

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

BUDGET SECTION

Wednesday, December 3, 2014
Senate Chamber, State Capitol
Bismarck, North Dakota

Representative Chet Pollert, Chairman, called the meeting to order at 11:15 a.m.

Members present: Representatives Chet Pollert, Larry Bellew, Wesley R. Belter, Tracy Boe, Randy Boehning, Mike Brandenburg, Al Carlson, Jeff Delzer, Mark A. Dosch, Eliot Glassheim, Ron Guggisberg, Kathy Hogan, Richard G. Holman, Keith Kempenich, Gary Kreidt, Bob Martinson, Corey Mock, David Monson, Jon D. Nelson, Kenton Onstad, Mark Sanford, Jim Schmidt, Peter F. Silbernagel, Robert J. Skarphol, Roscoe Streyle, Blair Thoreson, Don Vigasaa; Senators Bill L. Bowman, Ron Carlisle, Robert Erbele, Joan Heckaman, Ray Holmberg, Ralph Kilzer, Jerry Klein, Karen K. Krebsbach, Gary A. Lee, Tim Mathern, David O'Connell, Larry J. Robinson, Mac Schneider, Ronald Sorvaag, Terry M. Wanzek, and Rich Wardner

Others present: See [Appendix A](#)

It was moved by Senator Wardner, seconded by Senator Klein, and carried on a voice vote that the minutes of the September 24, 2014, meeting be approved as distributed.

AGENCY REQUEST APPROVED BY THE EMERGENCY COMMISSION

Chairman Pollert directed the Budget Section to consider an agency request ([Appendix B](#)), which has been authorized by the Emergency Commission and forwarded to the Budget Section pursuant to North Dakota Century Code Chapter 54-16. Ms. Sheila Peterson, Director, Fiscal Management Division, Office of Management and Budget, provided information regarding the following request:

- **Office of Management and Budget (Request #1852)** - Request is to transfer \$200,000 from the capital assets line item to the operating expenses line item for increased and unanticipated utility expenses.

It was moved by Representative Thoreson, seconded by Senator Holmberg, and carried on a roll call vote that the Budget Section approve the following request, which has been approved by the Emergency Commission:

- **Office of Management and Budget (Request #1852)** - Request is to transfer \$200,000 from the capital assets line item to the operating expenses line item for increased and unanticipated utility expenses.

Representatives Pollert, Bellew, Belter, Boe, Boehning, Brandenburg, Delzer, Dosch, Glassheim, Guggisberg, Hogan, Holman, Kempenich, Kreidt, Martinson, Mock, Monson, Nelson, Onstad, Sanford, Schmidt, Silbernagel, Skarphol, Thoreson, and Vigasaa and Senators Bowman, Carlisle, Erbele, Heckaman, Holmberg, Kilzer, Klein, Krebsbach, Lee, Mathern, O'Connell, Robinson, Schneider, Sorvaag, Wanzek, and Wardner voted "aye." No negative votes were cast.

STATUS OF THE GENERAL FUND

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

Ms. Sharp presented the following information on the status of the general fund as of October 31, 2014, for the 2013-15 biennium:

Unobligated general fund balance - July 1, 2013		\$1,651,436,847
Balance obligated for unspent emergency appropriation authority		
Estimated revenues		5,785,666,883 ¹
Expenditures		
Original appropriations - One time	(\$2,436,378,201)	
Contingent appropriations - One time	(11,000,000)	
Original appropriations - Ongoing	(4,426,209,153)	
Adjustment for emergency clauses	163,812,041	
Authorized carryover from previous biennium	(89,503,462)	
2015 early appropriations bill	(3,000,000)	
Supplemental appropriations	(8,809,026)	
Unspent authority/adjustments	55,000,000	
Total appropriations		(6,756,087,801)
Estimated ending balance before transfers		\$681,015,929
Transfers and adjustments		
Transfer to budget stabilization fund		(103,549,332)
Estimated ending general fund balance - June 30, 2015		\$577,466,597 ²
¹ Based on actual revenues through October 31, 2014, and estimated revenues for the remainder of the biennium using the November 2014 executive revenue forecast.		
² 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 maximum of 9.5 percent of general fund appropriations.		

