

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

GOVERNMENT SERVICES COMMITTEE

Wednesday, September 19, 2012
 Roughrider Room, State Capitol
 Bismarck, North Dakota

Representative Jeff Delzer, Chairman, called the meeting to order at 9:00 a.m.

Members present: Representatives Jeff Delzer, Glen Froseth, Ed Gruchalla, Curtiss Kreun, Bob Martinson, Lisa Meier, David S. Rust, Vicky Steiner, Blair Thoreson, Don Vigesaa, Alon Wieland; Senators Ron Carlisle, Gary A. Lee, Jim Roers, Donald Schaible

Members absent: Representatives Duane DeKrey, Matthew M. Klein, Phillip Mueller, Todd Porter; Senators Lonnie J. Laffen, David O'Connell

Others present: Jim W. Smith, Legislative Council, Bismarck

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

It was moved by Representative Rust, seconded by Representative Thoreson, and carried on a voice vote that the minutes of the July 11, 2012, meeting be approved as distributed.

STATE BUDGET INFORMATION

Mr. Joe Morrisette, Budget Analyst, and Ms. Sheila Peterson, Director of Fiscal Management, Office of Management and Budget, presented information ([Appendix B](#)) regarding various state budget items. Mr. Morrisette reviewed the following schedule detailing the status of the state general fund for the 2011-13 biennium:

Unobligated general fund balance - July 1, 2011		\$996,832,711
Add		
General fund collections through August 2012	\$2,898,106,861	
Forecasted general fund revenue for the remainder of the 2011-13 biennium	1,962,452,670	
Total estimated general fund revenue for the 2011-13 biennium		\$4,860,559,531
Balance obligated for authorized carryover from the 2009-11 biennium		106,945,443
Total estimated available		\$5,964,337,685
Less		
2011-13 biennium general fund ongoing appropriations	(\$3,532,895,032)	
2011-13 biennium general fund one-time appropriations	(533,958,760)	
2011-13 biennium special session appropriations	(169,832,668)	
Balance obligated for authorized carryover from the 2009-11 biennium	(106,945,443)	

2011-13 biennium emergency appropriations utilized in the 2009-11 biennium	519,254	
Estimated deficiency requests		
Department of Human Services	(21,200,000)	
State Department of Health	(582,894)	
Job Service North Dakota	(5,847)	
Highway Patrol	(500,000)	
Forest Service	(250,000)	
Tax Department	(981,855)	
State Fair	(1,397,630)	
Total appropriations and estimated deficiency requests		(\$4,368,030,875)
Estimated general fund balance - June 30, 2013		\$1,596,306,810 ¹

¹Pursuant to North Dakota Century Code Section 54-27.2-02, any end-of-biennium balance in excess of \$65 million must be transferred to the budget stabilization fund, up to a cap of 9.5 percent of general fund appropriations. This amount does not reflect any potential transfers.

In response to a question from Representative Delzer, Mr. Morrisette said the estimated deficiency appropriation request for the Highway Patrol relates to State Fleet Services costs being more than anticipated.

In response to a question from Representative Froseth, Mr. Morrisette said the estimated deficiency appropriation request for the State Fair relates to unreimbursed expenses associated with flooding in 2011.

Mr. Morrisette presented the following schedule detailing the balance of selected special funds as of August 31, 2012:

Fund	Balance - August 31, 2012
Budget stabilization fund	\$394,218,270
Legacy fund	\$492,099,148
Foundation aid stabilization fund	\$227,308,001
Property tax relief sustainability fund	\$341,790,000

Mr. Morrisette presented the following schedule detailing the projected balances of selected special funds on June 30, 2013:

Fund	Estimated Balance - June 30, 2013
Budget stabilization fund	\$402,485,213
Legacy fund	\$1,186,063,144
Property tax relief fund	\$341,790,000
Foundation aid stabilization fund	\$335,246,747

In response to a question from Senator Carlisle, Mr. Morrisette said he will provide the committee with information regarding the balance of the common schools trust fund.

