



BUDGET SECTION

Wednesday, June 19, 2024
Senate Chamber, State Capitol
Bismarck, North Dakota

Senator Brad Bekkedahl, Chairman, called the meeting to order at 10:00 a.m.

Members present: Senators Brad Bekkedahl, Randy A. Burckhard, Kyle Davison, Dick Dever, Michael Dwyer, Robert Erbele, David Hogue, Jerry Klein, Curt Kreun, Scott Meyer, Merrill Piepkorn, Jim P. Roers, David S. Rust, Donald Schaible, Ronald Sorvaag, Terry M. Wanzek; Representatives Bert Anderson, Glenn Bosch, Josh Boschee, Mike Brandenburg, Jay Fisher, Karla Rose Hanson, Zachary Ista, Keith Kempenich, Mike Lefor, Bob Martinson, Lisa Meier, Alisa Mitskog, Corey Mock, David Monson, Mike Nathe, Jon O. Nelson, Emily O'Brien, Brandy Pyle, David Richter, Dan Ruby, Mark Sanford, Randy A. Schobinger*, Greg Stemen, Michelle Strinden, Steve Swiontek, Don Vigesaa

Members absent: Senators Kathy Hogan, Karen K. Krebsbach, Tim Mathern, Shawn Vedaa; Representatives Dennis Johnson, Gary Kreidt, Mike Schatz

Others present: Susan Sisk and John Boyle, Office of Management and Budget; Darin Anderson, Department of Emergency Services; Jon Godfread, Insurance Commissioner; Michael Howe, Secretary of State; Don Wolf, Supreme Court; Janilyn Murtha, Retirement and Investment Office; Mark Bohrer, Department of Mineral Resources

**Attended remotely*

It was moved by Senator Burckhard, seconded by Senator Meyer, and carried on a voice vote that the minutes of the March 20, 2024, meeting be approved as distributed.

STATE BUDGET INFORMATION

Ms. Susan Sisk, Director, Office of Management and Budget, presented a report ([Appendix A](#)) on the status of the general fund, balances of selected special funds, general fund revenue collections, oil prices and production, and the status of the new and vacant FTE funding pool.

STATE AGENCY APPLICATIONS FOR FEDERAL GRANTS

Ms. Sisk presented information ([Appendix B](#)) regarding state agencies that applied for federal grants estimated to be \$25,000 or more pursuant to North Dakota Century Code Section 54-27-27. She noted 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	January 2025 - December 2030	\$60,000,000
Department of Corrections and Rehabilitation	October 2024 - October 2027	\$550,000
Department of Commerce	January 2026 - January 2030	\$50,000,000
Department of Commerce	October 2024 - October 2027	\$20,000,000
Game and Fish Department	July 2025 - June 2027	\$5,000,000
Department of Transportation	March 2026 - March 2030	\$2,700,000
Department of Transportation	March 2026 - March 2030	\$9,400,000
Department of Transportation	March 2028 - March 2032	\$11,700,000
Department of Transportation	March 2026 - March 2031	\$29,900,000
Department of Transportation	March 2028 - March 2032	\$32,500,000
Department of Transportation	June 2027 - March 2031	\$101,000,000

Ms. Sisk presented the following schedule of federal grants of \$25,000 or more awarded to state agencies:

Agency	Time Period of Grant	Amount
Department of Mineral Resources	April 2024 - April 2029	\$25,000,000

IRREGULARITIES IN THE FISCAL PRACTICES OF THE STATE

Ms. Sisk presented information ([Appendix C](#)) regarding irregularities in the fiscal practices of the state pursuant to Section 54-14-03.1. She presented the following fiscal irregularities for the period March 2024 through May 2024:

Agency	Fiscal Irregularity	Amount
Office of Management and Budget	Temporary workload adjustments	\$3,221
Commission on Legal Counsel for Indigents	Temporary workload adjustments	\$2,000
Retirement and Investment Office	Temporary workload adjustments	\$8,680
Public Employees Retirement System	Temporary workload adjustments	\$14,560
Department of Public Instruction	Temporary workload adjustments	\$3,800
Veterans' Home	Temporary workload adjustment	\$1,111
Department of Veterans' Affairs	Temporary workload adjustments	\$6,673
Department of Health and Human Services	Temporary workload increases	\$187,456
Department of Corrections and Rehabilitation	Temporary workload adjustments	\$1,800
Parks and Recreation Department	Temporary workload adjustments	\$2,250
Department of Water Resources	Temporary workload adjustments	\$2,000
Center for Distance Education	Retroactive pay	\$8,587
Department of Health and Human Services	Retroactive pay	\$57,634
Industrial Commission	Retroactive pay	\$18,750
Department of Mineral Resources	Retroactive pay	\$2,000
Adjutant General	Retroactive pay	\$1,738
Department of Transportation	Retroactive pay	\$1,962

TOBACCO SETTLEMENT PROCEEDS

Ms. Sisk presented information ([Appendix D](#)) on the status of tobacco settlement proceeds received by North Dakota. She noted the April 2024 payments totaled \$22.2 million and were deposited in the tobacco settlement trust fund and funding deposited in the tobacco settlement trust fund is transferred to the community health trust fund.

