

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

BUDGET SECTION

Wednesday, September 25, 2013
Senate Chamber, State Capitol
Bismarck, North Dakota

Representative Chet Pollert, Chairman, called the meeting to order at 10:00 a.m.

Members present: Representatives Chet Pollert, Larry Bellew, Tracy Boe, Mike D. Brandenburg, Al Carlson, Bill Devlin, Eliot Glassheim, Bette Grande, Ron Guggisberg, Kathy Hawken, Rick Holman, Gary Kreidt, Bob Martinson, Corey Mock, Jon Nelson, Kenton Onstad, Mark Sanford, Roscoe Streyle, Don Vigesaa, Alon Wieland, Clark Williams; Senators Bill L. Bowman, Ron Carlisle, Robert Erbele, Ray Holmberg, Ralph Kilzer, Gary A. Lee, Tim Mathern, David O'Connell, Larry J. Robinson, Mac Schneider, Terry M. Wanzek, Rich Wardner, John M. Warner

Members absent: Representatives Jeff Delzer, Mark A. Dosch, Keith Kempenich, David Monson, Robert J. Skarphol, Blair Thoreson; Senators Tony Grindberg, Joan Heckaman, Jerry Klein, Karen K. Krebsbach

Others present: Tim Flakoll, State Senator, Fargo
See [Appendix A](#) for additional persons present.

It was moved by Senator Robinson, seconded by Senator O'Connell, and carried on a voice vote that the minutes of the June 18, 2013, meeting be approved as distributed.

At the request of Chairman Pollert, the Legislative Budget Analyst and Auditor presented the [2013 North Dakota Finance Facts](#) pocket brochure. The publication includes information regarding economic statistics, the state budget, education, human services, corrections, and transportation.

STATUS OF THE GENERAL FUND

Ms. Pam Sharp, Director, Office of Management and Budget, presented a report ([Appendix B](#)) on the status of the general fund.

Ms. Sharp presented the following information on the status of the general fund for the 2011-13 biennium:

Unobligated general fund balance - July 1, 2011		\$996,832,711
Balance obligated for authorized carryover from the 2009-11 biennium		106,955,389
Total beginning general fund balance - July 1, 2011		\$1,103,788,100
Add total general fund revenue for the 2011-13 biennium		5,155,854,560
Total available		\$6,259,642,660
Less expenditures		
Original appropriations	(\$4,066,853,792)	
Legislative appropriations - Special session	(96,832,668)	
Contingent legislative appropriations - Special session	(73,000,000)	
Authorized carryover from the 2009-11 biennium	(106,955,389)	
Emergency appropriations available to spend in the 2011-13 biennium	(329,686,240)	
Supplemental appropriations	(60,314,701) ¹	
2011-13 emergency appropriations utilized in the 2009-11 biennium	519,254	
Total expenditures		(4,733,123,536)
Unspent authority returned to the general fund		50,106,455
Ending balance before transfers		\$1,576,625,579
Estimated transfer to budget stabilization fund	(\$181,060,585) ²	
Net effect of other transfers, adjustments, and cash certifications	494,192	
Total transfers and adjustments		(\$180,566,393)
Unobligated general fund balance - June 30, 2013		\$1,396,059,186

¹ Supplemental (deficiency) appropriations include:	
Department of Human Services	\$20,900,000
Department of Transportation	36,138,893
State Department of Health	426,000
Department of Public Instruction - Professional development grant program	45,000
Job Service North Dakota	5,847
Highway Patrol	300,000
Tax Commissioner	981,855
Attorney General	70,000
Minot State University	52,745
State Fair Association	674,361
State Treasurer	720,000
Total supplemental appropriations	<u>\$60,314,701</u>
² Transfer based on 2013-15 biennium general fund appropriations and the statutory cap of 9.5 percent of appropriations, pursuant to North Dakota Century Code Section 54-27.2-01.	

