

## NORTH DAKOTA LEGISLATIVE MANAGEMENT

## Minutes of the

**BUDGET SECTION**

Wednesday, December 6, 2017  
Senate Chamber, State Capitol  
Bismarck, North Dakota

Representative Larry Bellew, Chairman, called the meeting to order at 11:00 a.m.

**Members present:** Representatives Larry Bellew, Randy Boehning, Roger Brabandt, Mike Brandenburg, Al Carlson, Kathy Hogan, Keith Kempenich, Gary Kreidt, Lisa Meier, Corey Mock, Mike Nathe, Jon O. Nelson, Chet Pollert, Mark Sanford, Mike Schatz, Don Vigasaa; Senators Dick Dever, Robert Erbele, John Grabinger, Joan Heckaman, David Hogue, Ray Holmberg, Ralph Kilzer, Jerry Klein, Karen K. Krebsbach, Gary A. Lee, Tim Mathern, Dave Oehlke, Larry J. Robinson, Ronald Sorvaag, Terry M. Wanzek, Rich Wardner

**Members absent:** Representatives Tracy Boe, Lois Delmore, Jeff Delzer, Richard G. Holman, Tom Kading, Bob Martinson, David Monson, Jim Schmidt, Roscoe Streytle; Senator Bill L. Bowman

**Others present:** See [Appendix A](#)

**It was moved by Senator Robinson, seconded by Representative Mock, and carried on a voice vote that the minutes of the September 28, 2017, meeting be approved as distributed.**

**ECONOMIC INDICATORS**

Ms. Pam Sharp, Director, Office of Management and Budget, presented information ([Appendix B](#)) on the key economic indicators, including consumer prices, money markets, personal income, commodity prices, unemployment, employment growth, personal income, energy prices and production, and mortgage rates. She said the local unemployment rate in September 2017 was 1.9 percent. She said the national average unemployment rate decreased from 4.6 percent in July to 4.1 percent in September 2017. She said the current rig count is 55 rigs, 17 rigs more than the number operating in North Dakota 1 year ago. She said, in September 2017, the actual average oil price per barrel was \$44.98, the number of barrels of oil produced per day was 1,107,104, and the number of producing wells was 14,190. She said the average 30-year fixed rate mortgage rate available locally was 3.7 percent compared to an average 15-year fixed rate mortgage of 3.1 percent.

**STATUS OF THE 2017-19 BIENNIUM GENERAL FUND**

Ms. Sharp presented a report ([Appendix C](#)) on the status of the general fund for the 2017-19 biennium through November 2017.

|   |                 |                           |
|---|-----------------|---------------------------|
| Unobligated general fund balance - July 1, 2017                         |                 | \$65,000,000              |
| Balance obligated for authorized carryover from the 2015-17 biennium    |                 | 99,271,093                |
| Total beginning general fund balance - July 1, 2017                     |                 | \$164,271,093             |
| Add   |                 |                           |
| General fund collections through August 2017                            | \$1,142,776,763 |                           |
| Forecast general fund revenue for the remainder of the 2017-19 biennium | 3,192,651,160   |                           |
| Total revenues  |                 | 4,335,427,923             |
| Total available   |                 | \$4,499,699,016           |
| Less  |                 |                           |
| Legislative appropriations - One-time                                   | (\$14,638,226)  |                           |
| Legislative appropriations - Ongoing                                    | (4,295,624,415) |                           |
| Authorized carryover from the 2015-17 biennium                          | (99,271,093)    |                           |
| Total appropriations  |                 | (4,409,533,734)           |
| Estimated ending general fund balance - June 30, 2017                   |                 | \$90,165,282 <sup>1</sup> |

<sup>1</sup>Pursuant to North Dakota Century Code Chapter 54-27.2, any end-of-biennium balance in excess of \$65 million must be transferred to the budget stabilization fund, up to a maximum of 15 percent of general fund appropriations.