Ms. Sharp said the revised 2013-15 biennium forecast includes \$55 million for estimated unspent general fund appropriation authority.

Special Fund Balances

Ms. Sharp presented information ([Appendix D](#)) regarding the estimated June 30, 2015, special fund balances, which include \$687.1 million in the budget stabilization fund reflecting a June 2015 \$103.5 million transfer from the general fund recommended in the executive budget, \$667.4 million in the foundation aid stabilization fund, \$3,612.4 million in the legacy fund, \$657 million in the property tax relief fund, and \$1,110.6 million in the strategic investment and improvements fund.

Representative Delzer suggested the Budget Section receive information on effect changes in oil prices on the strategic investment and improvements fund ending balance. Representative Carlson suggested the report also include the effect of changes in oil production.

General Fund Revenues

Ms. Sharp presented information ([Appendix E](#)) on general fund revenue collections for October 2014 and the 2013-15 biennium to date. She said general fund revenues collected for the biennium to date are \$354.3 million, or 10.5 percent more than the original legislative forecast.

Tax Change Proposals

Ms. Sharp presented information ([Appendix F](#)) on tax change proposals included in the 2015-17 executive budget. She said tax change proposals include a reduction of individual income tax rates reducing 2015-17 biennium general fund revenues by an estimated \$100 million and a reduction of corporate income tax rates reducing 2015-17 biennium general fund revenues by an estimated \$25 million.

Executive Budget General Fund Revenue Forecast

Ms. Sharp presented information ([Appendix G](#)) on the executive revenue forecast for the 2013-15 and 2015-17 bienniums:

	2013-15 Biennium Revised Forecast	2015-17 Biennium Executive Forecast	Change From 2013-15 Revised Forecast
Sales and use tax	\$2,535,362,100	\$3,028,960,000	\$493,597,900
Motor vehicle excise tax	289,315,958	329,314,000	39,998,042
Individual income tax	951,143,203	858,379,000	(92,764,203)
Corporate income tax	481,516,247	485,714,000	4,197,753
Insurance premium tax	84,927,055	91,897,243	6,970,188
Financial institutions tax	(4,871,446)	0	4,871,446

	2013-15 Biennium Revised Forecast	2015-17 Biennium Executive Forecast	Change From 2013-15 Revised Forecast
Oil and gas production gross tax	146,071,108	133,834,002	(12,237,106)
Oil extraction tax	153,928,892	166,165,998	12,237,106
Gaming	7,097,793	7,106,250	8,457
Cigarette and tobacco tax	59,567,291	61,560,000	1,992,709
Wholesale liquor tax	18,335,019	19,188,000	852,981
Coal conversion tax	38,875,236	39,578,000	702,764
Mineral leasing fees	36,792,104	38,535,944	1,743,840
Departmental collections	81,912,118	87,888,938	5,976,820
Interest	19,930,091	21,008,000	1,077,909
Total revenues before transfers	\$4,899,902,769	\$5,369,129,375	\$469,226,606
Transfers			
State Mill profits	\$6,817,200	\$6,817,200	\$0
Lottery	15,200,000	17,500,000	2,300,000
Property tax relief fund	341,790,000	657,000,000	315,210,000
Strategic investment and improvements fund	520,000,000	700,000,000	180,000,000
Gas tax administration	1,777,360	2,030,496	253,136
Miscellaneous	179,554	0	(179,554)
Total transfers	\$885,764,114	\$1,383,347,696	\$497,583,582
Total revenues and transfers	\$5,785,666,883	\$6,752,477,071	\$966,810,188.00

Ongoing Revenues and Ongoing Appropriations

Ms. Sharp presented information ([Appendix H](#)) for ongoing revenues and ongoing appropriations. She said 2015-17 estimated ongoing general fund revenues of \$5,369.1 million exceed recommended ongoing general fund appropriations of \$5,008.4 million by \$360.7 million.

