the second "to" insert ", and transfers from"

Page 1, line 5, after "Code" insert ", as effective after June 30, 2009,"

Page 1, remove lines 7 through 15

Page 1, line 16, after "fund" insert "- Maximum balance - Transfer to general fund"

Page 1, line 24, after the overstruck period insert "Any amount in the budget stabilization fund at the end of any biennium in excess of twelve and one-half 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, must be transferred by the state treasurer to the general fund. For purposes of this section, "at the end of any biennium" means after cancellation of unexpended appropriations under section 54-44.1-11."

Page 2, line 4, after "fund" insert "- Limitation"

Page 2, line 6, after "fund" insert "except that the state treasurer may not transfer any funds that would bring the balance in the budget stabilization fund to an amount in excess of twelve and one-half 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"

Page 2, after line 8, insert:

"SECTION 3. AMENDMENT. Section 54-27.2-03 of the North Dakota Century Code is amended and reenacted as follows:

54-27.2-03. Transfers and expenditures from budget stabilization fund.

1. If the director of the office of management and budget projects that general fund revenues for the biennium will be ~~at least two and one-half percent~~ less than estimated by the most recently adjourned special or regular session of the legislative assembly, and if the governor orders a transfer, which must be reported to the budget section of the legislative council, the state treasurer shall transfer the appropriate funds from the budget stabilization fund to the state general fund to offset one-half of the decrease in general fund revenues. ~~The amount transferred from the budget stabilization fund upon order of the governor may not exceed the difference between an amount two and one-half percent below the general fund revenue projections for the biennium of the most recently adjourned special or regular session of the legislative assembly and the general fund revenue projections for the biennium by the director of the office of management and budget.~~ The amount transferred from the budget stabilization fund upon order of the governor to the state general fund may be expended within the limits of legislative guidelines and general fund

2072
appropriations of the most recently adjourned special or regular session of the legislative assembly. For purposes of this section, "general fund revenues for the biennium" and "general fund revenue projections for the biennium" include the general fund balance at the beginning of the biennium.

2. a. If during a regular or special session of the legislative assembly the estimated amount of general fund revenues for the current biennium is not sufficient to provide for the general fund appropriations approved by the most recently adjourned regular or special session of the legislative assembly, the legislative assembly may transfer funds from the budget stabilization fund to the general fund in an amount necessary to provide funding equal to the general fund appropriations approved by the most recently adjourned regular or special session of the legislative assembly.
- b. If during a regular or special session of the legislative assembly the estimated amount of general fund revenues projected for the subsequent biennium is not sufficient to provide for the general fund appropriations approved by the most recently adjourned regular or special session of the legislative assembly plus costs to continue, the legislative assembly may transfer funds from the budget stabilization fund in an amount necessary to provide that funding. For purposes of this section, "costs to continue" means the estimated funding adjustments necessary to continue for two years in the subsequent biennium state employee salaries, elementary and secondary education state school aid, and human service provider payments at the same level as the second year of the current biennium, or other adjustments necessary to provide for state employee health insurance coverage or as a result of federal medical assistance percentage changes to maintain human services programs."

Renumber accordingly

Date: 2/11/09
Roll Call Vote #: 4

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1419

Full House Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken

No Pass as Amended

Motion Made By

Berg

Seconded By

Wieland

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan	✓				
Vice Chairman Kempenich	✓				
Rep. Skarphol	✓		Rep. Kroeber		✓
Rep. Wald	✓		Rep. Onstad		✓
Rep. Hawken		✓	Rep. Williams		✓
Rep. Klein	✓				
Rep. Martinson	✓				
Rep. Delzer			Rep. Glassheim		✓
Rep. Thoreson	✓		Rep. Kaldor		✓
Rep. Berg	✓		Rep. Meyer		✓
Rep. Dosch	✓				
Rep. Pollert	✓		Rep. Ekstrom		✓
Rep. Bellew	✓		Rep. Kerzman		✓
Rep. Kreidt	✓		Rep. Metcalf		✓
Rep. Nelson	✓				
Rep. Wieland	✓				

Total (Yes) 14 No 10

Absent 1

Floor Assignment Rep. Berg

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

REPORT OF STANDING COMMITTEE

HB 1419: Appropriations Committee (Rep. Svedjan, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (14 YEAS, 10 NAYS, 1 ABSENT AND NOT VOTING). HB 1419 was placed on the Sixth order on the calendar.

Page 1, line 1, replace the second "and" with a comma and after "54-27.2-02" insert ", and 54-27.2-03"

Page 1, line 2, replace "and" with a comma and after the second "to" insert ", and transfers from"

Page 1, line 5, after "Code" insert ", as effective after June 30, 2009,"

Page 1, remove lines 7 through 15

Page 1, line 16, after "fund" insert "- Maximum balance - Transfer to general fund"

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Page 2, line 4, after "fund" insert "- Limitation"

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"SECTION 3. AMENDMENT. Section 54-27.2-03 of the North Dakota Century Code is amended and reenacted as follows:

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1. If the director of the office of management and budget projects that general fund revenues for the biennium will be ~~at least two and one-half percent~~ less than estimated by the most recently adjourned special or regular session of the legislative assembly, and if the governor orders a transfer, which must be reported to the budget section of the legislative council, the state treasurer shall transfer the appropriate funds from the budget stabilization fund to the state general fund to offset one-half of the decrease in general fund revenues. ~~The amount transferred from the budget stabilization fund upon order of the governor may not exceed the difference between an amount two and one-half percent below the general fund revenue projections for the biennium of the most recently adjourned special or regular session of the legislative assembly and the general fund revenue projections for the biennium by the director of the office of management and budget.~~ The amount transferred from the budget stabilization fund upon order of the governor to the state general fund may be expended within the limits of legislative guidelines and general fund

appropriations of the most recently adjourned special or regular session of the legislative assembly. For purposes of this section, "general fund revenues for the biennium" and "general fund revenue projections for the biennium" include the general fund balance at the beginning of the biennium.