Mr. Morrisette reviewed the preliminary revised general fund revenue forecast for the 2011-13

biennium and the preliminary 2013-15 biennium general fund revenue forecast. He presented the following information comparing the preliminary forecasts to 2011-13 biennium legislative estimates:

General Fund Revenue Forecasts									
Tax Type	2011-13 Biennium				2013-15 Biennium				
	2011-13 Biennium Legislative Estimates	Preliminary Revised 2011-13 Biennium Forecast	Difference		2013-15 Biennium Preliminary Forecast	Difference From 2011-13 Biennium Legislative Estimates		Difference From 2011-13 Biennium Preliminary Revised Forecast	
Sales and use	\$1,382,234,660	\$2,095,391,016	\$713,156,356	51.6%	\$2,598,484,000	\$1,216,249,340	88.0%	\$503,092,984	24.0%
Motor vehicle excise	183,039,167	256,450,505	73,411,338	40.1%	325,519,000	142,479,833	77.8%	69,068,495	26.9%
Individual income	544,665,667	872,684,013	328,018,346	60.2%	958,628,000	413,962,333	76.0%	85,943,987	9.8%
Corporate income	126,243,667	376,529,771	250,286,104	198.3%	406,202,000	279,958,333	221.8%	29,672,229	7.9%
Insurance premium	70,560,000	78,056,968	7,496,968	10.6%	78,056,968	7,496,968	10.6%	0	0.0%
Financial institutions	5,041,666	7,583,160	2,541,494	50.4%	7,900,000	2,858,334	56.7%	316,840	4.2%
Oil and gas production	133,834,000	179,259,416	45,425,416	33.9%	133,834,000	0	0.0%	(45,425,416)	(25.3%)
Oil and gas extraction	166,166,000	120,740,313	(45,425,687)	(27.3%)	166,166,000	0	0.0%	45,425,687	37.6%
Gaming	9,241,952	11,222,421	1,980,469	21.4%	10,800,000	1,558,048	16.9%	(422,421)	(3.8%)
Cigarette and tobacco	43,902,000	54,695,013	10,793,013	24.6%	58,919,000	15,017,000	34.2%	4,223,987	7.7%
Wholesale liquor	14,934,000	17,384,477	2,450,477	16.4%	18,701,000	3,767,000	25.2%	1,316,523	7.6%
Coal conversion	35,764,000	39,065,126	3,301,126	9.2%	39,300,000	3,536,000	9.9%	234,874	0.6%
Mineral leasing fees	17,000,000	34,781,711	17,781,711	104.6%	17,000,000	0	0.0%	(17,781,711)	(51.1%)
Departmental collections	63,284,446	71,222,034	7,937,588	12.5%	71,222,034	7,937,588	12.5%	0	0.0%
Interest	42,700,000	14,166,716	(28,533,284)	(66.8%)	29,366,716	(13,333,284)	(31.2%)	15,200,000	107.3%
Total	\$2,838,611,225	\$4,229,232,660	\$1,390,621,435	49.0%	\$4,920,098,718	\$2,081,487,493	73.3%	\$690,866,058	16.3%

In response to a question from Representative Delzer, Ms. Kathryn Strombeck, Research Analyst, Tax Department, said the 2013-15 biennium revenue forecast reflects adjustments made to federal corporate income tax laws in January 2011. She said the Tax Department is continuing to monitor any changes to federal tax laws to determine if the changes impact North Dakota tax revenues.