Executive Oil Tax Revenue Forecast

Ms. Sharp presented information ([Appendix I](#)) on the executive oil tax revenue forecast for oil tax collections. She said estimated revenue from oil taxes for the 2013-15 biennium is estimated to total \$6,756 million, compared to the original forecast of \$5,282 million. She said the forecast includes an oil price estimate of \$72 to \$74 per barrel. She said estimated revenue from oil taxes for the 2015-17 biennium totals \$8,322 million, which includes an oil price estimate of \$74 to \$82 per barrel.

IRREGULARITIES IN THE FISCAL PRACTICES OF THE STATE

Pursuant to Section 54-14-03.1, Ms. Sharp presented information ([Appendix J](#)) on irregularities in the fiscal practices of the state. She presented the following fiscal irregularity for the period August 2014 through October 2014:

Agency	Fiscal Irregularity	Amount
Department of Commerce	Temporary workload adjustment	\$2,868
Department of Trust Lands	Temporary workload adjustment	\$1,250
Adjutant General	Severance pay	\$45,573

STATE AGENCY APPLICATIONS FOR FEDERAL GRANTS

Ms. Sharp reported that state agencies have not submitted any new federal grant applications since the September 24, 2014, report.

STATE BOARD OF HIGHER EDUCATION - SEMIANNUAL PROJECT VARIANCE REPORTS

Ms. Sharp provided semiannual project variance reports ([Appendix K](#)) on the State Board of Higher Education projects pursuant to Section 15-10-47.

TOBACCO SETTLEMENT PROCEEDS

Ms. Sharp presented information ([Appendix L](#)) on the status of tobacco settlement proceeds received by North Dakota. She said total payments received to date are \$433.3 million, and the next payment is anticipated to be received in April 2015. She said the April 2014 payment totaled \$34 million, of which \$22.8 million was deposited in the tobacco settlement trust fund and \$11.2 million was deposited in the tobacco prevention and control trust fund. A summary of the recent collections is listed below.

Period	Tobacco Settlement Trust Fund (Amounts Shown in Millions)	Tobacco Prevention and Control Trust Fund (Amounts Shown in Millions)	Total (Amounts Shown in Millions)
April 2012	\$20.1	\$11.4	\$31.5
April 2013	20.1	11.4	31.5
April 2014	22.8	11.2	34.0
Total	\$63.0	\$34.0	\$97.0

In response to a question from Representative Bellev, Ms. Sharp said she will provide information on the number of payments remaining from the tobacco settlement.

ECONOMIC INDICATORS

Ms. Sharp presented information ([Appendix M](#)) on the key economic indicators, including consumer prices, money markets, personal income, commodity prices, unemployment, energy prices and production, and interest rates. She said the Bureau of Labor Statistics reported a national consumer price index of 1.7 percent for October 2014, which is 0.2 percent higher than the 2013 annual average consumer price index of 1.5 percent.

LEGISLATIVE REVENUE FORECAST

Ms. Sharp presented information on preparing and presenting the legislative revenue forecast to the Legislative Assembly for the 2015-17 biennium. She said in prior years, the Legislative Assembly has received the revenue forecast prior to crossover, but said more accurate information may be available if the forecast is presented in March 2015.

Representative Delzer suggested legislative leadership determine in early January 2015 the timing of the legislator revenue forecast.

ECONOMIC OUTLOOK FOR NORTH DAKOTA

Mr. Dan White, Senior Economist, Moody's Analytics, Inc., presented information ([Appendix N](#)) on the economic outlook of the state, including oil prices and agricultural commodity prices; projections for the value of the dollar and its effects on the state's economy; and the economic assumptions included in the executive budget revenue forecast for the 2015-17 biennium. He said increased oil production from shale formations in the United States are reducing demand for foreign oil. In addition, he said, global oil supplies have been increasing during the past six months from new global oil production and reduced oil demand from other countries including areas of Europe, the United Kingdom, and other emerging markets. He said many members of Organization of the Petroleum Exporting Countries (OPEC) budgeted oil prices at \$100 to \$110 per barrel. He said recent oil prices are negatively affecting OPEC countries budgeted revenue forecasts and are preventing many OPEC countries from reducing oil production. In addition, he said, many OPEC countries risk losing market share to other countries by reducing oil production. He said the price at which oil production is profitable is lower in parts of North Dakota than in other parts of the United States. As a result, he said, North Dakota should have a lower risk from decreasing oil prices.