2. a. If during a regular or special session of the legislative assembly the estimated amount of general fund revenues for the current biennium is not sufficient to provide for the general fund appropriations approved by the most recently adjourned regular or special session of the legislative assembly, the legislative assembly may transfer funds from the budget stabilization fund to the general fund in an amount necessary to provide funding equal to the general fund appropriations approved by the most recently adjourned regular or special session of the legislative assembly.
- b. If during a regular or special session of the legislative assembly the estimated amount of general fund revenues projected for the subsequent biennium is not sufficient to provide for the general fund appropriations approved by the most recently adjourned regular or special session of the legislative assembly plus costs to continue, the legislative assembly may transfer funds from the budget stabilization fund in an amount necessary to provide that funding. For purposes of this section, "costs to continue" means the estimated funding adjustments necessary to continue for two years in the subsequent biennium state employee salaries, elementary and secondary education state school aid, and human service provider payments at the same level as the second year of the current biennium, or other adjustments necessary to provide for state employee health insurance coverage or as a result of federal medical assistance percentage changes to maintain human services programs."

Renumber accordingly

2009 SENATE APPROPRIATIONS

HB 1419

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1419

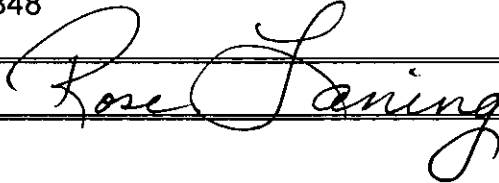
Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: March 6, 2009

Recorder Job Number: 10348

Committee Clerk Signature



Minutes:

Chairman Holmberg called the committee hearing to order on HB 1419 which refers to the maximum balance of, transfers to, and transfers from the budget stabilization fund.

Rep. Alon Wieland, District 13, West Fargo

Written attached testimony # 1.

Introduced HB 1419. This bill changes the amount to be placed or left in the budget stabilization fund from 10% of the general fund revenue for the biennium to 12.5%. In addition, sections 2 & 3 were amended to provide for the terms of how the budget stabilization fund can be accessed. The amendments make it a better bill for what the budget stabilization fund is intended. The House carrier of the bill, Rep. Berg should be here shortly to address sections 2 & 3 because they are his amendments.

Chairman Holmberg: What is the problem that the bill is attempting to solve?

Al Wieland: The original intent of my bill was to remove the cap from HB 1419. The budget stabilization fund was capped at 10% of the general fund revenues for the biennium. There should have been something close to \$200 M dollars in there, and there wasn't. It was down relatively close to \$180 M dollars and that's because of loss of portfolio. When we started the new biennium in 2009, the intent was to have a deposit in there of \$311 M dollars. It was amended in the House and they just added – going from 10% of revenues to 12.5% of

revenues instead. And then it goes on to explain how the fund can be accessed. I believe it's in section 2 & 3 – how parts of that fund can be transferred to the budget. That's at times when the estimated amount of general fund revenues for the current biennium is not adequate. That's what the original budget stabilization plan was intended to be used.

Chairman Holmberg: How would one explain to the public to say there were \$400 M dollars in the budget stabilization fund and the economy hit a dip and under the current situation, the budget stabilization fund is accessed to offset the decrease in revenues, but in this case, we have \$ 300 M in the bank but we have to have an allotment because of this language that only one half of the decrease can be covered by the budget stabilization fund. How do you explain that to agencies that have their budgets cut even though the money is there?

Al Wieland: Rep. Berg is here and I will defer that question to him.

Rep. Rick Berg, District 45

Handed out **Budget Stabilization Fund – House Bill no. 1419 – Summary** – attached # 2.

If there is a \$50 M drop in revenue, half of it would be spread across all the agencies and half would come from the budget stabilization fund. When that happens, that sends a signal to these agencies that we have to tighten our belts and they would have a legitimate and statutorily ability to say we're not going to start that program that costs \$2M this biennium and will cost \$50M next biennium, we're going to start positioning our budget for more sustainability as we move forward. I think that is a critical component of having this sharing. I'll switch that and say from a legislators standpoint, if we're in a declining revenue or flattening revenue, we really want everyone anticipating where we are going to tighten up and what are we going to do. By having them share in that, it really gets them thinking into moving into the next session.

Senator Mathern: Thanks for the scenario you set out. In this situation where there would be a reduction and the message has been sent to the agency heads, do you believe that

authorizes them to not move ahead with the program. Isn't that a violation of public policy of the legislature, in that an executive agency would then decide which programs move forward and which one doesn't?

Rep. Berg: Agency has to make reduction. Agency says ok. If I understand this correctly, it has to be an across the board allocation allotment. An executive agency can't go into a particular agency and stop this and stop that, etc. By having the allotment, that one agency head could say rather than cutting every budget by one percent, we're not going to start this new program that costs \$2M. .

