



BUDGET SECTION

Thursday, September 17, 2020
 Senate Chamber, State Capitol
 Bismarck, North Dakota

Senator Terry M. Wanzek, Chairman, called the meeting to order at 9:00 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, 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

Member absent: Representative Keith Kempenich

Others present: John Bjornson and Levi Kinnischtzke, Legislative Council
 See [Appendix A](#) for additional persons present.

It was moved by Senator Robinson, seconded by Representative Vigesaa, and carried on a voice vote that the minutes of the August 13, 2020, 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	\$3,276,912,351	
Remaining forecasted general fund collections	1,622,758,285	
Total estimated general fund collections		4,899,670,636
Total estimated revenues available		\$5,095,075,449
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		\$121,213,470
Transfer to budget stabilization fund ¹		0
Estimated ending general fund balance - June 30, 2021		\$121,213,470

¹Pursuant 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.

Balances of Selected Special Funds

Mr. Morrissette presented the following schedule detailing estimated fund balances of selected special funds as of August 31, 2020:

Budget stabilization fund	\$726,903,611 ¹
Legacy fund	\$7,015,997,683
Foundation aid stabilization fund	\$375,960,307
Tax relief fund	\$290,474,146
¹ June 30, 2020, balance	

Mr. Morrissette said the balance of the strategic investment and improvements fund on June 30, 2020, was \$768,070,988. He said of this amount, \$673,192,439 is obligated which provides for an unobligated balance of \$94,878,549.

In response to a question from Representative Bellew, Mr. Morrissette said approximately \$3 million of oil and gas tax collections were deposited in both the foundation aid stabilization fund and common schools trust funds during August 2020.

In response to a question from Senator Bekkedahl, Mr. Morrissette said he will provide the committee with information regarding the status of the resources trust fund.

Irregularities in the Fiscal Practices of the State

Pursuant to Section 54-14-03.1, Mr. Morrissette presented information ([Appendix C](#)) on irregularities in the fiscal practices of the state. He presented the following fiscal irregularities for the period June 2020 through August 2020:

Agency	Fiscal Irregularity	Amount
North Dakota School for the Blind	Payment of contract after employee resignation	\$7,332
Highway Patrol	Payout of excess annual leave	\$7,756
North Dakota School for the Blind	Work days in excess of contract	\$6,742
Department of Career and Technical Education	Temporary workload adjustments	\$3,027
Department of Human Services	Additional payment for licensure	\$1,196
Department of Human Services	Workload increase	\$2,260
Council on the Arts	Temporary workload adjustments	\$2,550

State Agency Applications for Federal Grants

Mr. Morrissette presented information ([Appendix D](#)) 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
Department of Public Instruction	2020 through 2025	\$2,100,000
Industrial Commission	Up to 5 years	\$26,157

Mr. Morrissette said federal grants were awarded recently to the Department of Human Services for the senior employment program, the Department of Commerce to increase apprenticeship opportunities, and the Department of Transportation for grants to replace transit vehicles.

2019-21 Biennium Revised Revenue Forecast and Preliminary 2021-23 Biennium Revenue Forecast

Mr. Morrissette presented information ([Appendix E](#)) regarding the 2019-21 biennium revised revenue forecast and the 2021-23 biennium preliminary revenue forecast. He said oil prices are forecasted to average \$32 per barrel for the remainder of the 2019-21 biennium and increase to \$34.50 per barrel the 1st year of the 2021-23 biennium and to \$36 per barrel the 2nd year of the biennium. He said oil production is forecasted to remain at 1.25 million barrels per day through the end of the of 2021-23 biennium.