Ms. Sharp said the actual 2011-13 biennium general fund ending balance was \$1.396 billion, which was \$76 million less than the estimated 2011-13 biennium general fund balance of \$1.472 billion. She said the decrease was the combined result of additional revenue, additional turnback, and 2013-15 emergency appropriations available in the 2011-13 biennium.

Ms. Sharp said as of August 31, 2013, the balance in the legacy fund was \$1.3 billion.

2011-13 BIENNIUM GENERAL FUND TURNBACK

Ms. Sharp presented information ([Appendix C](#)) on the 2011-13 biennium unspent general fund appropriations by agency. She said 2011-13 unspent general fund appropriation authority totaled \$50.1 million, which was \$30.3 million more than the estimate of \$19.8 million. She said the Department of Public Instruction had turnback of \$11.9 million, of which approximately \$10 million related to mill levy reduction grants. She said the Department of Human Services had turnback of \$14 million related to long-term care savings.

STATUS OF THE 2013-15 BIENNIUM GENERAL FUND

Ms. Sharp presented information ([Appendix D](#)) on the status of the state general fund for the 2013-15 biennium.

Subsequent to the meeting, Ms. Sharp provided information ([Appendix E](#)) on the revised status of the general fund for the 2013-15 biennium, as shown below. The revised estimated June 30, 2015, balance of \$344 million is \$257 million more than the \$87 million estimate made at the close of the 2013 legislative session.

Unobligated general fund balance - July 1, 2013		\$1,396,059,186
Balance obligated for unspent emergency appropriation authority		165,874,199
Balance obligated for authorized carryover from the 2011-13 biennium		255,377,661
Total beginning general fund balance - July 1, 2013		<u>\$1,817,311,046</u>
Add		
General fund collections through August 2013	\$769,842,375	
Forecasted general fund revenue for the remainder of the 2013-15 biennium	4,710,951,664	
Total revenues		5,480,794,039
Total available		<u>\$7,298,105,085</u>
Less		
Legislative appropriations - One time	(\$2,433,567,701)	
Legislative appropriations - Ongoing	(4,429,019,653)	
Authorized carryover from the 2011-13 biennium	(255,377,661)	
2013-15 emergency appropriations utilized in the 2011-13 biennium	163,812,041	
Total appropriations		<u>(6,954,152,974)</u>
Estimated ending general fund balance - June 30, 2015		<u>\$343,952,111¹</u>
¹ Pursuant to 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.		

Ms. Sharp presented information ([Appendix F](#)) on actual and forecasted 2013-15 biennium general fund revenue compared to the 2013 Legislative Assembly forecast and compared to the 2011-13 biennium.

TOBACCO SETTLEMENT PROCEEDS

Ms. Sharp presented information ([Appendix G](#)) on the status of tobacco settlement proceeds received by North Dakota. She said total payments received to date are \$399.4 million, of which \$60.4 million has been deposited in the tobacco prevention and control trust fund. A summary of the collections for recent years is shown below.

	Tobacco Settlement Trust Fund (Amounts Shown in Millions)	Tobacco Prevention and Control Trust Fund (Amounts Shown in Millions)	Total (Amounts Shown in Millions)
April 2011	\$19.7	\$11.2	\$30.9
April 2012	20.1	11.4	31.5
April 2013	20.1	11.4	31.5
Total	\$59.9	\$34.0	\$93.9

IRREGULARITIES IN THE FISCAL PRACTICES OF THE STATE

Pursuant to Section 54-14-03.1, Ms. Sharp presented information ([Appendix H](#)) on irregularities in the fiscal practices of the state. She said for the period May 2013 through July 2013, the fiscal irregularities were:

Agency	Amount	Reason
Governor's office	\$1,000	Payment for assuming duties due to a vacancy
School for the Blind	\$5,804	Payment for summer contracts outside of four teachers' nine-month contracts

EMPLOYEE BONUSES

Ms. Sharp presented information ([Appendix I](#)) on the number of employees receiving salary bonuses above the 25 percent limitation pursuant to Section 54-06-30. She said agencies exceeding the 25 percent limitation included the Department of Veterans' Affairs and the Office of Management and Budget (OMB). She said the Department of Veterans' Affairs provided four employees bonuses above the 25 percent limitation and provided one employee an additional performance bonus for a total of five bonuses. She said OMB provided 1 employee bonus above the 25 percent limitation and provided 31 employees additional performance bonuses for a total of 32 bonuses.

