



**BUDGET SECTION**

Thursday, March 19, 2020  
 Senate Chamber, State Capitol  
 Bismarck, North Dakota

Senator Terry M. Wanzek, Chairman, called the meeting to order at 10:30 a.m.

**Members present:** Senators Terry M. Wanzek, Brad Bekkedahl, Dick Dever, Robert Erbele, John Grabinger, Joan Heckaman, David Hogue, Ray Holmberg, Jerry Klein, Karen K. Krebsbach, Gary A. Lee, Tim Mathern, Dave Oehlke, Nicole Poolman, Larry J. Robinson, Ronald Sorvaag, Rich Wardner; Representatives Bert Anderson, Thomas Beadle, Larry Bellew, Tracy Boe, Josh Boschee, Mike Brandenburg, Jeff Delzer, Karla Rose Hanson, Richard G. Holman, Michael Howe, Keith Kempenich, Lawrence R. Klemin, Gary Kreidt, Bob Martinson, Lisa Meier, Corey Mock, David Monson, Mike Nathe, Jon O. Nelson, Chet Pollert, Mark Sanford, Mike Schatz, Jim Schmidt, Randy A. Schobinger, Don Vigesaa

**Member absent:** Representative Scott Louser

**Others present:** Representative Karen M. Rohr, Mandan, member of the Legislative Management  
 See [Appendix A](#) for additional persons present.

**It was moved by Senator Robinson, seconded by Senator Wardner, and carried on a voice vote that the minutes of the December 18, 2019, meeting be approved as distributed.**

**STATE BUDGET INFORMATION**

**General Fund Status**

Mr. Joe Morrisette, Director, Office of Management and Budget, presented a report ([Appendix B](#)) on the status of the general fund and the balances of selected special funds. He presented the following information on the status of the general fund for the 2019-21 biennium:

Unobligated general fund balance - July 1, 2019		\$65,000,000
Balance obligated for authorized carryover from the 2017-19 biennium		130,404,813
Total beginning general fund balance - July 1, 2019		\$195,404,813
Add		
General fund collections to date	\$1,831,417,398	
Remaining forecasted general fund collections	3,097,815,980	
Total estimated general fund collections		4,929,233,378
Total estimated revenues available		\$5,124,638,191
Less		
Legislative appropriations - One-time	(\$48,639,068)	
Legislative appropriations - Ongoing	(4,794,924,098)	
Authorized carryover from previous biennium	(130,404,813)	
2019-21 authority spent in 2017-19 pursuant to emergency clause	106,000	
Total appropriations		(4,973,861,979)
Estimated ending general fund balance - June 30, 2021 - Before transfers		\$150,776,212
Transfer to budget stabilization fund <sup>1</sup>		0
Estimated ending general fund balance - June 30, 2021		\$150,776,212

<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. The budget stabilization fund is estimated to be at the maximum balance at the end of the 2019-21 biennium.

In response to a question from Senator Bekkedahl, Mr. Morrisette said actual departmental collections are showing a significant difference compared to the legislative forecast. He said this is due to the timing of telecommunications tax collections and the variance will be reduced in the upcoming months.

In response to a question from Representative Kempenich, Mr. Morrisette said oil tax collections are received 2 months after the oil is produced. He said recent decreases in oil prices will begin to be reflected in April oil tax collections.

In response to a question from Representative Kempenich, Mr. Morrisette said although many state agencies are monitoring the state budget, no communications have been made from the Office of Management and Budget (OMB) to agencies about limiting nonessential spending.

In response to a question from Representative Delzer, Mr. Morrisette said changes in oil royalty income for oil produced in 2020 will be reflected largely in 2021 income tax collections. He said 2020 income tax collections may be affected by individuals who receive oil royalty income and file estimated tax payments.

Senator Bekkedahl said some oil companies have hedges in place to sell oil at higher prices. He said there may be additional adjustments to oil tax revenue when the hedges expire.

In response to a question from Chairman Wanzek, the Legislative Budget Analyst and Auditor said he will provide the committee with information regarding the prices used to calculate oil taxes and the effect of hedges.

### Balances of Selected Special Funds

Mr. Morrisette presented the following schedule detailing estimated fund balances of selected special funds as of February 29, 2020:

Budget stabilization fund	\$709,868,831
Legacy fund	\$6,973,730,303
Foundation aid stabilization fund	\$350,915,403
Tax relief fund	\$290,474,146

Mr. Morrisette said the balance of the strategic investment and improvements fund on January 31, 2020, was \$732,866,498. He said of this amount, \$680,680,508 is obligated which provides for an unobligated balance of \$52,185,990.