Senator Mathern: That's an executive making that decision

Rep. Berg: Of the agency.

Senator Mathern: Yes, about a policy that the legislature set.

Rep. Berg: The largest allotment we had was 8.5 % in 1989 legislative biennium after the session, and I don't know how else we would do that. The only other alternative would be to be called back into a legislative session and each agency would present its reduction in spending and we would agree or disagree with that, I suppose.

Senator Mathern: We could probably agree on an across the board process, but why put it into law?

Rep. Berg: This bill does nothing to change that. Current law says if there is a reduction in revenue, the first 2.5% will come from all agencies. Any amount over that would come from the budget stabilization fund. If we defeat this bill, that's what it is. This bill is a loosening of that to say, "OK, whatever the reduction revenue is, remember there is an allocation, we're going to share 50-50. Fifty percent would come from budget stabilization and 50% would come from an allotment." As it relates to that, you only change the current law and I think is a stronger partner if the budget stabilization fund is going down.

One of the changes is that it changes it from 10% to 12.5%. Who knows what the right percentage is? We just felt stronger would be better. The other change allows the interest to stay in fund but once every biennium we'd look at the fund and if there was more than 12.5%, the money would go to a general fund. If it was less, it would continue as it is and receive more interest. The two most important things in this bill are: If we go back into session, where we have less revenue than we did the prior year, despite sales tax and income tax, the budget stabilization fund could be used to continue the cost of the programs that we started the prior biennium. Going into the next biennium and we have ongoing spending of \$2.4 B, the cost to continue, state employee salaries, K-12, human service, health insurance and FMAP (Federal Medical Assistance Percentage). We go into session and our projections for the next year are flat, we can pull off money to continue the programs that we started in previous biennium. It builds a solid safety net in our appropriation process.

Chairman Holmberg: This list, does it not beg for agencies or folks that have programs that they'd like to get on this list, because this list kind of insulates....You talked about the Human Service, but it just says human service provider payments.

Rep. Berg explained the costs to continue. If we were in tough dire straits, these are things that we could do to insure that we could maintain the salaries for state employees and not have to rift state employees. We could maintain their health insurance at the level that it was at and maintain our human service programs without having people drop off those programs. I'm wide open to how we can change at how that ought to be changed.

Senator Christmann: If there is \$300 M in the budget stabilization fund, we get done with the session, and say there is crop failure and we go a couple of months, and the budget director somewhere way down the future, overreacts and says we're going to be \$600 M short. So they transfer the \$300M in, spend it and there was really just a short term blip and the budget

is just fine. We've just taken all the money out of the budget stabilization fund and it ends up showing as a general fund balance, and we're out. Or is that prevented somehow?

Rep. Berg: Two things have to happen. Agencies would have to make a reduction in their spending. Then this money would come out. Money will not come out of the budget stabilization fund until an agency would make a \$20 M reduction. Then they would get a \$20M offset from this. The budget director couldn't say there is going to be \$600 M plus in revenue, so transfer \$300 M to general fund and it sits there. That money has to go to the agencies.

Chairman Holmberg: If this passes, we would be removing flexibility from the legislature in prescribing much more how that fund would be utilized. Is that not correct, because right now we can go in and spend that money.

Rep. Berg: We're just doing a statutory change. Anything we put in place here can be changed by 50% of the House and Senate. I quite frankly think that we're not tightening the controls, but what we're doing is providing a blueprint for future legislators. If they go back into a session and there is a crisis, this is one path to access long term stability.

Senator Wardner: When we pass an appropriation and start new program, they have to do it or otherwise they'd be breaking the law. If they had to cut their budgets, that would give them the authority not to start that program. I don't follow. I think they'd still have to start the program because we said they were supposed to.

Rep. Berg: My thought of explain that, if they have to do an allocation, they have to make some decisions of where that money is going to come. If they look towards the future, and realize that this isn't just a short term thing, they're probably not going to have more money next biennium, it may enable them to say a program that's going to cost 10 times as much next biennium, this may not be the time to start it. They'll have to figure out how to achieve different results in a different way.

Rep. Berg: One more thing this bill does is to allows us while in a legislative session, to have the fiscal forecast come out and says we don't have enough money to balance our books for the end of this biennium. This allows us to access that budget stabilization fund to get us to the end of this biennium one hundred percent.

Steve Cochrane, Executive Director, North Dakota Retirement and Investment Office (RIO) and Investment Director to the State Investment Board (SIB)

No written testimony.

Chairman Holmberg: What might be impact on the Bank of ND if federal government would take over control of all student loans?

Steve Cochrane: Specifically, I can't address that, but the genesis of the match loan CDs that we use, they represent lending to corporations that are extending their enterprise in the state of ND. When these companies extend their operations and move into the state for the first time, the bank, along with a consortium of private banks in the state, makes loans available to those companies that the Bank of ND's portion can be provided by selling CDs to the state investment board. So the state investment board actually buys CDs. They have very high quality controls that the Bank puts on that lending program. This dollar amount represented by the budget stabilization fund is only a portion of the total amount that we do have in the bank CD program. It's about a \$200 M revolving account that the bank can fall on for economic expansion in state.

Senator Krebsbach: If this money had been left in general fund, would that have been invested similarly to what you did with the budget stabilization fund?

Steve Cochrane: I'm not exactly sure how the general fund money is invested. I would imagine it's in money market types of securities.