Ms. Sharp presented information ([Appendix D](#)) on actual and forecasted 2017-19 biennium general fund revenue compared to the 2017 legislative forecast. She said based on preliminary information, November 2017 sales and use tax collections were \$6.2 million more compared to the May 2017 legislative forecast. She said to date, sales and use tax revenue collected during the 2017-19 biennium is \$7.5 million more than forecasted. She said individual income tax collections were \$7.9 million below forecast, but the Tax Commissioner believes the lower tax collections are due to timing differences. She said total revenue collections are \$4.7 million, or 0.41 percent, more than forecast through November 2017.

Ms. Sharp said as of October 31, 2017, the balance in the budget stabilization fund was \$38.4 million, the legacy fund balance was \$5.0 billion, the foundation aid stabilization fund balance was \$561.1 million, and the tax relief fund balance was \$117.0 million.

### IRREGULARITIES IN THE FISCAL PRACTICES OF THE STATE

Pursuant to Section 54-14-03.1, Ms. Sharp presented information ([Appendix E](#)) on irregularities in the fiscal practices of the state. She presented the following fiscal irregularities for the period August 2017 through October 2017:

| Fiscal Irregularity | Agency                                       | Description   | Amount    |
|---------------------|--|---|-----------|
| Retroactive pay     | Judicial branch                              | Additional hours worked by one individual while coworker was on maternity leave   | \$705     |
| Retroactive pay     | Department of Corrections and Rehabilitation | Additional duties performed by two individuals related to the special operations response team from May to August 2017 (\$150 per person per month) | \$1,200   |
| Retroactive pay     | Department of Commerce                       | Workload adjustment for one individual  | \$553     |
| Severance pay       | Department of Human Services                 | Settlement agreement for one individual   | \$8,696   |
| Severance pay       | Department of Human Services                 | Voluntary Separation Incentive Program for eight individuals  | \$172,609 |

### STATE AGENCY APPLICATIONS FOR FEDERAL GRANTS

Ms. Sharp presented information ([Appendix F](#)) on state agencies that applied for federal grants estimated to be \$25,000 or more pursuant to Section 54-27-27. She said for the period October 2017 through November 2017, the following agencies have applied for a federal grant estimated to be \$25,000 or more:

| Agency                       | Time Period of Grant | Amount       |
|------------------------------|----------------------|--------------|
| Department of Transportation | 2017 through 2025    | \$25,000,000 |
| Department of Transportation | 2017 through 2025    | \$25,000,000 |
| Department of Transportation | 2017 through 2021    | \$30,000,000 |

Ms. Sharp said for the period October 2017 through November 2017, the following agencies were awarded a federal grant estimated to be \$25,000 or more:

| Agency                           | Time Period of Grant                | Amount       |
|----------------------------------|-------------------------------------|--------------|
| Department of Public Instruction | October 2017 through September 2020 | \$28,800,000 |

### NOVEMBER 2017 REVENUE FORECAST REVIEW

Ms. Sharp presented information ([Appendix G](#)) on a November 2017 revenue forecast review. She said the November 2017 review forecast projected sales and use tax collections to be \$33.9 million more than the 2017 legislative forecast. She said motor vehicle excise tax collections are projected to be \$10.4 million more than forecasted while the total general fund revenues for the 2017-19 biennium are anticipated to be \$45.1 million more than the 2017 legislative forecast.

Ms. Sharp said the November 2017 revenue forecast review projected an additional \$532.8 million of oil revenues to be collected during the 2017-19 biennium. She said the large increase in projected oil revenues is due to projected oil production. She said the November 2017 revenue forecast review projected 1,000,000 barrels per day during fiscal year 2018 and 1,200,000 barrels per day during fiscal year 2019, compared to 925,000 barrels per day in fiscal year 2018 and 950,000 barrels per day in fiscal year 2019 projected in the 2017 legislative forecast. She said the price of oil continues to be forecasted at \$47 per barrel during the 2017-19 biennium. She said this additional revenue would result in increased revenue allocations to the counties (\$46.7 million), tribal allocations (\$40 million), legacy fund (\$147.9 million), foundation aid stabilization fund (\$22.4 million), common schools trust fund (\$22.4 million), resources trust fund (\$44.7 million), and the strategic investment and improvements fund (\$209.6 million).