### STATE AGENCY APPLICATIONS FOR FEDERAL GRANTS

Mr. Morrisette presented information ([Appendix C](#)) on state agencies that applied for federal grants estimated to be \$25,000 or more pursuant to Section 54-27-27. He said the following agencies have applied for a federal grant estimated to be \$25,000 or more:

Agency	Time Period of Grant	Amount
State Historical Society	September 2020 - August 2021	\$224,220
Department of Transportation	Fall 2020 - Project completion	\$45,000,000

Mr. Morrisette said the Department of Transportation was awarded a \$241,687 federal grant for technology upgrades to allow a vehicle to operate without a driver.

### IRREGULARITIES IN THE FISCAL PRACTICES OF THE STATE

Pursuant to Section 54-14-03.1, Mr. Morrisette presented information ([Appendix D](#)) on irregularities in the fiscal practices of the state. He presented the following fiscal irregularities for the period December 2019 through February 2020:

Agency	Fiscal Irregularity	Amount
Department of Career and Technical Education	Temporary workload adjustment	\$600
Secretary of State	Workload increase	\$1,635
Department of Human Services	Temporary workload increase	\$900
Department of Human Services	Workload increases	\$1,139
Department of Corrections and Rehabilitation	Contract adjustments	\$2,806
Department of Commerce	Temporary workload increase	\$827
Parks and Recreation Department	Temporary workload increase	\$772
State Department of Health	Severance pay	\$31,622

## AGENCY REQUESTS APPROVED BY THE EMERGENCY COMMISSION

Chairman Wanzek directed the Budget Section to consider agency requests ([Appendix E](#)) authorized by the Emergency Commission and forwarded to the Budget Section pursuant to Chapter 54-16.

Mr. Morrissette provided information regarding the following requests authorized by the Emergency Commission and which require consideration by the Budget Section:

- **State Department of Health (Request #1953)** - The request is to increase federal funds spending authority by \$475,000, including \$150,000 in the operating expenses line item and \$325,000 in the grants line item, to accept and expend funds from the United States Department of Agriculture Food and Nutrition Services Women, Infants, and Children (WIC) program. The federal funding is to provide financial assistance for authorized grocery stores and retailers to upgrade point of sale systems to process WIC Electronic Benefits Transfer (EBT) transactions.
- **Secretary of State (Request #1957)** - The request is to receive \$3 million of federal funds from the Federal Election Assistance Commission relating to the federal Help America Vote Act of 2002.
- **State Department of Health (Request #1958)** - The request is to increase federal funds spending authority by \$6 million, including \$700,000 in the salaries and wages line item, \$3.2 million in the operating expenses line item, \$200,000 in the capital assets line item, and \$1.9 million in the grants line item to accept and expend funds from the Centers for Disease Control and Prevention. The federal funding is to contain and mitigate the spread of the coronavirus disease (COVID-19).

**It was moved by Representative Boschee, seconded by Senator Robinson, and carried on a roll call vote that the Budget Section approve requests #1953, #1957, and #1958 which were approved by the Emergency Commission.** Senators Wanzek, Bekkedahl, Dever, Erbele, Grabinger, Heckaman, Hogue, Holmberg, Klein, Krebsbach, Lee, Mathern, Oehlke, Poolman, Robinson, Sorvaag, and Wardner and Representatives Anderson, Beadle, Bellew, Boe, Boschee, Delzer, Hanson, Holman, Howe, Kempenich, Klemin, Kreidt, Martinson, Meier, Mock, Monson, Nathe, Pollert, Sanford, Schatz, Schmidt, Schobinger, and Vigesaa voted "aye." No negative votes were cast.

## DICKINSON STATE UNIVERSITY CAPITAL PROJECT

Chairman Wanzek directed the Budget Section to consider a request ([Appendix F](#)) from Dickinson State University for Budget Section approval to authorize a softball field project pursuant to Section 15-10-12.1.

Mr. Stephen Easton, Interim President, Dickinson State University, said the project has an estimated cost of \$913,000. He said project funding sources include \$304,333 of extraordinary repairs funds and \$608,667 of donated funds.