Mr. Morrisette reviewed the following schedule detailing 2011-13 biennium transfers to the general fund:

Transfers to the General Fund			
Transfer	2011-13 Biennium Legislative Estimates	Preliminary Revised 2011-13 Biennium Forecast	Difference
State Mill profits	\$6,650,000	\$7,645,978	\$995,978
Lottery profits	11,000,000	12,500,000	1,500,000
Property tax relief sustainability fund	295,000,000	295,000,000	0
Strategic investment and improvements fund	305,000,000	305,000,000	0
Motor vehicle fuel revenue (gas tax administration)	1,485,000	1,485,000	0
Miscellaneous	0	120,513	120,513
Total	\$619,135,000	\$621,751,491	\$2,616,491

Mr. Morrisette reviewed the following schedule detailing estimated oil and gas tax revenue distributions for the 2011-13 and 2013-15 bienniums:

Oil and Gas Tax Revenue Distributions		
	Revised 2011-13 Biennium Estimate ¹	2013-15 Biennium Estimate ²
Oil and gas impact grant fund	\$100,000,000	\$100,000,000
Oil and gas research fund	4,000,000	4,000,000
Political subdivisions	246,249,571	287,491,000
Fort Berthold Reservation	161,760,357	191,400,000
Legacy fund	1,186,063,144	1,481,076,825
Foundation aid stabilization fund	195,052,983	273,476,675
Common schools trust fund	195,052,983	273,476,675
Resources trust fund	390,105,967	546,953,350
General fund	300,000,000	300,000,000
Property tax relief sustainability fund	341,790,000	341,790,000
State disaster fund	22,000,000	22,000,000
Strategic investment and improvements fund	687,549,226	1,306,658,225
Total	\$3,829,624,231	\$5,128,322,750

¹Based on oil production ranging from 425,000 to 830,000 barrels per day with an average price per barrel of oil of \$70.

²Based on oil production ranging from 830,000 to 850,000 barrels per day and the price per barrel of oil ranging from \$75 to \$80. Also assumes that no changes will be made to oil and gas tax revenue distribution formulas.

Ms. Peterson provided information regarding 2013-15 biennium agency budget requests submitted to the Office of Management and Budget (OMB). She said of the 71 executive branch agency budget requests, 54 have been submitted to OMB.

In response to a question from Representative Delzer, Ms. Peterson said statute requires agencies to submit budget requests by July 15 in even-numbered years unless OMB grants an extension.

Ms. Peterson reviewed contingent appropriations for the 2011-13 biennium and estimated cost-to-continue items for the 2013-15 biennium. She said approximately \$288.2 million of cost-to-continue items have been identified for the 2013-15 biennium.

In response to a question from Representative Kreun, Representative Delzer said the rebuilders loan program received a \$20 million contingent general fund appropriation. He said the appropriation was contingent upon the Bank of North Dakota fully obligating \$30 million from bank earnings for the program by June 30, 2013.

Ms. Peterson said through August 2012, the Bank of North Dakota obligated more than \$30 million for the rebuilders loan program, and the contingent appropriation became effective. She said the deadline for applying for a loan through the program is September 30, 2012. She said any portion of the contingent appropriation that is not used by the end of the biennium will remain in the general fund.

Senator Carlisle suggested the committee receive additional information regarding the rebuilders loan program.

In response to a question from Representative Delzer, Ms. Peterson said she will provide information to the committee regarding the amount of funding included in the Department of Public Instruction budget from the United States Department of Agriculture for the school lunch program.

Representative Thoreson suggested the committee receive additional information regarding changes in elementary and secondary school enrollments and the amount of additional funding needed to maintain state school aid payments.

Representative Rust suggested the committee receive information regarding the status of the Department of Public Instruction rapid enrollment grant program.

Chairman Delzer asked the Legislative Council staff to include time on the next committee meeting agenda to receive information regarding the homestead and disabled veteran property tax credit programs.

The Legislative Budget Analyst and Auditor presented a memorandum entitled [Preliminary Major General Fund Cost-To-Continue Items - 2013-15 Biennium](#). He said the memorandum provides estimates of major general fund requirements for the 2013-15 biennium resulting from action by the Legislative Assembly in 2011 or due to federal program changes. The requirements total \$199.5 million for the 2013-15 biennium.