In response to a question from Representative Mock, Ms. Sharp said the Office of Management and Budget does not have any information on the potential impact federal tax reform legislation may have on North Dakota tax

collections. She said the Tax Department has performed some analysis but does not expect a large fiscal impact to North Dakota state or local governments, as North Dakota is not heavily dependent on income tax revenue.

In response to a question from Senator Mathern, Ms. Sharp said the potential effects of federal tax reform legislation were not considered when creating the November 2017 revenue forecast review, as final legislation regarding federal tax reform has not been approved. She said mineral leasing fees and federal oil leases are projected to be \$60 million during the 2017-19 biennium, allocated equally to the general fund and to the counties.

### **STATUS OF GOVERNOR'S RESIDENCE CONSTRUCTION PROJECT**

Mr. John Boyle, Director of Facility Management, Office of Management and Budget, provided information regarding the status of the Governor's residence construction project. Mr. Boyle said the project is in the substantial completion phase. He said the first family will be moving into the new residence on Wednesday and Thursday, December 27 and 28, 2017. He said items of historical significance in the current Governor's residence have been transferred to the State Historical Society. He said any remaining items will be sent to Surplus Property.

Mr. Boyle said of the \$5 million appropriated for the construction of the new Governor's residence, \$4.55 million has been spent and \$300,000 is committed for additional expenditures. He said of the amount spent, \$850,000 was from private donations and he expects an additional \$150,000 of private donations will be raised. He anticipates the current Governor's residence will be demolished in February 2018, but may be delayed until April, depending on weather conditions.

### **STATE HISTORICAL SOCIETY - HERITAGE CENTER**

In response to a question from Senator Klein regarding a lawsuit related to the construction of the new North Dakota Heritage Center and State Museum, Mr. Boyle said the general contractor, Comstock Construction, filed a lawsuit seeking \$387,000 for contracted items that were not paid by the State Historical Society. He said Comstock Construction also sued for \$1,058,000 for reimbursement related to the removal and installation of exterior limestone. Mr. Boyle said the total cost to reinstall the limestone was \$1.8 million, of which Comstock Construction was willing to pay approximately \$800,000. He said of the \$387,000 related to outstanding items, the court awarded \$337,000 to Comstock Construction, while the full \$1,058,000 for limestone removal and reinstallation was also awarded, resulting in a total of \$1,395,000 to be paid from the State Historical Society to Comstock Construction.

In response to a question from Representative Carlson, Mr. Boyle said the state may file suit against the architect of the project due to construction documents being inaccurate, leading to issues with the limestone installation. He said if that suit is unsuccessful and the Legislative Assembly appropriates funding during the 2019 legislative session, the amount owed to Comstock Construction would likely be paid on July 1, 2019.

### **AGENCY REQUESTS APPROVED BY THE EMERGENCY COMMISSION - NOVEMBER 28, 2017, MEETING**

Chairman Bellew directed the Budget Section to consider agency requests ([Appendix H](#)), which have been authorized by the Emergency Commission and forwarded to the Budget Section pursuant to Chapter 54-16. Ms. Sharp provided information regarding the following requests that were authorized by the Emergency Commission and require consideration by the Budget Section:

- **Department of Public Instruction (Request #1907)** - Request approval to increase federal funds spending authority by \$18 million in the grants - other grants line item to accept and expend funds from a Striving Readers Comprehensive Literacy Program competitive grant, awarded by the United States Department of Education, Office of Academic Improvement.
- **State Department of Health (Request #1908)** - Request approval to increase special funds spending authority by \$231,550 in the salaries and wages line item (\$181,130) and the operating expenses line item (\$50,420), and to accept and expend funds from the states of Texas and Florida under the Emergency Management Assistance Compact.
- **Office of Adjutant General (Request #1910)** - Request authorization to spend \$658,144 from the state disaster relief fund pursuant to Section 37-17.1-27 for reimbursing political subdivisions for the state share of disaster-related costs that have been incurred and submitted to the Adjutant General for payment relating to previous state disasters.