Mr. Morrissette presented the following schedule comparing total oil tax allocations under the revenue forecasts:

	2019-21 Biennium Legislative Forecast	2019-21 Biennium Revised Revenue Forecast	Preliminary 2021-23 Biennium Forecast
Total oil tax allocations	\$4,851,193,101	\$3,415,479,818	\$3,032,703,787

Mr. Morrissette presented the following schedule comparing the 2019-21 biennium revised general fund revenue forecast to the 2019 legislative forecast:

Tax Type	2019 Legislative Forecast	September 2020 Revised Revenue Forecast	Increase (Decrease)
Sales and use taxes	\$1,868,262,000	\$1,771,298,564	(\$96,963,436)
Motor vehicle excise tax	249,951,800	225,871,814	(24,079,986)
Individual income tax	803,305,000	792,937,603	(10,367,397)
Corporate income tax	132,268,000	178,960,333	46,692,333
Insurance premium tax	72,944,050	94,520,219	21,576,169
Oil and gas taxes	400,000,000	400,000,000	0
Gaming tax	7,511,200	28,304,238	20,793,038
Lottery	12,245,000	10,222,500	(2,022,500)
Cigarette and tobacco tax	47,838,000	48,670,505	832,505
Wholesale liquor tax	18,703,000	18,268,734	(434,266)
Coal conversion tax	41,438,000	42,398,724	960,724
Mineral leasing fees	38,000,000	29,368,017	(8,631,983)
Departmental collections	91,521,566	78,964,720	(12,556,846)
Interest income	10,000,000	28,272,315	18,272,315
State mill transfer	13,400,000	10,923,841	(2,476,159)
Bank of North Dakota transfer	140,000,000	140,000,000	0
Legacy fund transfer	100,000,000	235,630,000	135,630,000
Tax relief fund transfer	8,600,000	8,600,000	0
Strategic investment and improvements fund transfer	764,400,000	764,400,000	0
Gas tax administration	1,991,024	1,991,418	394
Miscellaneous revenue	581,000	1,643,059	1,062,059
Total revenues	\$4,822,959,640	\$4,911,246,604	\$88,286,964

Mr. Morrisette said based on the revised forecast, the estimated June 30, 2021, balance of the general fund is \$160.5 million.

Mr. Morrisette presented the following schedule comparing the preliminary 2021-23 biennium general fund revenue forecast with the revised 2019-21 biennium general fund revenue forecast for major tax types:

	2019-21 Biennium Revised Revenue Forecast	2021-23 Biennium Preliminary Forecast	Increase (Decrease)
Sales and use taxes	\$1,771,298,564	\$1,700,264,000	(\$71,034,564)
Motor vehicle excise tax	225,871,814	237,728,000	11,856,186
Individual income tax	792,937,603	782,127,000	(10,810,603)
Corporate income tax	178,960,333	189,033,000	10,072,667
Total	\$2,969,068,314	\$2,909,152,000	(\$59,916,314)

In response to a question from Senator Holmberg, Mr. Morrisette said representatives of the Department of Mineral Resources and the oil and gas industry provided input into the revised revenue forecast for oil and gas tax collections.

In response to a question from Representative Pollert, Mr. Morrisette said 50 to 60 well completions are needed each month to maintain a consistent level of oil production under the revised revenue forecast.

In response to a question from Senator Holmberg, Mr. Morrisette said the revised 2019-21 biennium general fund revenue forecast provides for a positive balance for the general fund at the end of the biennium. He said based on the revised forecast, budget allotments will not be needed.

In response to a question from Representative Delzer, Mr. Morrisette said the revised revenue forecast projects \$135.6 million of legacy fund earnings will be deposited in the general fund in addition to the \$100 million originally projected. He said the increased deposit amount will offset projected reductions in other general fund revenue sources.

Other Budget Information

Mr. Morrisette presented information ([Appendix F](#)) regarding state agency expenditure of federal Coronavirus (COVID-19) funding and the status of state agency budget request submissions. He said as of August 31, 2020, \$480,558,678 of federal COVID-19-related funding has been spent by state agencies.

In response to a question from Representative Bellew, Mr. Morrisette said through August 2020 a total of \$32.1 million from the state's allocation from the federal Coronavirus Relief Fund has been distributed to political subdivisions. He said \$59 million was approved to be distributed to political subdivisions and additional allocations will be made as required documentation is received from the political subdivisions.

In response to a question from Senator Bekkedahl, Mr. Morrisette said distributions from the federal Coronavirus Relief Fund to political subdivisions are based on the law enforcement payroll costs. He said the \$59 million allocation will not fully pay 6 months of law enforcement payroll costs and there may be a request at a future meeting to provide additional funding to political subdivisions.