State Economic Information

Mr. Paul Govig, Deputy Commissioner, Department of Commerce, presented information ([Appendix C](#)) regarding personal income in the state and gross state product. He said North Dakota personal income increased by 46.4 percent, from \$21.4 billion in 2006 to \$31.3 billion in 2011. He said

the gross state product has grown by 54.7 percent, from \$26 billion in 2006 to \$40.3 billion in 2011.

In response to a question from Representative Delzer, Mr. Govig said he will provide the committee with information regarding methods used by the Department of Commerce to estimate the population growth of the state.

Transportation Information

Mr. Grant Levi, Deputy Director of Engineering, Department of Transportation, presented information ([Appendix D](#)) regarding federal transportation funding, the status of the department's 2011-13 biennium budget, and an update on the status of the department's Fargo district office location. He said the federal surface transportation reauthorization bill, known as the Moving Ahead for Progress in the 21st Century (MAP-21) Act, was passed in June 2012. He said the bill provides for North Dakota's federal transportation funding apportionment to be \$240.5 million in federal fiscal years 2012 and 2013 and \$242.5 million in 2014.

In response to a question from Representative Delzer, Mr. Levi said the federal highway funding the state estimates to receive in federal fiscal years 2012 through 2014 is similar to the amount of federal funding the state currently receives.

Mr. Levi said the department is completing several projects in areas affected by oil and gas development. He said the Legislative Assembly in 2011 appropriated \$228.6 million from the general fund for state highway projects in areas affected by oil and gas development.

Mr. Levi said 2011 House Bill No. 1012 required the Department of Transportation to solicit proposals to trade the Fargo district office location for a similar facility in the Fargo area. He said no offers were received for the Fargo district office location, and a new maintenance building is being constructed at the current location.

In response to a question from Representative Delzer, Mr. Levi said the department anticipates using the entire \$228.6 million appropriation for state highway projects in areas affected by oil and gas development by the end of the biennium.

In response to a question from Representative Froseth, Mr. Levi said some projects that utilize federal funding have been delayed due to uncertainty of the availability of the funds. He said projects that use only state funding have been proceeding as normal.

In response to a question from Representative Steiner, Mr. Levi said the department is planning and designing the reconstruction of United States Highway 85 as a four-lane roadway between Williston and Watford City. He said the project is dependent on the availability of future funding for highway projects.

In response to a question from Representative Delzer, Mr. Levi said representatives of business and industry have expressed concern regarding delays caused by road construction projects. He said the

department is using various methods to move traffic through construction areas to reduce delays.

Representative Froseth suggested the committee receive information regarding the licensing of nonresidents and the registration of motor vehicles from out of state.

Department of Human Services Budget Information

Ms. Debra McDermott, Assistant Director of Fiscal Administration, Department of Human Services, presented information ([Appendix E](#)) regarding the status of the department's budget. She said the department anticipates requesting a deficiency appropriation from the Legislative Assembly in 2013 due to a decrease in the federal medical assistance percentage (FMAP) for federal fiscal year 2013. She also reviewed the status of the agency's one-time funding items for the 2011-13 biennium.

In response to a question from Representative Wieland, Ms. McDermott said the department estimates the decrease in the state's FMAP percentage will require an additional \$91.5 million in state funding in the 2013-15 biennium to maintain the current level of services.

State Water Commission Budget Information

Mr. Todd Sando, State Engineer, State Water Commission, presented information ([Appendix F](#)) regarding the department's budget and the status of water projects in the state. He said the Legislative Assembly appropriated \$509,415,421 of funding to the department for the 2011-13 biennium. He said through August 2012, the department has spent 44 percent of its 2011-13 biennium appropriation.

Mr. Sando reviewed various water projects in the state, including flood control and water supply projects. He said the preliminary Fargo flood control diversion project is estimated to cost \$1.8 billion, and the state share of the project is \$450 million. He said the preliminary Minot area flood control project is estimated to cost \$820 million for a levee project from Burlington to Velva.