The Adjutant General's office provided additional information ([Appendix I](#)) regarding Department of Emergency Services pending disaster payments.

Representative Carlson expressed concern regarding the federal grant received by the Department of Public Instruction. He said higher education should be involved in this process to better train students while in college to

teach in the field of reading. He said the state should not be asked to continue funding for this program at the conclusion of the federal grant.

**It was moved by Senator Robinson, seconded by Representative Mock, and carried on a roll call vote that the Budget Section approve Requests #1907, #1908, and #1910, which were approved by the Emergency Commission.** Representatives Bellew, Boehning, Brabandt, Carlson, Hogan, Kempenich, Kreidt, Meier, Mock, Nathe, Pollert, Sanford, and Vigesaa and Senators Dever, Grabinger, Heckaman, Hogue, Holmberg, Kilzer, Klein, Krebsbach, Lee, Mathern, Oehlke, Robinson, Sorvaag, Wanzek, and Wardner voted "aye." Representative Schatz voted "nay."

**DEPARTMENT OF COMMERCE CENTERS OF EXCELLENCE  
AND CENTERS OF RESEARCH EXCELLENCE**

Mr. Christopher Kalash, Commercialization Manager, Office of Innovation and Entrepreneurship, Department of Commerce, presented information ([Appendix J](#)) regarding the annual audit of the centers of excellence recipient's awarded funds pursuant to Chapter 15-69 and the centers of research excellence recipient's awarded funds pursuant to Chapter 54-65. He said the final summary report contains 28 agreed upon procedures reports and 6 financial audits. He said there were no negative findings in the 6 financial audits and in 26 of the 28 agreed upon procedures. He said the findings discovered in 2 agreed upon procedures were due to clerical errors. He said as of June 30, 2016, \$57.8 million in state centers of excellence funds have been spent, which has leveraged over \$221.8 million in nonstate funds, resulting in a total economic impact of over \$833.1 million.

Mr. Kalash said the Centers of Excellence Commission is required to monitor each center of excellence award for a period of 6 to 10 years. He said in fiscal year 2016, 36 centers had been in existence for at least 3 full fiscal years. Of these 36, 10 centers have been released from post-award monitoring, pursuant to Section 15-69-04. He said of the remaining 26 centers, 20 centers are achieving the desired economic benefit while 6 centers were not. The 6 centers include:

- North Dakota State University (NDSU) - Center for Sensors, Communication, and Control (Center for Integrated Electronic Systems)--fewer jobs than anticipated
- University of North Dakota (UND) Research Foundation - Center for Passive Therapeutics--laboratories not fully utilized
- UND SUNRISE BioProducts Center of Excellence for Chemicals, Polymers, and Composites from Crop Oils--unable to secure private sector funding
- NDSU Center for Advanced Technology Development and Commercialization--unable to secure private sector partners
- UND Center for Innovation V2 Aerospace Technical Assistance Enhancement grant--unable to secure federal maintenance contract for unmanned systems
- NDSU Center for Life Sciences Research and Appliances--unable to secure private sector partners