Senator Krauter: Do you have monthly reconciliations of a balance sheet for the budget stabilization fund? Do you have monthly cash flow statements? Can you provide them to the committee for several months?

Steve Cochrane: Yes.

Senator Krauter: I'd like to see month by month the activity there. It's just creating questions in my mind when I'm trying to understand this, and all of a sudden, I don't understand. Not that I want more paper, but that would be very helpful

Senator Wardner: I didn't realize money could be taken out. What was it for – withdrawal?

Steve Cochrane: My understanding has been that to the extent the fund exceeded the initial \$200 M dollars and that money would be available as needed to withdraw for other purposes.

Linda Johnson Wurtz, Associate State Director for Advocacy, AARP of North Dakota

Testified against HB 1419. No written testimony.

Linda Johnson Wurtz: I have some serious problems with HB 1419. Just to cover some ground that you already know, conventional economic wisdom suggests that a state should have 5% of its budget in a rainy day fund, which we traditionally think of as the budget stabilization fund. Right now we have 8 % as required by legislation that you passed in 2007 that will go to 10% at the end of this biennium. This bill calls for 12.5%. I understand that the sponsors did that in the best of intentions. We will have 10% in our rainy day fund and that doesn't even take into account our permanent oil trust to our ending fund balance which depending on whose projections you go by, it's in the neighborhood of 31- 39 % of current budget that would be socked away. That should all be considered whenever you are considering these bills. The troubling part of this bill is the power that it takes away from legislature. There is so much that affects our budget. There's the weather and the economy, and there are mandates by the federal government. It's not just the economy when you say

we may run into troubled times. That is why we elect you to come in and make those decisions about those fluctuations of life that causes trouble for our budget. We would prefer that you would keep your flexibility. Keep your legislative power, and not legislate it away from yourselves.

Senator Christmann: I'm guessing there is about 80-90% of the states that sure wish they had built up a little bigger reserve fund a few years ago and because of that, what is the source of what you termed "conventional economic wisdom" saying 5% is an appropriate amount.

Linda Johnson Wurtz: I am just quoting from our policy book. Our policy committee does research to give us a benchmark upon which to work with these kinds of numbers. They study economic policy and papers and other states and they suggest 5 % for most states and a little more if you have a volatile economy. We are considered a state with a volatile economy because it's based on agriculture. It's just a benchmark to work on in a world of economic PHDs.

Senator Christmann: What is AARPs conventional wisdom?

Linda Johnson Wurtz: It's a statement out of our policy book based on the research they have done. It's just based on economic research and not carved in stone.

Chairman Holmberg: Roxanne, would you look back to the big allotment in 1989 to review any Attorney General's opinions or other kinds of directions that were given because of that large allotment back then to see how that played out. Some of us were here, but I remember that we raised every tax that we could in 1989 and then in December of '89, the voters said no 7 times. Could you see if there was anything done through the attorney general's office back then as we worked our way through that mess?

Rep. Berg: To recap my research on it, there was an 8 ½ % allocation allotment, but then as we got through, there was an unallotment of 4 or 6%. They started out saying we're going to

need an 8% percent allotment. We ended up generating more revenue than we thought, and so the cuts ultimately did not end up at 8 ½ %.

Chairman Holmberg: Since that time, we inoculated the foundation aid program from allotments. That really got us beat up every time we went home.

Chairman Holmberg closed the hearing on HB 1419.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1419

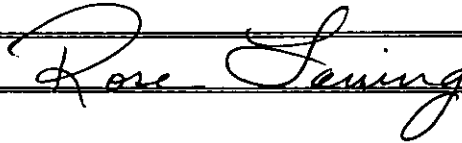
Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: April 6, 2009

Recorder Job Number: 11749

Committee Clerk Signature



Minutes:

Chairman Holmberg opened discussion on HB 1419 which is the budget stabilization fund.

Roxanne Woeste, Legislative Council: The fiscal note references \$81.8 M dollars.

However, it's a changing target every week. It just determines how much money would be transferred to the budget stabilization fund.

Senator Fischer moved Do Pass.

Senator Christmann seconded.

Senator Krauter expressed concern that things are locked up so tight that it's basically pretty hard to get any money out of it when you need some. And now we're putting in more money. The stock values are not there and we have to wait until those bonds mature. Can someone on this committee tell me when those bonds mature? Is it in the current biennium. We're putting money into obligations that take us out and beyond the current biennium. I just think we're putting more money into a locked box, and who's got the key.

A Roll Call vote was taken. Yea: 2 Nay: 11 Absent: 1

Motion failed.

Senator Wardner moved Do Not Pass on HB 1419.

Senator Krebsbach seconded.

Senator Krauter: I'll address this again. Do we all understand how we're mocking this up so far beyond our reach? Maybe OMB can answer this, but these bonds that are being purchased, they're out there a lot of years.

Chairman Holmberg: That is one of the reasons why, I'm guessing, that some of us voted no on this because we did not want to expand it beyond where we are.

Senator Krauter: So my question is. We immediately need to do some tinkering here so that those investments or those that are using that money. Basically, leave it at the Bank of ND.

They'll have an investment board investing in something that's so far out. We have a rainy day fund, but if the economy turns. Nobody has a crystal ball.

A Roll Call vote was taken. Yea: 11 Nay: 2 Absent: 1

DO NOT PASS on HB 1419.

Chairman Holmberg will carry the bill.