EXECUTIVE BUDGET RECOMMENDATIONS

Ms. Peterson presented information regarding the 2015-17 executive budget. She presented information on state employee compensation and benefits, capital projects, and funding for capital projects. She said the recommended state employee compensation package provides a 3 to 5 percent performance increase, effective July 1, 2015, and a 3 to 5 percent performance increase, effective July 1, 2016. She said the recommended state employee compensation package provides a market rate adjustment of 1 to 2 percent for employees in the lowest quartile of the pay range, up to a 1 percent market rate adjustment for employees in the second lowest quartile, and no market rate adjustment for employees above the market policy point. In addition, she said, \$13.2 million, which includes \$12.2 million from the general fund is provided for market equity adjustments to provide additional funds for hard-to-fill positions to bring average pay to 98 percent of the market rate. She said the executive budget recommends a retirement contribution increase of 2 percent on January 1, 2016. Employees will pay 1 percent of the contribution increase and the state will pay 1 percent of the contribution increase. She said the executive budget recommendation includes \$385.5 million of which \$295.4 million is from the general fund, for capital projects. She said the executive budget recommendation does not recommend bonding for any capital projects to be paid from the general fund.

Ms. Tammy Dolan, Budget Analyst, Office of Management and Budget, presented information on the executive budget recommendation for K-12 education. She said the recommendation for the Department of Public Instruction is \$2,315 million, which includes \$1,806 million from the general fund. She said the largest component of the budget is \$1,900 million for integrated school formula payments, which is a \$147.5 million increase from the 2013-15 biennium. She said funds for the integrated school formula include \$1,680 million from the general fund

and \$220 million from the state tuition fund. She said the executive recommendation includes \$14.8 million of one-time funding for rapid enrollment grants to be distributed from a two-tiered model comparing school district year-to-year fall enrollment. She said the recommendation for the North Dakota University System and all higher education campuses includes a \$131.7 million increase from the 2013-15 biennium for ongoing expenditures. She said the largest component of the increase is from the formula payments to institutions. She said the recommendation includes a \$6.4 million increase from the 2013-15 biennium for extraordinary repairs. She said the recommendation for the Department of Commerce is \$142.1 million, which includes \$71.0 million from the general fund. She said the recommendation includes \$8.0 million from the general fund for Research North Dakota.

Ms. Lori Laschkewitsch, Budget Analyst, Office of Management and Budget, presented information on the executive budget recommendation for the State Department of Health. She said the recommendation for the State Department of Health totals \$198.5 million, which includes \$59 million from the general fund. She said the executive recommendation includes \$7 million for oil impact affected programs in the Environmental Health Division. She said funds for oil impact affected programs include \$4 million from the general fund and an additional 14 full-time equivalent (FTE) positions. She said the recommendation for the Department of Human Services is \$3,647 million, which includes \$1,386 million from the general fund. She said the recommendation includes an increase of \$90.1 million, of which \$48.1 million is from the general fund for inflationary increases of 4 percent for each year of the biennium.

Ms. Becky Keller, Budget Analyst, Office of Management and Budget, presented information on the executive budget recommendation for the Department of Corrections and Rehabilitation. She said the recommendation for the department is \$288.6 million, which includes \$250.6 million from the general fund. She said the recommendation includes 22 new FTE positions for increased caseloads. She said the recommendation for the State Water Commission is \$1,427 million, which includes \$1,411 million from special funds and \$16 million of federal funds. She said the recommendation for the Department of Transportation is \$2,728 million, which includes \$2,111 million from special funds. She said the recommendation includes \$1,350 million of one-time funding from a transfer to the highway fund from the general fund for enhanced state highway investments, which includes new truck reliever routes around cities, upgrading two-lane highways to four-lane highways, and repairing bridges.