Centers of excellence and centers of research excellence participants and the Centers of Excellence Commission assessment include:

| <b>Center of Excellence and Center of Research Excellence</b>                                    | <b>Audit Results</b>   |
|--|------------------------|
| Lake Region State College - Dakota Precision Ag Center   | No findings identified |
| Dakota College at Bottineau - Entrepreneurial Center for Horticulture                            | No findings identified |
| NDSU - Center for Advanced Electronics Design and Manufacturing                                  | No findings identified |
| NDSU - Center for Surface Protection   | No findings identified |
| NDSU - Center for Agbiotechnology: Oilseed Development   | No findings identified |
| NDSU - Center for Technologically Innovative Products and Processes                              | No findings identified |
| NDSU - Center for Sensors, Communication, and Control (Center for Integrated Electronic Systems) | No findings identified |
| NDSU - Center for Advanced Technology Development and Commercialization                          | No findings identified |
| NDSU - Research 1 Expansion  | No findings identified |
| NDSU - Center for Biobased Materials, Science and Technology                                     | No findings identified |
| NDSU - Center for Life Sciences Research and Applications  | No findings identified |
| NDSU - Limited Deployment Cooperative Airspace Project   | No findings identified |

| Center of Excellence and Center of Research Excellence  | Audit Results             |
|---|---------------------------|
| UND - Limited Deployment Cooperative Airspace Project   | No findings identified    |
| UND - Center for Gas Utilization  | Two findings identified   |
| UND - Unmanned Aircraft Systems Center of Excellence  | No findings identified    |
| UND Research Foundation - Center for Passive Therapeutics   | No findings identified    |
| UND - Petroleum Research, Education, and Entrepreneurship Center  | Three findings identified |
| UND - SUNRISE BioProducts Center of Excellence for Chemicals, Polymers, and Composites from Crop Oils               | No findings identified    |
| UND - Unmanned Aircraft Systems Software Curriculum and Development   | No findings identified    |
| UND - Unmanned Aircraft Systems Research, Education, and Training Enhancement Grant                                 | No findings identified    |
| UND - Law Enforcement and Public Safety Agency Small Unmanned Aircraft Systems Course                               | No findings identified    |
| UND Center for Innovation Foundation - V2 Aerospace, Inc., Technical Assistance Request                             | No findings identified    |
| UND Center for Innovation - Certificate Programs for Motion Video and Activity-Based Intelligence Analysis          | No findings identified    |
| UND - Center for Avian Therapeutics for Infectious Diseases   | No findings identified    |
| UND - Global Hawk Sensor Operator Part Task Trainer   | No findings identified    |
| UND Center for Innovation Foundation - Joint Distributed Common Ground System                                       | No findings identified    |
| UND - Unmanned Aircraft Systems Airspace Initiative Center of Excellence (Phases 2 and 3)                           | No findings identified    |
| UND - Airspace Integration Team - Unmanned Aircraft Systems National Test Site (Phase I, II, III)                   | No findings identified    |
| UND Certified Flight Instructor - Enhanced Use Lease for Grand Forks Air Base III                                   | No findings identified    |
| UND Certified Flight Instructor - Enhanced Use Lease for Grand Forks Air Base IV                                    | No findings identified    |
| Bismarck State College - National Energy Center of Excellence   | No longer reporting       |
| Dickinson State University Strom Center for Entrepreneurship and Innovation - Institute for Technology and Business | No longer reporting       |
| NDSU - Center for Biopharmaceutical Research and Production   | No longer reporting       |
| NDSU - Material and Nanotechnology Center   | No longer reporting       |
| UND - Center of Excellence in Space Technology and Operations   | No longer reporting       |
| UND Energy and Environmental Research Center - National Center for Hydrogen Technology                              | No longer reporting       |
| UND - Grand Forks Air Force Base Realignment Business Transition  | No longer reporting       |
| UND Research Foundation - Center of Excellence in Life Sciences and Advanced Technology                             | No longer reporting       |
| UND - Unmanned Aircraft Systems Airspace Initiative Center of Excellence (Phase 1)                                  | No longer reporting       |
| Valley City State University - Enterprise University  | No longer reporting       |
| Williston State College - Petroleum Safety and Technology Center  | No longer reporting       |

### ATTORNEY GENERAL - LITIGATION-RELATED EXPENDITURES

Mr. Troy Seibel, Chief Deputy Attorney General, Attorney General's office, presented information ([Appendix K](#)) regarding a report on all expenditures for litigation-related expenses from the Industrial Commission litigation fund pursuant to Section 5 of 2017 House Bill No. 1003. As of December 5, 2017, he said, the Attorney General's office has spent \$1,351,173 on six lawsuits from the litigation fund for litigation-related expenditures, of which \$1,112,202 was spent during the 2015-17 biennium and \$238,971 was spent during the 2017-19 biennium.