Date: 4-6-09
Roll Call Vote #: 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1419

Senate Senate Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken ☒ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Fischer Seconded By Christmann

Representatives	Yes	No	Representatives	Yes	No
Senator Krebsbach		✓	Senator Seymour		✓
Senator Fischer	✓		Senator Lindaas		✓
Senator Wardner		✓	Senator Robinson		✓
Senator Kilzer		✓	Senator Warner		✓
V. Chair Bowman <i>A</i>			Senator Krauter		✓
Senator Christmann	✓		Senator Mathern		✓
V. Chair Grindberg		✓			
Chairman Holmberg		✓			

Total Yes 2 No 11

Absent 1

Floor Assignment _____

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

motion failed

Date: 4-6-09Roll Call Vote # 2

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1419

Senate Senate Appropriations Committee☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken ☐ Do Pass ☒ Do Not Pass ☐ AmendedMotion Made By Wardner Seconded By Krebsbach

Senators	Yes	No	Senators	Yes	No
Sen. Ray Holmberg, Chairman	✓		Sen. Aaron Krauter	✓	
Sen. Bill Bowman, VCh			Sen. Elroy N. Lindaas	✓	
Sen. Tony S. Grindberg, VCh	✓		Sen. Tim Mathern	✓	
Sen. Randel Christmann		✓	Sen. Larry J. Robinson	✓	
Sen. Tom Fischer		✓	Sen. Tom Seymour	✓	
Sen. Ralph Kilzer	✓		Sen. John Warner	✓	
Sen. Karen K. Krebsbach	✓				
Sen. Rich Wardner	✓				

Total Yes 11 No 2Absent 1Floor Assignment Holmberg

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

REPORT OF STANDING COMMITTEE (410)
April 6, 2009 3:15 p.m.

Module No: SR-58-6308
Carrier: Holmberg
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1419, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman)
recommends **DO NOT PASS** (11 YEAS, 2 NAYS, 1 ABSENT AND NOT VOTING).
Engrossed HB 1419 was placed on the Fourteenth order on the calendar.

2009 TESTIMONY

HB 1419

SB1419

Steve Cochrane, Executive Director/CIO

ND Retirement and Investment Office - State Investment Board

January 28, 2009

	New Money In	Income Distributions Out
FY2006 (Initial Funding - Sept. 2005)	99,472,631	(3,207,845)
FY2007	-	(4,981,500)
FY2008	100,527,369	(1,688,532)
FY2009	-	-
	<u>200,000,000</u>	<u>(9,877,877)</u>

Total Money In Plus Income - Inception to Date 209,877,877

December 31, 2008 MV 181,799,610

Income Distributed 9,877,877

Net Loss Not Distributed (18,200,390)

Net Decrease - Inception to Date (8,322,513)

Cumulative Loss Inception to Date -4.16%

Annualized Loss (3.25 Years) -1.30%

Note: Return calculations are not time or dollar weighted. They are based on net cash flows as shown above.

Dollar figures are based on balances at one point in time rather than individual cash flows. They are meant to be estimations rather than actual results.

OIL PRICE COMPARISON

This memorandum provides information relating to oil price comparisons for select crude purchasers and an estimate of the volume of oil purchased by each company for fiscal years 2006 through 2008.

OIL PRICES

The table below provides information on the average monthly oil prices from select crude oil purchasers:

	North Dakota Tesoro	Flint Hills ¹	Plains Sweet ²	Plains Sour ²
July 2005	\$53.49	\$54.32	\$47.90	\$41.80
August 2005	\$59.53	\$60.28	\$54.69	\$47.80
September 2005	\$59.91	\$60.66	\$54.50	\$48.15
October 2005	\$56.86	\$57.61	\$51.44	\$45.09
November 2005	\$52.86	\$53.61	\$47.42	\$41.07
December 2005	\$53.82	\$54.57	\$46.49	\$40.14
January 2006	\$58.44	\$60.51	\$47.27	\$40.92
February 2006	\$53.52	\$54.22	\$36.86	\$30.51
March 2006	\$54.11	\$55.15	\$32.70	\$26.35
April 2006	\$61.61	\$55.15	\$46.50	\$33.61
May 2006	\$62.35	\$62.32	\$51.66	\$38.31
June 2006	\$62.53	\$65.59	\$53.89	\$38.54
July 2006	\$65.95	\$69.21	\$57.30	\$46.59
August 2006	\$64.61	\$67.82	\$56.20	\$48.60
September 2006	\$55.79	\$59.03	\$47.38	\$39.78
October 2006	\$50.72	\$52.02	\$38.44	\$34.71
November 2006	\$50.64	\$49.85	\$38.23	\$34.63
December 2006	\$53.72	\$52.99	\$40.19	\$36.59
January 2007	\$46.20	\$44.68	\$32.33	\$28.73
February 2007	\$51.02	\$49.21	\$37.16	\$33.56
March 2007	\$52.28	\$52.49	\$40.86	\$34.84
April 2007	\$55.71	\$55.89	\$44.88	\$38.23
May 2007	\$57.11	\$56.37	\$44.23	\$37.63
June 2007	\$60.93	\$60.16	\$48.05	\$41.45
July 2007	\$67.63	\$66.86	\$58.24	\$48.16
August 2007	\$65.40	\$65.12	\$54.04	\$46.43
September 2007	\$71.21	\$70.03	\$58.14	\$45.94
October 2007	\$76.92	\$76.56	\$59.94	\$47.76
November 2007	\$85.69	\$85.93	\$68.28	\$57.12
December 2007	\$82.25	\$81.52	\$61.05	\$53.66
January 2008	\$84.14	\$83.97	\$66.42	\$64.22
February 2008	\$86.42	\$84.64	\$75.29	\$66.08
March 2008	\$96.65	\$95.82	\$87.46	\$75.07
April 2008	\$104.08	\$103.29	\$96.66	\$91.02
May 2008	\$117.17	\$116.40	\$109.25	\$103.57
June 2008	\$125.62	\$125.31	\$117.88	\$110.84
July 2008	\$125.10	\$125.14	\$116.02	\$110.59
August 2008	\$106.54	\$107.47	\$95.79	\$92.89
September 2008	\$94.21	\$94.16	\$81.36	\$80.56
October 2008	\$64.72	\$66.49	\$53.58	\$52.93
November 2008	\$43.85	\$46.36	\$33.25	\$32.77
December 2008	\$27.11	\$26.94	\$16.77	\$15.87