In response to a question from Senator Heckaman, Mr. Morrisette said he would provide the committee with information regarding the amount of federal COVID-19 funding spent by each agency compared to the amount authorized for the agency.

AGENCY REQUESTS APPROVED BY THE EMERGENCY COMMISSION

Chairman Wanzek directed the Budget Section to consider agency requests ([Appendix G](#)) which have been authorized by the Emergency Commission and forwarded to the Budget Section pursuant to Chapter 54-16. Mr. Morrisette provided information regarding the following requests authorized by the Emergency Commission and which require consideration by the Budget Section:

- **Department of Veterans' Affairs (Request #2007)** - The request is to increase federal funds spending authority by \$400,000 in the grants - transportation program line item to increase total funding available for the program to \$1.2 million.
- **North Dakota University System office (Request #2008)** - The request is to increase appropriation authority by \$2.5 million from federal Governor's Emergency Education Relief (GEER) Fund to create the Higher Education COVID Impact Grants program.
- **Department of Public Instruction (Request #2009)** - The request is to increase federal funds spending authority by \$950,000 in the operating expenses line item to accept and expend federal GEER funds for a remote learning digital platform and a special education teacher scholarship program.
- **Department of Public Instruction (Request #2010)** - The request is to increase federal funds spending authority by \$500,000 in the grants - other grants line item to accept and expend funds from the Information Technology Department to provide grants to school districts to support the broadband needs of students and distance education.
- **Department of Trust Lands (Request #2011)** - The request is to authorize 1 full-time equivalent (FTE) position to assist with minerals management.
- **Department of Human Services (Request #2013)** - The request is to increase federal funds spending authority by \$17.5 million to accept and expend funds for the foster care and subsidized adoption programs (\$500,000) and for medical assistance grants (\$17 million) to continue the temporary increase of 6.2 percent in the state's federal medical assistance percentage (FMAP) through December 2020.
- **Bank of North Dakota (Request #2014)** - The request is to repurpose up to \$50 million of the \$200 million appropriated to the Bank of North Dakota from the federal Coronavirus Relief Fund to establish a new program to provide one-time grants to businesses to assist with interest expenses on debt that was issued prior to the COVID-19 emergency.
- **Veterans' Home (Request #2015)** - The request is to increase federal funds spending authority by \$385,400 in the CARES Act line item for expenses related to the COVID-19 pandemic, including the purchase of personal protective equipment, medical supplies, cleaning supplies, and testing supplies; installation of hands-free toilet flushers, faucets, and door openers; and COVID-19-related salary expenditures for temporary employees.
- **Department of Environmental Quality (Request #2016)** - The request is to increase federal funds spending authority by \$182,500 in the salaries and wages line item (\$160,500) and the operating expenses line item (\$22,000) to accept and expend funds from the Federal Emergency Management Agency for reimbursement of costs related to the COVID-19 pandemic.
- **Office of Management and Budget (Request #2017)** - The request is for a line item transfer of \$5,932,707 of GEER funds provided in the CARES Act from the grants line item to a special line item.
- **Department of Public Instruction (Request #2021)** - The request is to increase federal funds spending authority by \$30 million in the grants - other grants line item to expend funds from the federal Coronavirus Relief Fund to reimburse school districts for additional staffing needs caused by the COVID-19 pandemic.

Representative Martinson requested the Department of Trust Lands Request #2011 be considered separately.

Representative Delzer requested Bank of North Dakota Request #2014 be considered separately.

In response to a question from Senator Bekkedahl, Mr. Morrisette said Request #2013 to receive additional federal funds due to changes in the FMAP will result in general fund savings for medical assistance grants.

In response to a question from Senator Mathern, Mr. Morrisette said he will provide information to the committee regarding the ability of the Department of Human Services to reallocate general fund appropriations for medical assistance grants to other department programs.

It was moved by Senator Holmberg, seconded by Senator Robinson, and carried on a roll call vote that the Budget Section approve Requests #2007, #2008, #2009, #2010, #2013, #2015, #2016, #2017, and #2021 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, Brandenburg, Delzer, Hanson, Holman, Howe, Klemin, Kreidt, Louser, Martinson, Meier, Mock, Monson, Nathe, Nelson, Pollert, Sanford, Schatz, Schmidt, Schobinger, and Vigesaa voted "aye." No negative votes were cast.