### 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 6, 2017](#) regarding the investment of funds in the legacy fund and budget stabilization fund pursuant to Section 21-10-11. He said the balance of the budget stabilization fund as of September 30, 2017, was \$38.5 million, resulting from investment earnings of \$6.3 million and a \$32.2 million transfer from the general fund to the budget stabilization fund at the end of the 2015-17 biennium pursuant to Chapter 54-27.2. He said unaudited investment returns, net of fees, have averaged 1.56 percent during the 5 years ending September 30, 2017, compared to a benchmark of .73 percent. He said unaudited fund performance for the year ended September 30, 2017, net of fees, was .76 percent compared to a policy benchmark of .69 percent.

Representative Kempenich said the market value of the legacy fund as of September 30, 2017, was \$4.96 billion. He said unaudited fund performance for the year ended September 30, 2017, was 11.42 percent compared to a target return of 9.69 percent. He said over the 5-year period ended September 30, 2017, the return was 5.34 percent compared to a target return of 4.34 percent. He said net earnings in the fund totaled \$917.2 million from inception through September 30, 2017, including \$489 million of realized earnings based on the definition of earnings in Section 21-10-12. He said \$200 million of earnings is estimated to be transferred from the legacy fund to the general fund at the end of the 2017-19 biennium. He said as of October 31, 2017, \$73.5 million of earnings from the legacy fund are eligible for transfer to the general fund at the end of the 2017-19 biennium. He said the balance in the legacy fund is estimated to be \$5.132 billion as of June 30, 2019. He said the following asset allocation mix, implemented in January 2015, is still current for the legacy fund:

- Broad United States equity - 30 percent;
- Broad international equity - 20 percent;
- Fixed income - 35 percent;
- Core real estate - 5 percent; and
- Diversified real assets - 10 percent.

In response to a question from Representative Sanford, Representative Kempenich said investment management fees related to the legacy fund are .34 percent of the balance of the fund, compared to .36 percent during the prior fiscal year.

In response to a question from Representative Mock, Representative Kempenich said the Retirement and Investment Office will provide an estimate in June 2019 regarding the amount of legacy fund earnings that will be available to transfer to the general fund at the end of the 2017-19 biennium and a preliminary estimate for the 2019-21 biennium.

### **INFORMATION TECHNOLOGY DEPARTMENT STATEWIDE INTEROPERABLE RADIO NETWORK**

Mr. Duane Schell, Director, Network Services, Information Technology Department, presented information ([Appendix L](#)) regarding the status of the statewide interoperable radio network (SIRN) pursuant to Section 7 of 2017 House Bill No. 1178. He said SIRN is a project intended to improve mission critical public safety voice communication capacities for the North Dakota public safety community. He said as a result of the passage of House Bill No. 1178, three tasks were initiated, of which two have been completed and the third is in progress. He said the first task was the establishment and creation of a formal project, which included the completion of project charter, as approved by the Statewide Interoperability Executive Committee and the Large Project Oversight Executive Committee. He said the second task was to build a governance structure, which was identified as a crucial component for project success. He said the third task is the procurement process, which is currently in progress. He said a request for proposal was released on November 6, 2017, providing a due date for vendors of February 15, 2018. He said the Statewide Interoperability Executive Committee anticipates reviewing applications and selecting a vendor by July 2018.

In response to a question from Chairman Bellew, Mr. Schell said House Bill No. 1178 established a \$0.50 fee to be imposed on assessed communication services for the use of the SIRN project. He said the total revenue estimated to be generated from the fee is \$9.6 million during the 2017-19 biennium. He said this \$0.50 fee is in addition to the existing \$1.00 or \$1.50 fee imposed on assessed communication services by local governments.