¹The amounts shown reflect prices for oil shipped through the Enbridge pipeline.

²The amounts shown reflect prices for oil shipped through any spare pipeline space (sweet prices) or shipping by rail (sour prices).

VOLUME OF OIL SHIPPED BY SELECT TRANSPORTATION SOURCES

The table below provides information relating to the estimated percentage of North Dakota oil purchased by the crude purchasers identified in the above section:

	2006	2007	2008 ¹
North Dakota Tesoro	49.9%	45.6%	33.1%
Flint Hills	16.3%	21.2%	25.5%
Plains Pipeline	12.1%	18.1%	22.0%
88 Oil ²	21.7%	15.1%	19.4%
Total	100%	100%	100%

¹The amounts shown for 2008 reflect purchases through November 2008.

²88 Oil is the purchaser that buys crude for shipment to the Guernsey, Wyoming, and Denver, Colorado, refineries. Price per barrel information is not available for this purchaser; however, a representative from the Department of Mineral Resources indicates the 88 Oil prices are within a few cents of Tesoro's Wyoming sweet posting.

BUDGET STABILIZATION FUND - HOUSE BILL NO. 1419 - SUMMARY

Statutory provisions relating to the budget stabilization fund are contained in North Dakota Century Code Chapter 54-27.2 (attached as Appendix A).

CURRENT STATUTORY PROVISIONS**Transfers to Budget Stabilization Fund**

Current statutory provisions effective after June 30, 2009, provide that any balance in the general fund at the end of a biennium in excess of \$65 million is transferred to the budget stabilization fund, except that the balance in the budget stabilization fund may not exceed **10 percent** of the total general fund appropriations approved by the most recently adjourned Legislative Assembly. Any additional funds are retained in the general fund.

Investment Earnings

Any investment earnings of the budget stabilization fund are retained in the fund unless the fund is at its maximum allowed balance, then the earnings are deposited in the general fund.

Transfers From Budget Stabilization Fund

Transfers may be made from the budget stabilization fund to the general fund upon order of the Governor if the director of the Office of Management and Budget (OMB) anticipates that general fund revenues for a biennium will be less than projected by the Legislative Assembly by at least 2.5 percent. If this occurs, the Governor may order a transfer of funds equal to the revenue shortfall amount that exceeds 2.5 percent of the revenues projected by the Legislative Assembly.

As examples:

10 Percent Revenue Shortfall	
Biennial general fund revenues projected by the Legislative Assembly	\$2,500,000,000
Revised revenue projection made by the director of OMB during the interim	2,250,000,000
Anticipated revenue shortfall (10 percent)	\$250,000,000
Budget allotment (2.5 percent)	\$62,500,000
Amount that may be transferred from the budget stabilization fund (7.5 percent)	\$187,500,000

4 Percent Revenue Shortfall	
Biennial general fund revenues projected by the Legislative Assembly	\$2,500,000,000
Revised revenue projection made by the director of OMB during the interim	2,400,000,000
Anticipated revenue shortfall (4 percent)	\$100,000,000
Budget allotment (2.5 percent)	\$62,500,000
Amount that may be transferred from the budget stabilization fund (1.5 percent)	\$37,500,000

PROPOSED CHANGES - HOUSE BILL NO. 1419

A copy of Engrossed House Bill No. 1419 is attached as Appendix B.

Transfers to Budget Stabilization Fund

Section 2 of House Bill No. 1419 provides that any balance in the general fund at the end of a biennium in excess of \$65 million is transferred to the budget stabilization fund, except that the transfer may not bring the balance in the fund to more than 12.5 percent of total general fund appropriations approved by the most recently adjourned Legislative Assembly. Any additional funds are retained in the general fund.

Investment Earnings - Maximum Budget Stabilization Fund Balance - Transfer to General Fund

Any interest earnings of the budget stabilization fund are retained in the fund, except that at the end of each biennium any balance in the fund that exceeds 12.5 percent of total general fund appropriations approved by the most recently adjourned Legislative Assembly must be transferred to the general fund.

Transfers From Budget Stabilization Fund

Section 3 of House Bill No. 1419 affects transfers that may be made from the budget stabilization fund to the general fund upon order of the Governor. If the director of OMB anticipates that general fund revenues for a biennium will be less than projected by the Legislative Assembly, the Governor may order a transfer of funds equal to **50 percent of the revenue shortfall** from the budget stabilization fund.