Ms. Becky Deichert, Budget Analyst, Office of Management and Budget, presented information on the executive budget recommendation for agriculture research. She said the recommendation for the Main Research Center is \$134.9 million, which includes \$77.5 million from the general fund. She said the recommendation for the Branch Research Centers is \$40.2 million, which includes \$20.3 million from the general fund. She said the recommendation for the North Dakota State University Extension Service is \$57.2 million, which includes \$30.8 million from the general fund. She said the recommendation for the Parks and Recreation Department is \$64 million, which includes \$49.2 million from the general fund. She said the recommendation includes \$30.4 million from the general fund for statewide park improvements.

2015-17 Biennium Revenue Forecast for Budget Status Reporting

The Legislative Budget Analyst and Auditor presented a memorandum entitled [2015-17 Biennium Revenue Forecasts - General Fund and Oil Tax Collections](#). He said the Budget Section needs to adopt a general fund revenue forecast and an oil tax revenue forecast for Budget Status Reporting purposes for the legislative session. He said the revenue forecast information is based on the executive budget revenue forecast presented by the Office of Management and Budget (OMB). He said the forecast amounts will be updated in either February or March during the 2015 legislative session.

It was moved by Representative Delzer, seconded by Senator Holmberg, and carried on a roll call vote that the Budget Section adopt, for Legislative Council budget status reporting purposes, the following estimated base revenues for the July 1, 2015, general fund balance; 2015-17 biennium general fund revenues; and oil price, average daily oil production, and total oil and gas tax revenue for the 2013-15 and 2015-17 bienniums:

2015-17 Biennium Estimated Base General Fund Revenues		
	2015-17 Biennium General Fund Estimates	
Estimated July 1, 2015, general fund balance ¹		\$692,924,955
Estimated general fund revenues		
Sales and use tax	\$3,028,960,000	
Motor vehicle excise tax	329,314,000	
Individual income tax	973,379,000	
Corporate income tax	525,714,000	
Insurance premium tax	91,897,243	
Financial institutions tax	0	

2015-17 Biennium Estimated Base General Fund Revenues		
	2015-17 Biennium General Fund Estimates	
Cigarette and tobacco tax	61,560,000	
Oil and gas gross production tax	133,834,000	
Oil extraction tax	166,166,000	
Coal conversion tax	39,578,000	
Gaming tax	7,106,250	
Wholesale liquor tax	19,188,000	
Mineral leasing fees	38,535,944	
Interest income	21,008,000	
Department collections	87,888,938	
Lottery transfer	17,500,000	
Mill and elevator association transfer	6,817,200	
Gas tax administration transfer	2,030,496	
Total revenues and transfers		\$5,550,477,071
Total beginning balance, revenues, and transfers		\$6,243,302,026

¹The amount shown for the budget status estimated July 1, 2015, beginning balance includes estimated general fund turnback of \$55 million, but excludes appropriations, transfer, to the budget stabilization fund, and other 2013-15 biennium transfers or spending recommended in the executive budget.

Estimated Oil Price, Oil Production, and Total Oil and Gas Tax Revenue		
	2013-15 Biennium December 2014 Revised Estimate ¹	2015-17 Biennium December 2014 Forecast
Average oil price	\$72 to \$74 per barrel	\$74 to \$82 per barrel
Average daily oil production	1.14 million to 1.22 million barrels	1.22 million to 1.40 million barrels
Total oil and gas tax revenue	\$6.756 billion	\$8.322 billion

¹The amount shown for the total oil and gas revenue for the 2013-15 biennium December 2014 revised estimate reflects actual oil and gas tax revenue for the first 15 months of the 2013-15 biennium and estimated oil and gas tax revenue for the remaining 9 months of the 2013-15 biennium. The amounts shown for average oil price and production for the 2013-15 biennium December 2014 revised estimate reflect oil price and production forecasts for the remaining nine months of the 2013-15 biennium.

Representatives Pollert, Belter, Boe, Boehning, Brandenburg, Carlson, Delzer, Dosch, Guggisberg, Hogan, Kempenich, Kreidt, Martinson, Monson, Nelson, Sanford, Schmidt, Silbernagel, Skarphol, Streyle, and Vigesaa and Senators Bowman, Carlisle, Erbele, Heckaman, Holmberg, Kilzer, Klein, Krebsbach, Lee, Mathern, O'Connell, Schneider, Sorvaag, Wanzek, and Wardner voted "aye." No negative votes were cast.

