



BUDGET SECTION

Wednesday, October 28, 2020
 Senate Chamber, State Capitol
 Bismarck, North Dakota

Senator Terry M. Wanzek, Chairman, called the meeting to order at 8:00 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, 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, Don Vigesaa

Members absent: Representatives Tracy Boe and Randy A. Schobinger

Others present: See [Appendix A](#)

It was moved by Representative Bellew, seconded by Senator Mathern, and carried on a voice vote that the minutes of the September 17, 2020, meeting be approved as distributed.

STATE BUDGET INFORMATION
General Fund Status

Mr. Joe Morrissette, 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	\$3,429,762,397	
Remaining forecasted general fund collections	1,485,846,731	
Total estimated general fund collections		4,915,609,128
Total estimated revenues available		\$5,111,013,941
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		\$137,151,962
Transfer to budget stabilization fund ¹		0
Estimated ending general fund balance - June 30, 2021		\$137,151,962

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. Morrisette presented the following schedule detailing estimated fund balances of selected special funds as of September 30, 2020:

Budget stabilization fund	\$736,330,843 ¹
Legacy fund	\$7,523,377,899
Foundation aid stabilization fund	\$379,902,629
Tax relief fund	\$290,474,146
¹ August 31, 2020, balance before June 2021 transfer to the general fund. The maximum balance of the fund is \$726,534,475.	

Mr. Morrisette 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.

Higher Education Project Variance Reports

Mr. Morrisette distributed higher education project variance reports ([Appendix C](#)) submitted to the Office of Management and Budget pursuant to Section 15-10-47.

AGENCY REQUESTS APPROVED BY THE EMERGENCY COMMISSION

Chairman Wanzek directed the Budget Section to consider agency requests ([Appendix D](#)) 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:

- **Industrial Commission (Request #2022)** - The request is to increase federal funds spending authority by \$77,249 to accept and spend federal Safe Drinking Water Act funding to plug abandoned wells confiscated by the department.
- **Department of Commerce (Request #2023)** - The request is to increase federal funds spending authority by \$1,921,418 in the CARES Act Funding 2020 line item for funding available for the community development block grant program, which will be transferred to the Department of Human Services for a household emergency rent bridge program to assist low-income individuals for rent eviction prevention.
- **State Department of Health (Request #2024)** - The request is to increase federal funds spending authority by \$54,540,000 in the COVID-19 response line item to accept and expend funds from the Federal Emergency Management Agency (FEMA) for laboratory testing and capacity, personal protective equipment, overtime, and other related costs to contain and mitigate the spread of the Coronavirus (COVID-19).
- **Department of Human Services (Request #2025)** - The request is to increase federal funds spending authority by \$25,534,942 to accept and expend federal funds to extend the emergency rent bridge program (\$4,034,942), to allow the department to receive and use a federal disaster response grant to provide mental health services to individuals affected by flooding in 2019 (\$4,000,000), and to continue the temporary increase of 6.2 percent in the state's federal medical assistance percentage for foster care and subsidized adoption (\$500,000) and medical assistance grants (\$17,000,000) through March 2021.
- **Multiple agencies (Request #2026)** - The request is to increase federal funds spending authority by \$221,430,286 to allow the following agencies to accept and expend reallocated federal coronavirus relief funds for costs relating to the COVID-19 pandemic:
 - Office of Management and Budget - \$988,830;
 - Office of Administrative Hearings - \$522;
 - Legislative Assembly - \$1,100,000;
 - Department of Public Instruction - \$33,816,217;
 - Bismarck State College - \$228,000;
 - Lake Region State College - \$27,500;
 - Williston State College - \$612,000;
 - University of North Dakota - \$1,614,803;
 - North Dakota State College of Science - \$80,000;
 - Dickinson State University - \$306,184;

Mayville State University - \$1,193,625;
 Minot State University - \$911,500;
 Valley City State University - \$231,796;
 Dakota College at Bottineau - \$54,355;
 Department of Career and Technical Education - \$470,980;
 State Department of Health - \$10,000,000;
 Department of Environmental Quality - \$675,000;
 Veterans' Home - \$330,943;
 Indian Affairs Commission - \$20,915;
 Department of Human Services - \$14,846,520;
 Job Service North Dakota - \$9,727,570;
 Industrial Commission - \$16,000,000;
 Bank of North Dakota - \$20,000,000;
 Mill and Elevator Association - \$12,920;
 Workforce Safety and Insurance - \$818,122;
 Highway Patrol - \$13,515,000;
 Department of Commerce - \$29,000,000;
 Department of Agriculture - \$2,200,000;
 State Seed Department - \$6,117;
 State Fair - \$105,272;
 Parks and Recreation Department - \$154,438;
 Department of Transportation - \$651,458; and
 State Treasurer (To be distributed to political subdivisions) - \$61,729,699.

It was moved by Senator Holmberg, seconded by Senator Mathern, and carried on a roll call vote that the Budget Section approve Requests #2022, #2023, #2024, and #2025 which were approved by the Emergency Commission. Senators Wanzek, Bekkedahl, Dever, Erbele, Grabinger, Heckaman, Hogue, Holmberg, Klein, Lee, Mathern, Oehlke, Poolman, Sorvaag, and Wardner and Representatives Anderson, Beadle, Bellew, Boschee, Brandenburg, Delzer, Hanson, Holman, Howe, Klemin, Kreidt, Louser, Martinson, Mock, Monson, Nathe, Pollert, Sanford, Schatz, Schmidt, and Vigesaa voted "aye." No negative votes were cast.