Representative Martinson said he does not support Request #2011 which would add an FTE position for the Department of Trust Lands. He said the Board of University and School Lands improperly obtained mineral acres along the Missouri River from private citizens. He said the private citizens had to sue the state to receive their mineral rights. He said he does not support adding a position needed due to the improper actions of the board.

Senator Bekkedahl said he supports the request. He said adding the position will expedite the return of mineral rights and money to the private citizens.

Representative Delzer said the request is not consistent with the actions of the Legislative Assembly and he does not support the request.

In response to a question from Representative Howe, Ms. Jodi A. Smith, Commissioner, Department of Trust Lands, said the position will assist in the completion of acreage adjustments for 600 mineral leases along the Missouri River. She said without the position it may take up to 2 years to correct the mineral leases and distribute funds to the private citizens.

In response to a question from Representative Pollert, Ms. Smith said the position likely would be needed beyond the end of the biennium. She said the amount of mineral leases managed by the department is increasing.

In response to a question from Representative Klemin, Ms. Smith said interest is accruing on amounts to be returned to private citizens.

Senator Wardner said he supports the request. He said the issue of mineral rights along the Missouri River needs to be resolved as soon as possible.

In response to a question from Representative Monson, Ms. Smith said the request is to add 1 FTE position. She said there also is an existing mineral title position that is vacant and would be filled.

Representative Martinson said he does not believe another position is needed to return the funding to the private citizens. He said the department already should have detailed records regarding the mineral rights improperly obtained.

In response to a question from Representative Schatz, Ms. Smith said due to an executive order, auctions administered by the Department of Trust Lands have been conducted online.

Representative Schatz said he does not support holding land auctions online.

It was moved by Representative Martinson, seconded by Representative Schmidt, and failed on a roll call vote that the Budget Section not approve Request #2011 which was approved by the Emergency Commission. Representatives Bellew, Boe, Brandenburg, Delzer, Howe, Kreidt, Martinson, Meier, Mock, Monson, Nathe, Nelson, Pollert, Sanford, Schatz, Schmidt, and Vigesaa voted "aye." Senators Wanzek, Bekkedahl, Dever, Erbele, Grabinger, Heckaman, Hogue, Holmberg, Klein, Krebsbach, Lee, Mathern, Oehlke, Poolman, Robinson, Sorvaag, and Wardner and Representatives Anderson, Beadle, Boschee, Hanson, Holman, Klemin, Louser, and Schobinger voted "nay."

It was moved by Senator Wardner, seconded by Senator Heckaman, and carried on a roll call vote that the Budget Section approve Request #2011 which was 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, Boschee, Brandenburg, Hanson, Holman, Klemin, Louser, Nelson, Pollert, and Schobinger voted "aye." Representatives Bellew, Boe, Delzer, Howe, Kreidt, Martinson, Meier, Mock, Monson, Nathe, Sanford, Schatz, Schmidt, and Vigesaa voted "nay."

Mr. Eric Hardmeyer, President, Bank of North Dakota, said Request #2014 would create a program that would assist businesses with interest expenses accruing from April 1, 2020, through September 30, 2020, on debt incurred prior to the pandemic. He said to be eligible for the program, a business would be required to demonstrate a negative financial impact due to COVID-19. He said the request would repurpose \$50 million of federal coronavirus relief funds previously allocated to the Bank.

Senator Wardner said it is imperative to have a viable business community to support the economy of the state.

In response to a question from Senator Sorvaag, Mr. Hardmeyer said to be eligible for the program, a business must have been current on all debt payments as of March 13, 2020. He said local banks will help ensure grants are being provided to viable businesses.

Representative Delzer said he does not support the amount of the request. He said federal coronavirus relief funds may be needed for other state needs.

Representative Pollert said he did not support the request during the Emergency Commission meeting due to the amount of funding requested. He said he supports the program but would prefer a lesser amount of funding be used.