In response to a question from Representative Delzer regarding whether the extraordinary repairs funding could be used to address other campus needs, Mr. Easton said several campus deferred maintenance needs were addressed as part of a building update project in 2018.

In response to a question from Representative Martinson, the Legislative Budget Analyst and Auditor said extraordinary repairs are not defined in statute but OMB policy defines extraordinary repairs as expenditures for substantial repairs and improvements to buildings and infrastructure. He said OMB policy defines infrastructure as a structure outside of and apart from a building, but necessary to the function of the building.

Mr. Easton said it is his understanding that extraordinary repairs funding previously has been used for projects similar to the softball field project.

In response to a question from Senator Poolman, Mr. Easton said the project has no direct involvement in academics. However, he said, students competing in a varsity sport are eligible to receive a college credit for participating.

Senator Wardner said Dickinson State University is experiencing extraordinary circumstances and recently made several budget cuts. He said it is important for the institution to recruit students to address the workforce needs of the region. He said the softball field project is one way to recruit students to the institution.

Representative Martinson said he supports Dickinson State University and understands the importance of the institution to the region. However, he said, it is not appropriate to use extraordinary repairs funding for new construction projects.

Representative Schmidt said the Appropriations Committees spent time developing guidelines regarding the use of extraordinary repairs funding and this project does not meet the guidelines.

In response to a question from Representative Kempenich regarding the project timeline, Mr. Easton said some work could begin in fall 2020 but the majority of construction work would take place beginning in spring 2021.

In response to a question from Representative Nathe, Mr. Easton said the softball field project is one of several projects to increase the number of athletic fields in central Dickinson.

Representative Pollert said he supports the project but has concerns about using extraordinary repairs funding. He said the institution may consider seeking approval from the 2021 Legislative Assembly for the project.

In response to a question from Senator Heckaman, Mr. Easton said if the project is not approved, the institution will need to inform project donors their donations will not be matched by state funds.

Representative Monson said the House Appropriations Committee spent significant time during the 2019 legislative session developing guidelines regarding the use of extraordinary repairs funding and this project does not conform to the guidelines. He said the Budget Section should not change the guidelines set by the Legislative Assembly.

**It was moved by Senator Wardner, seconded by Senator Klein, that pursuant to Section 15-10-12.1, the Budget Section approve the Dickinson State University softball field project request.** Senators Bekkedahl, Dever, Heckaman, Hogue, Holmberg, Klein, Krebsbach, Lee, Mathern, Oehlke, Robinson, Sorvaag, Wardner, and Wanzek voted "aye." Senators Grabinger and Poolman and Representatives Anderson, Beadle, Bellew, Boe, Boschee, Delzer, Hanson, Holman, Howe, Kempenich, Klemin, Kreidt, Martinson, Meier, Mock, Monson, Nathe, Pollert, Sanford, Schatz, Schmidt, Schobinger, and Vigesaa voted "nay." **The motion failed.**

### EMERGENCY FEED TRANSPORTATION ASSISTANCE PROGRAM

Mr. Doug Goehring, Agriculture Commissioner, presented an update ([Appendix G](#)) on the emergency feed transportation assistance program. He said the program was developed to assist producers unable to provide adequate feed for their livestock. He said the program has the following eligibility requirements:

1. Producers must have verifiable losses from weather and must have purchased feed;
2. Producers had to own a minimum of 25 animal unit equivalents;
3. Feed must be used for the producer's own livestock operation;
4. Producers are eligible only for reimbursement of a portion of expenses based on a loaded mile of feed transported;
5. Producers must incur expenses transporting livestock for retained ownership;
6. Feed transportation costs must have been incurred between September 30, 2019, and February 20, 2020; and
7. Producers must have submitted an application by March 2, 2020.

Mr. Goehring said the Department of Agriculture received 119 applications and approved 116 applications. He said funds will be disbursed the week of March 22, 2020, and the department anticipates \$250,000 of funds will be disbursed.

Chairman Wanzek said the program will be helpful to producers that experienced feed issues. He said producers also are being affected by low market prices.

Chairman Wanzek announced that representatives of the Bank of North Dakota are unavailable to present the information on the Bank's ag disaster relief program and its livestock feed program.

No further business appearing, Chairman Wanzek adjourned the meeting at 11:50 a.m.

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Allen H. Knudson  
Legislative Budget Analyst and Auditor

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Brady A. Larson  
Assistant Legislative Budget Analyst and Auditor

ATTACH:7