Chairman Wanzek directed the Budget Section to consider Request #2026 which would reallocate \$221,430,286 of federal coronavirus relief funds returned by agencies.

Senator Mathern requested the Budget Section consider the funding request for the Industrial Commission separately.

In response to a question from Chairman Wanzek, Mr. Shawn Kessel, Interim Director, Department of Commerce, said the Department of Commerce request includes \$29 million of funding for hospitality economic resiliency grants to assist businesses, including entertainment venues such as movie theaters.

In response to a question from Representative Sanford, Ms. Kirsten Baesler, Superintendent of Public Instruction, said the Department of Public Instruction request includes \$33.8 million for distributions to public schools. She said the funding would be distributed based on each school's regular enrollment count.

In response to a question from Senator Holmberg, Ms. Baesler distributed a document ([Appendix E](#)) detailing the school funding distributions.

It was moved by Senator Wardner, seconded by Representative Pollert, and carried on a roll call vote that the Budget Section approve Request #2026, except for funding designated for the Industrial Commission, 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, Boschee, Brandenburg, Delzer, Hanson, Howe, Klemin, Kreidt, Louser, Martinson, Mock, Monson, Nathe, Pollert, Sanford, Schatz, Schmidt, and Vigesaa voted "aye." No negative votes were cast.

Senator Mathern said he does not support the Industrial Commission request for a program to provide funding to oil companies to complete oil wells. He said the funding could be used for other priorities to better serve citizens affected by COVID-19.

Senator Wardner said he supports the request to incentivize the completion of wells which will provide revenues to benefit the state in the future. He said the program will also address unemployment concerns in the western part of the state which will increase other tax revenues such as income and sales taxes.

Representative Boschee said he does not support the request. He said no other industry in the state is receiving aid for production purposes. He said support for businesses has been to assist in obtaining personal protective equipment, staffing, and sanitization required due to COVID-19. He said the funding would be better used in preventing the spread of COVID-19.

Senator Bekkedahl said he supports the request. He said unemployment rates in Williams County are currently five times higher than before the COVID-19 pandemic. He said local economies affected by oil and gas development have not been able to recover like other areas of the state.

Senator Mathern said the spread of COVID-19 will increase during the winter months. He said the safety and protection of citizens should be a priority.

Representative Boschee expressed concern regarding the lack of public input in determining how to allocate federal coronavirus relief funds.

Chairman Wanzek called on Mr. Lynn Helms, Director, Department of Mineral Resources, for comments.

Mr. Helms said the current price of oil does not make it economically feasible to complete a well. He said the program would provide an incentive of up to \$200,000 to complete a well. He said local businesses that laid off employees would benefit from the program. He said the program may support 500 to 1,000 hydraulic fracturing employees and result in 150 to 200 long-term production jobs to operate the new wells.

In response to questions from Representative Mock, Mr. Helms said the program would support 5 to 10 hydraulic fracturing crews and could result in the completion of up to 80 wells. He said without the program oil production in the state would decrease to below 1.1 million barrels per day. He said the program would allow oil production in the state to maintain at 1.3 million barrels per day. He said the program would stabilize production until the price of oil increases to an amount where it is economically feasible to complete a well.

Representative Pollert said he supports the request. He said the request will help improve the economy in the northwest part of the state.

Senator Dever said the program is a short-term investment that will bring long-term benefits. He said the program will provide more resources to help citizens in the future.

In response to a question from Senator Mathern, Mr. Morrisette said the effect of the program on oil production will be considered in the development of the executive revenue forecast.

It was moved by Senator Mathern, seconded by Representative Boschee, and failed on a roll call vote that the Budget Section deny funding designated for the Industrial Commission in Request #2026, which was approved by the Emergency Commission. Senators Grabinger, Mathern, and Robinson and Representatives Boschee, Hanson, and Holman voted "aye." Senators Wanzek, Bekkedahl, Dever, Erbele, Heckaman, Hogue, Holmberg, Klein, Krebsbach, Lee, Oehlke, Sorvaag, and Wardner and Representatives Anderson, Beadle, Bellew, Brandenburg, Delzer, Howe, Kempenich, Klemin, Kreidt, Louser, Martinson, Mock, Monson, Nathe, Pollert, Sanford, Schatz, Schmidt, and Vigesaa voted "nay."

It was moved by Representative Pollert, seconded by Senator Wardner, and carried on a roll call vote that the Budget Section approve funding designated for the Industrial Commission in Request #2026, which was approved by the Emergency Commission. Senators Wanzek, Bekkedahl, Dever, Erbele, Heckaman, Hogue, Holmberg, Klein, Krebsbach, Lee, Oehlke, Sorvaag, and Wardner and Representatives Anderson, Beadle,

Bellew, Brandenburg, Delzer, Holman, Howe, Kempenich, Klemin, Kreidt, Louser, Martinson, Mock, Monson, Nathe, Pollert, Sanford, Schatz, Schmidt, and Vigesaa voted "aye." Senators Grabinger, Mathern, and Robinson and Representatives Boschee and Hanson voted "nay."

No further business appearing, Chairman Wanzek adjourned the meeting at 9:25 a.m.

Brady A. Larson
Assistant Legislative Budget Analyst and Auditor

Allen H. Knudson
Legislative Budget Analyst and Auditor

ATTACH:5