In response to a question from Representative Klemin, Mr. Hardmeyer said funding in the program may be paid directly to a bank if the interest expenses of a business accrued during the eligible time period has not been paid by the business.

In response to a question from Representative Vigesaa, Mr. Hardmeyer said the application period of the program would end on October 30, 2020.

It was moved by Senator Wardner, seconded by Senator Klein, and carried on a roll call vote that the Budget Section approve Request #2014 which was 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, Brandenburg, Hanson, Holman, Howe, Klemin, Kreidt, Louser, Martinson, Meier, Mock, Nathe, Nelson, Pollert, Sanford, Schatz, Schmidt, Schobinger, and Vigesaa voted "aye." Representatives Delzer and Monson voted "nay."

LEGISLATIVE HEARINGS FOR FEDERAL BLOCK GRANTS

At the request of Chairman Wanzek, Mr. Brady A. Larson, Assistant Legislative Budget Analyst and Auditor, Legislative Council, reviewed a memorandum entitled [Federal Block Grants - 2021 Legislative Hearings](#), which provides information regarding block grant hearings required during the 2021 legislative session. Mr. Larson also reviewed a concurrent resolution draft [\[21.3010.01000\]](#) authorizing the Budget Section to hold any legislative block grant hearings required during the 2021-23 biennium. He said the Legislative Council staff contacted state agencies receiving federal funds to determine which agencies receive block grants that require legislative hearings, and the survey revealed only one block grant with that requirement--the community services block grant administered by the Department of Commerce Division of Community Services. He said a summary of the proposed use and distribution plan for the block grant will be provided by the Department of Commerce as part of the agency's appropriations hearings during the 2021 legislative session. He said the required public hearing will be held as part of the appropriations hearing for the Department of Commerce during the 2021 legislative session.

It was moved by Senator Mathern, seconded by Representative Boschee, and carried on a roll call vote that the concurrent resolution draft [\[21.3010.01000\]](#) providing the Budget Section authority to hold public legislative hearings required for receipt of federal block grant funds during the period from the recess or adjournment of the 67th Legislative Assembly through September 30, 2023, be approved and recommended to the Legislative Management. Senators Wanzek, Bekkedahl, Dever, Erbele, Grabinger, Hogue, Holmberg, Krebsbach, Lee, Mathern, Oehlke, Poolman, Robinson, Sorvaag, and Wardner and Representatives Anderson, Beadle, Bellew, Boe, Boschee, Delzer, Hanson, Holman, Howe, Klemin, Kreidt, Louser, Martinson, Meier, Mock, Monson, Nathe, Nelson, Sanford, Schatz, Schmidt, Schobinger, and Vigesaa voted "aye." No negative votes were cast.

2020 NORTH DAKOTA FINANCE FACTS BROCHURE

At the request of Chairman Wanzek, Mr. Larson presented the Legislative Council publication entitled [2020 North Dakota Finance Facts](#).

REPORT ON FEDERAL FUNDS

Mr. Levi Kinnischtzke, Fiscal Analyst, Legislative Council, presented a memorandum entitled [Analysis of Federal Funds for Bienniums Ending June 30, 2021, and June 30, 2023](#), which provides information regarding federal funds estimated to be received by state agencies during the 2019-21 and 2021-23 bienniums. He said agencies estimate \$3.9 billion of federal funds will be received during the 2019-21 biennium, \$39.0 million less than appropriated. He said agencies estimate \$4.0 billion of federal funds will be received during the 2021-23 biennium, \$127.4 million more than is estimated to be received during the 2019-21 biennium.

Mr. Kinnischtzke presented a memorandum entitled [Federal Funds Appropriated and Federal Funds Estimated to be Received 2019-21 and 2021-23 Bienniums](#), which provides information regarding the major variances experienced by agencies during the 2019-21 biennium relating to federal funds appropriated and federal funds estimated to be received and the major variances estimated for the 2021-23 biennium compared to the 2019-21 biennium.