In response to a question from Representative Nathe, Mr. Schell said House Bill No. 1178 provided loan authority of \$15 million to the Information Technology Department from the Bank of North Dakota. He said the Information Technology Department has not yet needed to obtain the loan.

### **INFORMATION TECHNOLOGY DEPARTMENT ELECTRONIC PAYMENT PROCESSING SYSTEM**

Mr. Dan Sipes, Deputy Chief Information Officer, Information Technology Department, presented information ([Appendix M](#)) regarding the status of the electronic payment processing system authorized in Sections 10 and 11 of 2017 Senate Bill No. 2021. He said the Legislative Assembly provided six agencies with borrowing authority to obtain a loan from the Bank of North Dakota for the electronic payment processing system and appropriated funding to repay the loan, including interest. The six agencies include:

- Department of Transportation;
- Secretary of State;

- Parks and Recreation Department;
- Game and Fish Department;
- Workforce Safety and Insurance; and
- Highway Patrol.

Mr. Sipes said the Bank of North Dakota has finalized a master agreement with J.P. Morgan Chase Bank and has met with all six agencies regarding fees. He said as of December 6, 2017, all six agencies have declined the implementation of the electronic payment processing system and will not obtain loans from the Bank of North Dakota. He said two additional agencies, Job Service North Dakota and the Department of Labor and Human Rights, have voluntarily elected to implement the electronic payment processing system.

In response to a question from Representative Nathe, Mr. Sipes said the agencies that have declined the electronic payment processing system were concerned with requiring the public to pay for credit card fees.

Representative Nathe expressed concern that the six agencies have declined implementation of the electronic payment processing system. He said the estimated cost of merchant card service fees per biennium for these six agencies was \$4.2 million. He said the cost of the electronic payment processing system was \$303,000, resulting in savings of \$3.8 million among the six agencies during the 2017-19 biennium. He said requiring customers to pay credit card fees is a common practice in the private sector.

### **DEPARTMENT OF CORRECTIONS AND REHABILITATION - INMATE REPORT**

Ms. Leann Bertsch, Director, Department of Corrections and Rehabilitation, presented information ([Appendix N](#)) regarding a prison prioritization plan and the effect of good time served on incarcerated individuals. She said as of December 6, 2017, the department has not refused to admit any inmates in its prison facilities. She said the maximum capacity for women is 224 and 1,624 for men. She said the prioritization plan will be initiated the month following a month in which average daily population exceeds maximum capacity for men and women. She said the average daily populations are currently below projections, as there has been a decrease in the number of men and women admitted into the corrections system.

Ms. Bertsch said from April 21, 2017, to December 1, 2017, the department has received 434 sentences with 7,825 days of good time awarded, averaging 18 days of good time per person. She said approximately 50 percent of department admissions receive good time reductions on their sentences, resulting in the average length of stay in a department facility to be reduced by 18 days.

### **DEPARTMENT OF AGRICULTURE EMERGENCY HAY TRANSPORTATION ASSISTANCE PROGRAM**

Mr. Doug Goehring, Agriculture Commissioner, provided information ([Appendix O](#)) regarding the emergency hay transportation assistance program. He said the 2017 drought had a detrimental effect on both agriculture and livestock producers. He said as a result of the drought and subsequent hay production shortages, producers needed to purchase and transport hay from outside of North Dakota. He said the emergency hay transportation assistance program was utilized to reimburse these producers. He said the producers must have met the following criteria:

- Be located in a D2, D3, or D4 county;
- Own a minimum of 25 animal unit equivalents of livestock, defined as beef and dairy cattle, bison, sheep, and goats;
- Hay must be used for the purposes of the producer's own livestock operation;
- Producers are only eligible for reimbursement of a portion of expenses based on loaded mile of hay delivered and producers must have costs associated with transportation of hay outside of normal livestock operations;
- Producers must incur expenses transporting livestock for retained ownership;
- Hay transportation costs must have been incurred between June 1, 2017, and November 17, 2017; and
- Applications had to be submitted or postmarked by November 17, 2017.