SPECIFIC EXEMPT COMMODITIES AND SERVICES

Ms. Sherry Neas, State Procurement Director, Office of Management and Budget, presented information ([Appendix O](#)) regarding specified commodities and services exempted from the procurement requirements of Section 54-44.4-02.2. She said exemptions have been approved for the following OMB written directives:

- Contracts for legal services or technical services, including the provision of testimony, relating to existing or probable lawsuits in which a party is the recipient of indigent services pursuant to Chapter 54-61.
- Purchases of educational courses and related educational materials selected by the Center for Distance Education.

She said OMB is considering the following exemption requests:

- Hedge consulting services, merchant or credit card services, regulatory consulting services, and financial data services obtained by the Bank of North Dakota.
- Direct placement of advertising purchased directly from print, radio, television, billboard, and online vendors.
- Funding requests that promote or benefit North Dakota soybeans through the North Dakota Soybean Council under Section 4.1-11-11.

In response to a question from Representative Kempenich, Ms. Neas said she would provide information to the Budget Section for the final determination of the three exemption requests provided to OMB.

LEGACY AND BUDGET STABILIZATION FUND ADVISORY BOARD REPORT

Representative Kempenich, Chairman, Legacy and Budget Stabilization Fund Advisory Board, presented a memorandum entitled [Legacy and Budget Stabilization Fund Advisory Board - Status Report to the Budget Section December 3, 2014](#) regarding the investment of funds in the legacy fund and budget stabilization fund pursuant to Section 21-10-11. He said the market value of the budget stabilization fund as of August 31, 2014, was \$587.7 million, and the market value of the legacy fund as of August 31, 2014, was \$2,455 million. He said the balance in the legacy fund on June 30, 2015, is estimated to total \$3.6 billion. He said the updated projection is based on average daily oil production increasing from 1,140,000 to 1,200,000 barrels per day and oil prices increasing from \$72 to \$74 per barrel. He said \$200 million has been committed for investment by the State Investment Board in the Match Loan CD Program at the Bank of North Dakota.

DEPARTMENT OF HUMAN SERVICES UPDATES Status of Medicaid Management Information System Project

Ms. Jennifer Witham, Director, Information Technology Services, Department of Human Services, presented information ([Appendix P](#)) regarding the Medicaid management information system (MMIS) project. She said the MMIS project budget is \$88.5 million, and expenditures through September 2014 total \$60.8 million. She said the department is currently in contract negotiations with Xerox Corporation. She said the department anticipates a revised "go-live" date will be available during the Executive Steering Committee meeting on December 9, 2014. She said the department is finalizing the impact of incorporating the Affordable Care Act (ACA) requirements and functionality. She said the department is executing end-to-end testing and system transition and readiness activities which include training, call center startup, desktop procedure documentation, legacy shutdown, and cut-over analysis.

Ms. Witham presented information regarding the eligibility systems modernization project. She said the project budget is \$42.9 million, and expenditures through September 2014 total \$30.3 million. She said the project is to replace the current legacy eligibility determination systems with a fully integrated system that includes ACA requirements. She said the system replacement includes Medicaid, children's health insurance program (CHIP), temporary assistance for needy families (TANF), supplemental nutrition assistance program (SNAP), child care assistance program, and low-income home energy assistance program. She said the Centers for Medicare and Medicaid Services provides enhanced federal financial participation (FFP) of 90 percent for Medicaid requirements of the system replacement. She said Medicaid enhanced FFP is extendable to core system functions of an integrated eligibility determination system. She said the department has determined core system functions represent 80 percent of the system replacement cost and the enhanced FFP may be used for core system functions through December 31, 2018. She said ACA requirements had to be in place by October 1, 2013. She said vendor proposals from a request for proposal issued for additional project assistance have been evaluated. She said the department may decide to pursue a system transfer for all or portions of the integrated eligibility system.