DEPARTMENT OF COMMERCE - RENAISSANCE FUND ORGANIZATIONS ANNUAL REPORT

Ms. Rikki Roehrich, Program Administrator, Department of Commerce, presented information ([Appendix H](#)) regarding annual audits of renaissance fund organizations pursuant to Section 40-63-07(9). She said the purpose of a renaissance fund organization (RFO) is to raise funds to be used to finance projects located in designated renaissance zones. She said there are 58 cities that have a renaissance zone. Of those cities, she said, eight have established an RFO, including Casselton, Fargo, Jamestown, Hazen, Mayville, West Fargo, Hope, and Grand Forks. She said Fargo has established two renaissance zones, but only one is an active RFO. She said Mayville, Hazen, and Hope manage their city's RFO, while other city RFOs are managed by private entities. She said the Legislative Assembly has approved \$10.5 million in tax credits for RFO projects since 1999. She said \$19,927,732 has been invested in RFOs during this time and \$9,963,866 of credits has been claimed. Of the \$536,134 of credits available, she said, \$250,000 has been reserved for the Hope RFO, and \$17,000 for the Mayville RFO.

STATE TREASURER - OUTSTANDING WARRANTS AND CHECKS

Ms. Kelly L. Schmidt, State Treasurer, presented information ([Appendix I](#)) regarding warrants and checks outstanding for more than 90 days and less than 3 years pursuant to Section 54-11-01. She said the total dollar amount of outstanding checks increased by 10 percent from fiscal year 2019 to fiscal year 2020. She said 4,461 checks totaling \$381,723 issued in fiscal year 2017 will be transferred to Unclaimed Property in October 2020. As of September 2020, she said, there are 16,767 outstanding checks totaling \$7.1 million issued during fiscal years 2018, 2019, and 2020.

NORTH DAKOTA OUTDOOR HERITAGE FUND REPORT

Ms. Andrea Pfenning, Deputy Executive Director, Industrial Commission, presented information ([Appendix J](#)) regarding the North Dakota outdoor heritage fund. She said the North Dakota outdoor heritage fund has received \$57,075,957 since its inception. She said \$47,306,829 has been awarded to 168 projects across the state. She said 11 applications totaling \$12.5 million were received for the application deadline September 1, 2020.

DEPARTMENT OF CORRECTIONS AND REHABILITATION - INMATE REPORT

Mr. Steven Hall, Director of Transitional Planning Services, Department of Corrections and Rehabilitation, presented information ([Appendix K](#)) regarding the department's prison population management plan, inmate admissions, and the number of inmates the department has not admitted after sentencing pursuant to Section 54-23.3-11. He said the maximum operational capacity for male inmates is 1,624 while the maximum operational capacity for female inmates is 224. He said both male and female inmate populations are below capacity. However, he said, this is the result of the deferring of inmates due to COVID-19. He said the department requested federal coronavirus relief funds to reimburse local correctional centers for housing inmates denied admission to department facilities.

BOARD OF UNIVERSITY AND SCHOOL LANDS INVESTMENT PERFORMANCE

Mr. Michael Shackelford, Director of Asset Management, Department of Trust Lands, presented information ([Appendix L](#)) regarding the investment of assets under the control of the Board of University and School Lands. He said as of June 2020, the board was managing approximately \$5.7 billion of assets. He said the net return for the permanent trust funds as of June 30, 2020, was negative 1.95 percent for the prior year compared to a benchmark of 2.34 percent, 2.75 percent for the prior 3 years compared to a benchmark of 4.78 percent, and 3.37 percent for

the prior 5 years compared to a benchmark of 4.8 percent. He said as of June 30, 2020, the net return on investments for the strategic investment and improvements fund was 1.17 percent for the prior 6 months compared to a benchmark of 1.73 percent and 2.42 percent for the prior year compared to a benchmark of 2.91 percent. He said in fiscal year 2020, the department paid \$22.3 million, or 46.1 basis points, of fund management fees to private entities for managing approximately \$4.9 billion of assets.

DEPARTMENT OF HUMAN SERVICES - TRANSFERS

Mr. Arnie Strebe, Chief Financial Officer, Department of Human Services, presented information ([Appendix M](#)) regarding a report on any department transfers in excess of \$50,000 made during the 2019-21 biennium between line items in each subdivision and line item transfers made between subdivisions pursuant to Sections 10 and 11 of Senate Bill No. 2012 (2019). He said transfers have been made to move FTE medical claims and data entry positions from the Management Division to the Program and Policy Division. He said other transfers of FTE positions have been made to address department needs.