In response to a question from Representative Delzer, Mr. Sando said the level of Devils Lake has decreased by 2.7 feet from its peak last year. He said the outlets constructed on Devils Lake are responsible for approximately one-third of the reduced lake level with the remaining decrease attributable to natural causes. He said the lake is still 23 feet above normal.

In response to a question from Representative Gruchalla, Mr. Sando said the elevation of the outlets on Devils Lake allow for an additional six feet of water to be removed from the lake.

In response to a question from Representative Vigesaa, Mr. Sando said the Devils Lake Outlets have not resulted in any flooding concerns along the Sheyenne River this year. He said the primary concern for the river has been the quality of water

entering from Devils Lake, including the level of sulfates in the water.

Representative Kreun said currently about half of the water in the Red River at Grand Forks is from Devils Lake. He said the level of sulfates in the water has caused concern for the city water supply.

Mr. Sando said recent drought conditions have reduced the natural riverflows and resulted in a greater portion of riverflow attributable to Devils Lake. He said the State Water Commission is working with affected cities to improve water treatment facilities.

In response to a question from Representative Delzer, Mr. Levi said most state roadways in the Devils Lake area have been raised above the maximum flood level of the lake. He said the Department of Transportation is not currently planning to raise the remaining roadways due to the recent decrease in the lake level.

In response to a question from Representative Delzer, Mr. Dave Laschkewitsch, Director of Administrative Services, State Water Commission, said he will provide the committee with information regarding state funding used for the Southwest Pipeline Project and information regarding bonds issued for the project.

In response to a question from Representative Froseth, Mr. Sando said water from Lake Sakakawea is not currently being used for the Northwest Area Water Supply Project due to a lawsuit. He said the city of Minot is currently providing water to nearby communities.

In response to a question from Representative Delzer, Mr. Sando said the State Water Commission may request increased spending authority from the Budget Section in December 2012 due to greater than anticipated oil and gas extraction tax revenue deposits in the resources trust fund.

STUDY OF THE USE OF STATE-OWNED AIRPLANES

The Legislative Council staff presented a revised bill draft [[13.0083.02000](#)] to create a central aircraft management system for state-owned or state-leased aircraft. He said the revised bill draft requires the Director of the Aeronautics Commission to enter agreements with the Highway Patrol and Game and Fish Department for the exclusive use of specialized aircraft operated by those agencies.

Representative Wieland said North Dakota State University (NDSU) has advertised its airplane for sale. Representative Delzer said the Legislative Assembly in 2013 may consider purchasing the NDSU airplane to replace an older aircraft currently being used by the Department of Transportation.

Representative Froseth suggested the committee receive additional information regarding expenses of state-owned aircraft.

Chairman Delzer said the committee will consider action on the bill draft at the committee's next meeting.

STUDY OF OPTIONS FOR RELOCATING THE HIGHWAY PATROL TRAINING ACADEMY

The Legislative Council staff presented a memorandum entitled [Summary of the Study of Options for Relocating the Highway Patrol Training Academy](#). He said the memorandum provides a summary of the information received by the committee regarding its study of options for relocating the Highway Patrol training academy.

Representative Kreun said it may be beneficial to have a regional approach to law enforcement training. He said training can also be coordinated with other emergency services entities.

In response to a question from Senator Carlisle, Colonel James J. Prochniak, Superintendent, Highway Patrol, said the department is requesting

funding in its 2013-15 biennium budget for a new training academy facility.

COMMITTEE DISCUSSION

Chairman Delzer announced the committee is tentatively scheduled to meet on Thursday, October 11, 2012.

No further business appearing, Chairman Delzer adjourned the meeting at 1:30 p.m.

Brady A. Larson
Senior Fiscal Analyst

Allen H. Knudson
Legislative Budget Analyst and Auditor

ATTACH:6