



BUDGET SECTION

Tuesday, April 7, 2020
Senate Chamber, State Capitol
Bismarck, North Dakota

Senator Terry M. Wanzek, Chairman, called the meeting to order at 11:00 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, Scott Louser, 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

Members absent: None

Others present: See [Appendix A](#)

It was moved by Senator Bekkedahl, seconded by Senator Robinson, and carried on a voice vote that the minutes of the March 19, 2020, meeting be approved as distributed.

STATE BUDGET INFORMATION

Mr. Joe Morrissette, Director, Office of Management and Budget, provided comments regarding the status of the state budget. He said the Office of Management and Budget (OMB) is monitoring changes in state revenues due to a decline in oil prices and business closures resulting from the Coronavirus (COVID-19). He said OMB is working with its economic forecasting consultant to estimate the effect on general fund and oil tax revenues. He said the effect of business closures to general fund revenues will not be known until March sales tax returns are filed at the end of April. He said OMB will use the best available data to develop guidelines for executive branch agencies to use in preparing budget requests for the 2021-23 biennium. He said OMB plans to release the guidelines by the end of April.

Mr. Morrissette said there will be monthly cashflow changes resulting from the extension of the individual income tax filing deadline to July 15, 2020. He said for the month of March, individual income tax collections appear to be exceeding the monthly forecast. However, he said, net collections will be below forecast because an extra \$18 million of collections is being deposited in the refund reserve account. He said the deposit is in anticipation of tax filers with a refund submitting returns in April and filers with a balance due submitting returns in July. He said for the month of April, OMB is anticipating a reduction in collections of \$45 million which will instead be collected in July. He said including changes in revenues from estimated payments, approximately \$110 million of collections are anticipated to be received in July rather than in March, April, May, and June.

In response to a question from Senator Bekkedahl, Mr. Morrissette said fiscal year comparison data will not be comparable due to the shifting of a portion of individual income tax revenues into the next fiscal year. However, he said, the shift will not affect overall biennial collection reporting. He said he anticipates a reduction in estimated payments and earned income which will affect fiscal year 2021 individual income tax collections.

AGENCY REQUESTS APPROVED BY THE EMERGENCY COMMISSION

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

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

- **Department of Transportation (Request #1960)** - The request is to increase federal funds spending authority by \$17,996,449 in the grants line item for Federal Transit Administration Section 5311 funds anticipated to be received as the result of the passage of the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act.
- **Department of Public Instruction (Request #1961)** - The request is to increase federal funds spending authority by \$36.6 million in the grants - other grants line item to accept and expend funds anticipated to be received from the United States Department of Education as the result of the passage of the CARES Act.
- **Department of Human Services (Request #1962)** - The request is to increase federal funds spending authority by \$42.7 million, including \$30 million in the grants - medical assistance line item, \$1.2 million in the operating expenses line item, and \$11.5 million in the grants line item to accept and expend funds anticipated to be received as a result of the CARES Act.
- **Department of Human Services (Request #1963)** - The request is to increase special funds spending authority from the department's operating fund by \$36 million in the grants line item to create a Childcare Emergency Operation Grant program to support child care providers until the COVID-19 declaration is ended.
- **State Library (Request #1964)** - The request is to increase federal funds spending authority by \$200,000 in the operating expenses line item to accept and expend funds from the Institute for Museum and Library Services anticipated to be received as the result of the CARES Act.

In response to a question from Representative Kempenich, Mr. Ron Henke, Deputy Director for Engineering, Department of Transportation, said the Federal Transit Administration has indicated the federal transit funds may be used by transit providers for normal operating costs such as fuel and employee leave. He said it is his understanding there is not a time limit to use the funds and the funds will be available to providers until fully expended.

In response to a question from Representative Nelson, Mr. Jamie Mertz, Fiscal Director, Department of Public Instruction, said at least 90 percent of the federal education funds anticipated to be received must be distributed to schools based on federal Title I formula allocations. He said up to 10 percent of the funds may be used for grants for other state needs including grants to schools that do not qualify for Title I allocations.

In response to a question from Senator Mathern, Mr. Arnold Strebe, Director of Administration, Department of Human Services, said the CARES Act provides additional funding for elderly nutrition services, including the meals on wheels program. He said there will be changes in how nutrition services are provided due to social distancing requirements.

In response to a question from Senator Dever, Mr. Strebe said the COVID-19 pandemic is causing an increase in Medicaid enrollments due to higher unemployment rates.

In response to a question from Senator Heckaman, Mr. Strebe said the Childcare Emergency Operation Grant program started April 1, 2020, and will continue for 90 days.

In response to a question from Senator Hogue, the Legislative Budget Analyst and Auditor said there is not a standard procedure for agencies to report to the Budget Section regarding the use of federal funds authorized by the Budget Section to be received and expended. However, he said, the Budget Section can request agencies to report on the use of funds.

Mr. Morrissette said there will be federal reporting requirements regarding how the funds are utilized. He said the reporting process and requirements are being determined by the federal government. He said OMB likely will coordinate the reports, and updates can be provided at future meetings.

In response to a question from Senator Hogue, Mr. Morrissette said additional federal funding will be received by the state through the CARES Act and there likely will be additional agency requests to the Emergency Commission and Budget Section to receive and expend funds.

Mr. Strebe said there is a quarterly reporting requirement for the additional funding to be received as a result of the temporary federal medical assistance percentage change. He said he can provide updates on the use of the funding.

Senator Mathern said the Budget Section is approving the expenditure of funds in an unprecedented amount. He said not all legislative districts are represented on the Budget Section and consideration should be given to holding a special legislative session to allow all legislators to consider the additional spending.

It was moved by Senator Mathern, seconded by Representative Beadle, and carried on a roll call vote that the Budget Section approve requests #1960, #1961, #1962, #1963, and #1964 which were approved by the Emergency Commission. Senators Wanzek, Bekkedahl, Dever, Erbele, Grabinger, Heckaman, Hogue, Holmberg, Klein, Krebsbach, Mathern, Oehlke, Poolman, Robinson, Sorvaag, and Wardner and Representatives Anderson, Beadle, Bellew, Boe, Boschee, Brandenburg, Delzer, Hanson, Howe, Kempenich, Klemin, Kreidt, Louser, Martinson, Meier, Mock, Monson, Nathe, Nelson, Pollert, Sanford, Schatz, Schmidt, Schobinger, and Vigesaa voted "aye." No negative votes were cast.

No further business appearing, Chairman Wanzek adjourned the meeting at 11:40 a.m.

Brady A. Larson
Assistant Legislative Budget Analyst and Auditor

Allen H. Knudson
Legislative Budget Analyst and Auditor

ATTACH:2