Mr. Goehring said the department received 492 applications for hay transportation assistance, of which 491 applications were approved. He said the entire \$1.5 million of funding available for the program will be distributed to successful applicants the week of December 11, 2017, resulting in an average amount awarded to each applicant of \$3,054.

In response to a question from Representative Carlson, Mr. Goehring said hay transportation costs ranged from \$4 to \$5 per mile, with an average of \$4.24 per mile. He said two applications were submitted with requests for reimbursement of \$7 per mile. He said those applications were reviewed by an oversight committee, which chose to reduce the reimbursement amounts for these requests.

## **ANNUAL FULL-TIME EQUIVALENT POSITION REPORT**

### **North Dakota State University Extension Service**

At the request of Chairman Bellew, the NDSU Extension Service submitted a report ([Appendix P](#)) regarding full-time equivalent (FTE) position adjustments made pursuant to Section 4-05.1-05. The report states the agency reduced 13.97 FTE positions between December 1, 2016, and November 30, 2017, resulting in a total of 251.90 FTE positions as of November 30, 2017.

### **Northern Crops Institute**

At the request of Chairman Bellew, the Northern Crops Institute submitted a report ([Appendix Q](#)) regarding FTE position adjustments made pursuant to Section 4-05.1-05. The Northern Crops Institute reported no changes in FTE positions were made between December 1, 2016, and November 30, 2017, maintaining a total of 11.80 FTE positions as of November 30, 2017.

### **Upper Great Plains Transportation Institute**

At the request of Chairman Bellew, the Upper Great Plains Transportation Institute submitted a report ([Appendix R](#)) regarding FTE position adjustments made pursuant to Section 4-05.1-05. The report states the agency added .05 FTE positions between December 1, 2016, and November 30, 2017, resulting in a total of 43.93 FTE positions as of November 30, 2017.

### **North Dakota State University Main Research Center**

At the request of Chairman Bellew, the NDSU Main Research Center submitted a report ([Appendix S](#)) regarding FTE position adjustments made pursuant to Section 4-05.1-05. The report provided states the agency reduced 28.78 FTE positions between December 1, 2016, and November 30, 2017, resulting in a total of 332.82 FTE positions as of November 30, 2017.

### **Branch Research Centers and Agronomy Seed Farm**

At the request of Chairman Bellew, the branch research centers and the Agronomy Seed Farm submitted a report ([Appendix T](#)) regarding FTE position adjustments made pursuant to Section 4-05.1-05. The report provided states the North Dakota Agricultural branch research centers reduced 9.80 FTE positions between December 1, 2016, and November 30, 2017, resulting in a total of 108.89 FTE positions as of November 30, 2017. The Agronomy Seed Farm reported no changes in FTE positions were made between December 1, 2016, and November 30, 2017, maintaining a total of 3.00 FTE positions as of November 30, 2017.

## **HUB CITY ALLOCATION USE OF OIL AND GAS GROSS PRODUCTION TAX FUNDING**

At the request of Chairman Bellew, the Legislative Council staff distributed written reports ([Appendix U](#)) from the hub cities of Williston, Dickinson, Minot, Mandan, Bismarck, Fargo, West Fargo, and Jamestown regarding use of funding received during fiscal year 2017 from hub city allocations from the oil and gas gross production tax under Section 57-51-15.

## **COMMITTEE DISCUSSION AND STAFF DIRECTIVES**

Chairman Bellew announced the next meeting of the Budget Section is scheduled for Wednesday, March 21, 2017.

No further business appearing, Chairman Bellew adjourned the meeting at 2:00 p.m.

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Allen H. Knudson  
Legislative Budget Analyst and Auditor

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Levi Kinnischtzke  
Fiscal Analyst

ATTACH:21