In response to a question from Representative Carlson, Ms. Sharp said she would provide information at the next meeting on the range of performance-related salary increases provided by state agencies for the July 1, 2013, increase.

STATE AGENCY APPLICATIONS FOR FEDERAL GRANTS

Ms. Sharp presented information ([Appendix J](#)) on state agencies that have applied for federal grants estimated to be \$25,000 or more pursuant to Section 54-27-27. She said for the period June 2013 through September 25, 2013, the following agencies applied for a federal grant estimated to be \$25,000 or more:

Agency	Time Period of Grant	Amount
Department of Veterans' Affairs	October 2013 through September 2014	\$50,000

STATE AGENCY UNCLAIMED PROPERTY

Ms. Linda Fisher, Administrator, Unclaimed Property Division, Department of Trust Lands, presented a report ([Appendix K](#)) on state agencies that have not submitted a claim for unclaimed property belonging to those agencies. She said six agencies have unclaimed property with a total value of \$4,043.

It was moved Senator Carlisle, seconded by Representative Kreidt, and carried on a roll call vote that pursuant to Section 47-30.1-24.1 the Budget Section approve the list provided by the Board of University and School Lands of the following state agencies relinquishing their rights to recover unclaimed property:

- North Dakota State University.
- State Board of Pharmacy.
- Bank of North Dakota.
- University of North Dakota Foundation.
- Valley City State University.
- Insurance Department.

Representatives Pollert, Bellew, Boe, Brandenburg, Devlin, Glassheim, Grande, Guggisberg, Hawken, Holman, Kreidt, Martinson, Mock, Nelson, Onstad, Sanford, Streyle, Vigesaa, Wieland, and Williams and Senators Bowman, Carlisle, Erbele, Holmberg, Kilzer, Lee, Mathern, O'Connell, Robinson, Schneider, Wanzek, Wardner, and Warner voted "aye." No negative votes were cast.

AGENCY REQUESTS APPROVED BY THE EMERGENCY COMMISSION

Chairman Pollert directed the Budget Section to consider agency requests ([Appendix L](#)), which have been authorized by the Emergency Commission and forwarded to the Budget Section pursuant to Chapter 54-16. Ms. Sheila Peterson, Director of Fiscal Management, Office of Management and Budget, provided information regarding the following requests that have been authorized by the Emergency Commission and require consideration by the Budget Section:

- **Attorney General (Request #1819)** - Request is to transfer \$200,000 from the operating expenses line item to the salaries and wages line item for temporary salary increases for employees impacted by energy development.
- **Attorney General (Request #1820)** - Request is to authorize an additional .5 full-time equivalent (FTE) position for assistance with prosecutions in oil-impacted counties.

In response to a question from Representative Nelson regarding the number of agencies expected to request line item transfer authority for salary increases for employees impacted by energy development, Ms. Peterson said some agencies, such as the Department of Transportation, may request line item transfers for temporary salary increases for employees impacted by energy development. She said OMB does not anticipate many other agencies requesting temporary salary increases.

In response to a question from Representative Carlson, Ms. Peterson said 2013 House Bill No. 1358 provided \$9.6 million from the strategic investment and improvements fund to the Attorney General's office. She said up to 10 percent of the funding is available for staffing and other expenses of the Attorney General's office. She said the section did not provide for any FTE positions.

In response to a question from Senator Carlisle, Ms. Kathy Roll, Fiscal Administrator, Attorney General's office, said the Attorney General's office anticipates all of its current vacant positions to be filled by October 1, 2013.

In response to a question from Senator Carlisle, Ms. Roll said the cost of contracting with a prosecutor for these services would be more than the cost of the .5 FTE position.