Status of Eight-Bed Transitional Living Facility in the Southeast Region

Ms. Maggie D. Anderson, Director, Department of Human Services, presented information ([Appendix Q](#)) regarding the eight-unit transitional living facility in the Southeast Human Service Center region pursuant to Section 17 of 2013 House Bill No. 1012. She said the Southeast Human Service Center contracted with the Dacotah Foundation to provide the transitional living home services. She said the Hope Haven Transitional Living Facility was opened in Fargo in May 2014. She said 12 individuals have been served at the Hope Haven Transitional Living Facility. She said the length of stay has been from one to four months.

HUB CITIES - USE OF OIL AND GAS GROSS PRODUCTION TAX FUNDING City of Minot

Ms. Cindy Hemphill, Finance Director, Minot, presented information ([Appendix R](#)) regarding Minot's use of funding received from hub city allocations from the oil and gas gross production tax under Section 57-51-15. She said the funds received under Section 57-51-15 have been used to finance infrastructure, and none of the funds were used for flood recovery. She reviewed the major projects for which the funding has been used including sewer system upgrades and improvements and airport-related projects.

City of Dickinson

Mr. Dennis Johnson, Mayor, Dickinson, presented information ([Appendix S](#)) regarding the City of Dickinson's use of funds received from hub city allocations from the oil and gas gross production tax under Section 57-51-15. He said the city anticipates needs of approximately \$300 million for city infrastructure during the 2011-13, 2013-15, and 2015-17 bienniums. Even with the use of city tax revenues and oil tax allocations, the city anticipates needing an additional \$245 million.

Mr. Shawn Kessel, City Administrator, Dickinson, presented information ([Appendix T](#)) on Dickinson's 2014 city limits expansion project; construction of the public safety center, water treatment plant, and public works building; and citywide energy growth investments which include sewer and street projects. He said projects include the city providing \$45 million for a new water treatment plant to replace lagoons which do not meet requirements for the population growth.

City of Williston

Mr. Brad Bekkedahl, Finance Commissioner, Williston, presented information ([Appendix U](#)) regarding Williston's use of funds received from hub city allocations from the oil and gas gross production tax under Section 57-51-15. He said the funds are being used for infrastructure projects, including road projects, water and sewer projects, and airport projects. He said the city's current 2015 capital projects of \$206.2 million include \$85.7 million for capital improvement projects, \$77 million for a water resource recovery facility, and \$43.5 million for new airport construction.

HOUSING FINANCE AGENCY - HOUSING INCENTIVE FUND UPDATE

Ms. Jolene Kline, Executive Director, Housing Finance Agency, presented information ([Appendix V](#)) on progress being made to reduce the overall number of housing units owned, master leased, or subsidized by cities, school districts, or other employers of essential service workers pursuant to Section 54-17-40. She said during the 2013-15 biennium, the housing incentive fund will create 942 housing units which will include 238 housing units for essential service workers and 476 housing units for low-income households.

STATE BOARD OF HIGHER EDUCATION - INFORMATION TECHNOLOGY SERVICES CONSOLIDATION

Dr. Lisa Feldner, Vice Chancellor for Information Technology and Institutional Research, North Dakota University System, presented information ([Appendix W](#)) regarding the status of the consolidation of the North Dakota information technology services pursuant to Section 22 of 2013 Senate Bill No. 2003. She said Core Technology Services staff began relocating to the new Information Technology Building on the University of North Dakota campus in November 2013. She said 107 staff are located in Grand Forks, 28 staff are located in Fargo, 3 are located in Bismarck, 1 is in Williston, and 1 works remotely.

UNIVERSITY SYSTEM CAPITAL PROJECTS CONTINGENCY POOL

Mr. Rick Tonder, Director of Facility Planning, North Dakota University System, presented information ([Appendix X](#)) regarding funds distributed from the capital projects contingency pool pursuant to Section 24 of 2013 Senate Bill No. 2003. He said the 2013 Legislative Assembly provided \$5,483,413 for the capital projects contingency pool, of which \$5,126,723 has been allocated to capital projects. He said contingency pool funds of \$356,690 remain.

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

No further business appearing, Chairman Pollert adjourned the meeting at 4:00 p.m.

Michael C. Johnson
Fiscal Analyst

Allen H. Knudson
Legislative Budget Analyst and Auditor

ATTACH:24