As examples:

10 Percent Revenue Shortfall	
Biennial general fund revenues projected by the Legislative Assembly	\$2,500,000,000
Revised revenue projection made by the director of OMB during the interim	2,250,000,000
Anticipated revenue shortfall (10 percent)	\$250,000,000
Budget allotment (5 percent)	\$125,000,000
Amount that may be transferred from the budget stabilization fund (5 percent)	\$125,000,000

4 Percent Revenue Shortfall	
Biennial general fund revenues projected by the Legislative Assembly	\$2,500,000,000
Revised revenue projection made by the director of OMB during the interim	2,400,000,000
Anticipated revenue shortfall (4 percent)	\$100,000,000
Budget allotment (2 percent)	\$50,000,000
Amount that may be transferred from the budget stabilization fund (2 percent)	\$50,000,000

Section 3 of the bill also provides guidance for transfers that may be made from the fund by future Legislative Assemblies.

Section 54-27.2-03(2)(a) provides that if anticipated revenues for the biennium in which the Legislative Assembly is meeting are not sufficient to provide for the appropriations for that biennium, the Legislative Assembly may transfer the amount necessary to provide funding equal to the general fund appropriations for that biennium.

Subdivision b of this subsection provides that if anticipated revenues for the subsequent biennium are not sufficient to provide for a funding level equal to the current biennium's general fund appropriations plus cost-to-continue items, the Legislative Assembly may transfer the amount necessary from the budget stabilization fund. Cost-to-continue items are defined as funding adjustments necessary to:

1. Continue state employee salary levels.
2. Provide for health insurance premium increases for state employees.
3. Continue state school aid funding levels.
4. Continue human service provider payment levels.
5. Provide for changes in the federal medical assistance percentage (FMAP) for human service programs.

ATTACH:2

CHAPTER 54-27.2

BUDGET STABILIZATION FUND

54-27.2-01. (Effective through June 30, 2009) 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 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 to an amount greater than five 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 the fund but must be deposited instead in the state general fund.

(Effective after June 30, 2009) 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 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 to an amount greater than ten 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 the fund but must be deposited instead in the state general fund.

54-27.2-02. Certain general fund revenues to be deposited in the budget stabilization fund. Notwithstanding any other provision of law except section 54-27.2-01, any amount in the state general fund in excess of sixty-five million dollars at the end of any biennium must be transferred by the state treasurer to the budget stabilization fund. For purposes of this section, "at the end of any biennium" means after cancellation of unexpended appropriations under section 54-44.1-11.

54-27.2-03. Transfers and expenditures from budget stabilization fund. If the director of the office of management and budget projects that general fund revenues for the biennium will be at least two and one-half percent less than estimated by the most recently adjourned special or regular session of the legislative assembly, and if the governor orders a transfer, which must be reported to the budget section of the legislative council, the state treasurer shall transfer the appropriate funds from the budget stabilization fund to the state general fund to offset the decrease in general fund revenues. The amount transferred from the budget stabilization fund upon order of the governor may not exceed the difference between an amount two and one-half percent below the general fund revenue projections for the biennium of the most recently adjourned special or regular session of the legislative assembly and the general fund revenue projections for the biennium by the director of the office of management and budget. The amount transferred from the budget stabilization fund upon order of the governor to the state general fund may be expended within the limits of legislative guidelines and general fund appropriations of the most recently adjourned special or regular session of the legislative assembly. For purposes of this section, "general fund revenues for the biennium" and "general fund revenue projections for the biennium" include the general fund balance at the beginning of the biennium.

90696.0200

FIRST ENGROSSMENT

Sixty-first
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1419

Introduced by

Representatives Wieland, Froseth, Pollert, Weiler

Senators Cook, Fischer

1 A BILL for an Act to amend and reenact sections 54-27.2-01, 54-27.2-02, and 54-27.2-03 of the
2 North Dakota Century Code, relating to the maximum balance of, transfers to, and transfers
3 from the budget stabilization fund; and to declare an emergency.

4 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

5 **SECTION 1. AMENDMENT.** Section 54-27.2-01 of the North Dakota Century Code, as
6 effective after June 30, 2009, is amended and reenacted as follows:

7 **(Effective after June 30, 2009) Budget stabilization fund - Maximum balance -**

8 **Transfer to general fund.** The budget stabilization fund is a special fund in the state treasury.
9 The state investment board shall supervise investment of the budget stabilization fund in
10 accordance with chapter 21-10. Any interest or other budget stabilization fund earnings must
11 be deposited in the fund. ~~Any amounts provided by law for deposit in the fund and any interest~~
12 ~~or earnings of the fund which would bring the balance in the fund to an amount greater than ten~~
13 ~~percent of the current biennial state general fund budget, as finally approved by the most~~
14 ~~recently adjourned special or regular session of the legislative assembly, may not be deposited~~
15 ~~or retained in the fund but must be deposited instead in the state general fund. Any amount in~~
16 ~~the budget stabilization fund at the end of any biennium in excess of twelve and one-half~~
17 ~~percent of the current biennial state general fund budget, as finally approved by the most~~
18 ~~recently adjourned special or regular session of the legislative assembly, must be transferred~~
19 ~~by the state treasurer to the general fund. For purposes of this section, "at the end of any~~
20 ~~biennium" means after cancellation of unexpended appropriations under section 54-44.1-11.~~