It was moved by Senator Robinson, seconded by Senator Schneider, and carried on a roll call vote that pursuant to Chapter 54-15 the Budget Section approve the following requests, which have been approved by the Emergency Commission:

- **Attorney General (Request #1819)** - Request is to transfer \$200,000 from the operating expenses line item to the salaries and wages line item for temporary salary increases for employees impacted by energy development.
- **Attorney General (Request #1820)** - Request is to authorize an additional .5 FTE position for assistance with prosecutions in oil-impacted counties.

Representatives Pollert, Glassheim, Guggisberg, Hawken, Holman, Martinson, Mock, Nelson, Onstad, Sanford, and Williams and Senators Bowman, Carlisle, Erbele, Holmberg, Kilzer, Mathern, O'Connell, Robinson, Schneider, Wanzek, Wardner, and Warner voted "aye." Representatives Bellew, Boe, Brandenburg, Carlson, Devlin, Grande, Kreidt, Streyle, Vigesaa, and Wieland and Senator Lee voted "nay."

GAME AND FISH DEPARTMENT - LAND ACQUISITIONS

Mr. Duane DeKrey, Deputy Director, Game and Fish Department, presented information ([Appendix M](#)) on proposed land acquisitions in Cavalier County pursuant to Section 20.1-02-5.1. He said the three land acquisitions cover a total area of 160 acres and are adjacent to existing wildlife management areas. He said the total acquisition price is \$215,000.

In response to a question from Senator Bowman, Mr. DeKrey said the increase for hunting and fishing license fees approved by the 2013 Legislative Assembly was not related to land acquisitions.

It was moved by Senator Mathern, seconded by Senator Carlisle, and carried on a roll call vote that pursuant to Section 20.1-02-5.1 the Budget Section approve land acquisitions in Cavalier County. Representatives Pollert, Bellew, Boe, Brandenburg, Carlson, Devlin, Glassheim, Grande, Guggisberg, Hawken, Holman, Kreidt, Martinson, Mock, Nelson, Onstad, Sanford, Streyle, Vigesaa, Wieland, and Williams and Senators Carlisle, Erbele, Holmberg, Kilzer, Lee, Mathern, O'Connell, Robinson, Schneider, Wanzek, Wardner, and Warner voted "aye." Senator Bowman voted "nay."

NORTH DAKOTA UNIVERSITY SYSTEM - LOCAL FUNDS REPORT

Ms. Cathy McDonald, Director of Finance, North Dakota University System, presented information ([Appendix N](#)) on sources of funds received for construction projects of entities under the State Board of Higher Education pursuant to Section 15-10-12.3. She said the campus branding project at Williston State College, the technology center renovation at Bismarck State College, and the virtual career and technical center at Williston State College were completed by June 30, 2013.

UNIVERSITY SYSTEM - CHANGE IN SCOPE OF PROJECTS

Mr. James Foertsch, Vice President for Business Services, Williston State College, presented information ([Appendix O](#)) on the Williston State College Stevens Hall renovation project. He said the college is requesting approval to reduce the scope of the project to maintain the estimated cost of the project within the funding level approved for the project. He said the scope reductions include:

- Remove the addition of a main northeast entrance.
- Eliminate basement renovations, except mechanical needs.
- Eliminate improvements to the Student Center.
- Install a variable air volume system rather than a chilled beam air system.
- Eliminate window replacement.
- Additional reductions to furniture, fixtures, and equipment as needed.

It was moved by Senator Holmberg, seconded by Senator Wardner, and carried on a roll call vote that the Budget Section approve the Williston State College request to reduce the scope of the Stevens Hall project pursuant to Section 48-01.2-25. Representatives Pollert, Boe, Carlson, Devlin, Glassheim, Grande, Guggisberg, Hawken, Holman, Kreidt, Martinson, Mock, Nelson, Onstad, Sanford, Vigesaa, and Wieland and Senators Bowman, Carlisle, Erbele, Holmberg, Kilzer, Lee, Mathern, O'Connell, Robinson, Schneider, Wanzek, Wardner, and Warner voted "aye." Representatives Bellew, Brandenburg, and Streyle voted "nay."