NATIONAL GUARD SERVICE MEMBER, VETERAN, FAMILY, AND SURVIVOR SUPPORT PROGRAM

Brigadier General Jackie Huber, Adjutant General's office, presented an update ([Appendix N](#)) on the National Guard service member, veteran, family, and survivor support program. She said the program was created by the 2019 Legislative Assembly to allow the National Guard to more efficiently provide programs to service members, veterans, families, and survivors. She said \$2,500 of grant funding was received to address veterans' needs relating to COVID-19. She said \$885 was used to purchase masks and other sanitizing items which were used at events supporting veterans.

THREE AFFILIATED TRIBES EXPENDITURES

Mr. Mark Fox, Chairman, Three Affiliated Tribes of the Fort Berthold Reservation, provided information ([Appendix O](#)) regarding fees, expenses, and charges the tribe imposes on the oil industry and essential infrastructure projects (and each project's cost) completed by the Three Affiliated Tribes of the Fort Berthold Reservation using oil and gas tax receipts pursuant to Section 57-51.2-02. He said fiscal year 2019 oil tax revenues totaled \$254.8 million. He said a portion of these revenues was used for various infrastructure projects, including an interpretive center, a community building, a wellness outreach center, and a school. He said fiscal year 2020, oil tax revenues totaled \$188 million and a portion of these revenues was used for a school project, road construction and maintenance, and community buildings.

In response to a question from Representative Schatz, Mr. Fox said approximately 200,000 producible mineral acres are held by the tribe or through individual allotment.

RED RIVER VALLEY WATER SUPPLY PROJECT CERTIFICATION

Mr. John Paczkowski, Interim Chief Engineer, State Water Commission, presented information ([Appendix P](#)) regarding the certification of items to be accomplished relating to the Red River Valley Water Supply Project. He said Section 14 of Senate Bill No. 2020 (2019) requires the State Water Commission to certify to the Budget Section that a list of items identified in the section have been accomplished. He said funding for Phase 1 of the project may be used only if the Budget Section approves the certification. He said the State Water Commission reviewed the list of items to be accomplished and has certified all items have been accomplished.

It was moved by Representative Mock, seconded by Representative Boschee, and carried on a roll call vote that the Budget Section approve the certification of items to be accomplished for the Red River Valley Water Supply Project. Senators Wanzek, Bekkedahl, Dever, Erbele, Grabinger, Heckaman, Holmberg, Klein, Krebsbach, Lee, Mathern, Oehlke, Poolman, Robinson, Sorvaag, and Wardner and Representatives Anderson, Bellew, Boe, Boschee, Brandenburg, Delzer, Hanson, Holman, Howe, Klemin, Kreidt, Louser, Martinson, Mock, Monson, Nathe, Pollert, Sanford, Schatz, Schmidt, Schobinger, and Vigessaa voted "aye." No negative votes were cast.

LEGISLATIVE SESSION PREPARATIONS

Mr. John Bjornson, Director, Legislative Council, provided comments regarding preparations being made for the 2021 legislative session. He said live streaming capabilities are being installed in most legislative committee meeting rooms. He said room options for committees are being reviewed to allow for social distancing. He said procedures are being developed to allow for the use of remote voting if needed.

GOVERNOR'S OFFICE FUNDING RECEIVED

At the request of Chairman Wanzek, Mr. Larson distributed reports ([Appendix Q](#)) from the Governor's office pursuant to Section 3 of Senate Bill No. 2001 (2019) regarding federal and other funds received by the office.

OTHER BUSINESS

Chairman Wanzek announced the Budget Section is tentatively scheduled to meet on Wednesday, October 28, 2020.

No further business appearing, Chairman Wanzek adjourned the meeting at 12:35 p.m.

Brady A. Larson
Assistant Legislative Budget Analyst and Auditor

Allen H Knudson
Legislative Budget Analyst and Auditor

ATTACH:17