21 **SECTION 2. AMENDMENT.** Section 54-27.2-02 of the North Dakota Century Code is
22 amended and reenacted as follows:

23 **54-27.2-02. Certain general fund revenues to be deposited in the budget**
24 **stabilization fund - Limitation.** Notwithstanding any other provision of law ~~except section~~

1 ~~54-27.2-04~~, any amount in the state general fund in excess of sixty-five million dollars at the
2 end of any biennium must be transferred by the state treasurer to the budget stabilization fund
3 except that the state treasurer may not transfer any funds that would bring the balance in the
4 budget stabilization fund to an amount in excess of twelve and one-half percent of the current
5 biennial state general fund budget, as finally approved by the most recently adjourned special
6 or regular session of the legislative assembly. For purposes of this section, "at the end of any
7 biennium" means after cancellation of unexpended appropriations under section 54-44.1-11.

8 **SECTION 3. AMENDMENT.** Section 54-27.2-03 of the North Dakota Century Code is
9 amended and reenacted as follows:

10 **54-27.2-03. Transfers and expenditures from budget stabilization fund.**

11 1. If the director of the office of management and budget projects that general fund
12 revenues for the biennium will be ~~at least two and one-half percent~~ less than
13 estimated by the most recently adjourned special or regular session of the
14 legislative assembly, and if the governor orders a transfer, which must be reported
15 to the budget section of the legislative council, the state treasurer shall transfer the
16 appropriate funds from the budget stabilization fund to the state general fund to
17 offset one-half of the decrease in general fund revenues. ~~The amount transferred~~
18 ~~from the budget stabilization fund upon order of the governor may not exceed the~~
19 ~~difference between an amount two and one-half percent below the general fund~~
20 ~~revenue projections for the biennium of the most recently adjourned special or~~
21 ~~regular session of the legislative assembly and the general fund revenue~~
22 ~~projections for the biennium by the director of the office of management and~~
23 ~~budget.~~ The amount transferred from the budget stabilization fund upon order of
24 the governor to the state general fund may be expended within the limits of
25 legislative guidelines and general fund appropriations of the most recently
26 adjourned special or regular session of the legislative assembly. For purposes of
27 this section, "general fund revenues for the biennium" and "general fund revenue
28 projections for the biennium" include the general fund balance at the beginning of
29 the biennium.

30 2. a. If during a regular or special session of the legislative assembly the estimated
31 amount of general fund revenues for the current biennium is not sufficient to

1 provide for the general fund appropriations approved by the most recently
2 adjourned regular or special session of the legislative assembly, the
3 legislative assembly may transfer funds from the budget stabilization fund to
4 the general fund in an amount necessary to provide funding equal to the
5 general fund appropriations approved by the most recently adjourned regular
6 or special session of the legislative assembly.

7 b. If during a regular or special session of the legislative assembly the estimated
8 amount of general fund revenues projected for the subsequent biennium is
9 not sufficient to provide for the general fund appropriations approved by the
10 most recently adjourned regular or special session of the legislative assembly
11 plus costs to continue, the legislative assembly may transfer funds from the
12 budget stabilization fund in an amount necessary to provide that funding. For
13 purposes of this section, "costs to continue" means the estimated funding
14 adjustments necessary to continue for two years in the subsequent biennium
15 state employee salaries, elementary and secondary education state school
16 aid, and human service provider payments at the same level as the second
17 year of the current biennium, or other adjustments necessary to provide for
18 state employee health insurance coverage or as a result of federal medical
19 assistance percentage changes to maintain human services programs.

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

HB 1419

GOOD MORNING MR. CHAIRMAN AND MEMBERS OF THE SENATE APPROPRIATIONS COMMITTEE'
FOR THE RECORD, I AM ALON WIELAND, DISTRICT 13, WEST FARGO'

I AM HERE TODAY TO INTRODUCE HB 1419. THIS BILL REMOVES THE CAP ON THE BUDGET STABILIZATION FUND. CURRENTLY THE FUND IS CAPPED @10% OF THE BIENNUM GENERAL FUND APPROPRIATION. THIS WAS SCHEDULED TO GO TO APPROXIMATELY \$311,000,000. THE INTEREST FROM THE FUND WOULD THEN GO TO THE GENERAL FUND. ORIGINALLY, THIS BILL ALLOWED THE ADDITION OF ANY INTEREST PLUS ANY OTHER FUNDS THE LEGISLATURE DEEMED APPROPRIATE TO BE ADDED TO THE FUND.

THE HOUSE AMENDED THE ORIGINAL BILL, AND INSTEAD OF REMOVING THE CAP AND ALLOWING THE INTEREST TO ACCUMULATE TO THE FUND, THE FUND WAS INCREASED TO \$391,822,655 AND THE CAP REMAINS ON THE FUND. HOWEVER, THERE ARE OTHER AMENDMENTS ALSO MADE TO THE BILL WHICH MAKES IT A BETTER BILL FOR WHAT THE BUDGET STABILIZATION FUND WAS INTENDED.

THE HOUSE CARRIER OF THE BILL AS AMENDED, REPRESENTATIVE RICK BERG , IS HERE TO ADDRESS THE OTHER AMMENDMENTS, BUT I WILL STAND FOR ANY QUESTIONS THAT YOU MAY HAVE.

THANK YOU CHAIRMAN HOLMBERG, FOR THE OPPORTUNITY TO PRESENT HB 1419 TO YOU TODAY.