INFORMATION TECHNOLOGY DEPARTMENT ANNUAL REPORT

Mr. Mike Ressler, Interim Chief Information Officer, Information Technology Department, presented the annual report ([Appendix P](#)) of the department pursuant to Section 54-59-19. He said the six largest hospitals in the state have agreed to participate in the health information exchange. He said the Information Technology Department had a turnover rate of 5.7 percent for state fiscal year 2013.

SECRETARY OF STATE - CREDIT CARD USAGE AND FEES

Mr. Alvin A. Jaeger, Secretary of State, presented information ([Appendix Q](#)) on credit card usage rates and credit card fees paid by the Secretary of State pursuant to Section 7 of 2013 House Bill No. 1002. He said contractor licensing has increased by 97 percent in the past four years. He said collectability of fees has increased significantly since the office began accepting credit cards.

The Budget Section recessed for lunch at 11:40 a.m. and reconvened at 1:00 p.m.

STATE TREASURER - OUTSTANDING WARRANTS AND CHECKS

Ms. Kelly L. Schmidt, State Treasurer, presented information ([Appendix R](#)) on warrants and checks outstanding for more than 90 days and less than three years pursuant to Section 54-11-01. She said the number of checks

outstanding increased by 13 percent from state fiscal year 2012 to state fiscal year 2013. She said the dollar value of checks outstanding increased by 32 percent from state fiscal year 2012 to state fiscal year 2013.

STATE WATER COMMISSION - PROJECT PRIORITIES

Mr. Todd Sando, State Engineer, State Water Commission, presented information ([Appendix S](#)) on the status of the commission's water projects pursuant to Section 14 of 2013 House Bill No. 1020. He said the commission has not deviated from the priority list presented to the 63rd Legislative Assembly. He briefly described the major projects on the commission's priority list, including the Fargo flood control project, the Mouse River flood control project, and the state water supply program.

HOUSING FINANCE AGENCY - HOUSING INCENTIVE FUND UPDATE

Ms. Jolene Kline, Acting Executive Director, Housing Finance Agency, presented information ([Appendix T](#)) on progress being made to address the housing needs of essential service workers in the oil-impacted areas of the state. She said 18 projects have been awarded approximately \$20.4 million from the housing incentive fund. She said none of the projects reduce the number of existing housing units owned by political subdivisions, but the projects will help prevent the need for political subdivisions to create additional housing units.

DEPARTMENT OF CORRECTIONS AND REHABILITATION - INMATE REPORT

Ms. Leann K. Bertsch, Director, Department of Corrections and Rehabilitation, presented information ([Appendix U](#)) on the department's prison population management plan, inmate admissions, and the number of inmates not admitted after sentencing pursuant to Section 6 of 2013 Senate Bill No. 2015. She said the department has not refused to admit any inmates to date. She said if the prison facilities reach operational capacity, the department will utilize its prison population management plan to prioritize admissions and releases.

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

Representative Kreidt requested a report at the next meeting regarding the grants provided by the Department of Commerce to nursing homes and basic care facilities under Section 8 of 2013 House Bill No. 1358.

Senator Carlisle requested a report at the next meeting regarding the grants provided by the Department of Commerce to homeless shelters and child care facilities under Sections 13 and 14 of 2013 Senate Bill No. 2014.

Chairman Pollert announced future meetings of the Budget Section are tentatively scheduled for Wednesday, December 11, 2013, and Wednesday, March 12, 2014, and asked committee members to contact the Legislative Council regarding any conflicts.

It was moved by Senator Robinson, seconded by Senator Holmberg, and carried on a voice vote that the Budget Section meeting be adjourned subject to the call of the chair.

The meeting adjourned subject to the call of the chair at 1:35 p.m.

Adam Mathiak
Fiscal Analyst

Allen H. Knudson
Legislative Budget Analyst and Auditor

ATTACH:21