AGENCY REQUESTS APPROVED BY THE EMERGENCY COMMISSION

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

Ms. Sisk presented information regarding the following requests that were authorized by the Emergency Commission and require consideration by the Budget Section:

- **Department of Mineral Resources (Request #2121)** - The request is to increase federal funds spending authority by \$25 million to accept and expend funds from a federal grant to plug and reclaim abandoned oil wells and oil well sites;
- **Adjutant General (Request #2123)** - The request is to increase federal funds spending authority by \$3,159,000 to complete the bridge training site project located at the Camp Grafton Training Center;
- **Adjutant General (Request #2124)** - The request is to transfer \$281,474 of special funds from the salaries and wages line item to the capital assets line item to complete the state radio console replacement project;
- **Secretary of State (Request #2125)** - The request is to increase appropriation authority by \$1 million from federal funds from the Help America Vote Act, in the election reform line item for the 2023-25 biennium;
- **Aeronautics Commission (Request #2127)** - The request is to increase other funds spending authority by \$900,000, including \$400,000 of federal funds and \$500,000 of special funds from the Aeronautics Commission fund, for the International Peace Garden airport rehabilitation project;
- **State Treasurer (Request #2129)** - The request is for \$175,000 from the state contingencies appropriation for payments in lieu of taxes associated with carbon dioxide pipelines while the pipelines are exempt from property taxes for the first 10 years of operation;
- **Insurance Commissioner (Request #2130)** - The request is to increase special funds authority from the insurance regulatory trust fund by \$1.5 million for costs to contract with consultants for studies of the property insurance sector resulting from recommendations of the environmental, social, and governance study approved by the 68th Legislative Assembly and conducted by the Bank of North Dakota; and
- **Office of Management and Budget (Request #2132)** - The request is for a line item transfer of \$468,770 from the capital carryover line item to the operating expenses line item for costs to demolish the State Office Building.

Ms. Sisk suggested amending Request #2121 to reduce the authorized federal funds amount from \$25,000,000 to \$2,406,989. She noted the remaining \$22,593,011 will be deposited in the abandoned oil and gas well plugging and site reclamation fund and spent pursuant to a continuing appropriation; therefore, does not need Emergency Commission and Budget Section approval.

Mr. Darin Anderson, State Radio Director, Department of Emergency Services, responded to questions regarding Request #2124.

Mr. John Boyle, Facility Management Director, Office of Management and Budget, responded to questions regarding Request #2132.

Mr. Michael Howe, Secretary of State, responded to questions regarding Request #2125.

Mr. Jon Godfread, Insurance Commissioner, responded to questions and provided information ([Appendix F](#)) regarding Request #2130.

It was moved by Representative Nelson, seconded by Representative Pyle, and carried on a roll call vote that the Budget Section amend Request #2121 from \$25,000,000 of federal funds authority to \$2,406,989 of federal funds authority. Senators Bekkedahl, Burckhard, Davison, Dever, Dwyer, Erbele, Hogue, Klein, Kreun, Meyer, Piepkorn, Roers, Rust, Schaible, Sorvaag, and Wanzek and Representatives Anderson, Bosch, Boschee, Brandenburg, Fisher, Hanson, Ista, Kempenich, Lefor, Martinson, Meier, Mitskog, Mock, Monson, Nathe, Nelson, O'Brien, Pyle, Richter, Ruby, Sanford, Schobinger, Stemen, Strinden, Swiontek, and Vigesaa voted "aye." No negative votes were cast.

It was moved by Senator Klein, seconded by Senator Meyer, and carried on a roll call vote that the Budget Section approve Request #2130. Senators Bekkedahl, Burckhard, Davison, Dever, Dwyer, Erbele, Hogue, Klein, Kreun, Meyer, Roers, Schaible, Sorvaag, and Wanzek and Representatives Anderson, Bosch, Boschee, Fisher, Lefor, Martinson, Mitskog, Monson, Nathe, Nelson, O'Brien, Pyle, Richter, Ruby, Sanford, Schobinger, Stemen, Strinden, and Swiontek voted "aye." Senators Piepkorn and Rust and Representatives Brandenburg, Hanson, Ista, Kempenich, Meier, Mock, and Vigesaa voted "nay."

It was moved by Representative Monson, seconded by Representative Kempenich, and failed on a roll call vote that the Budget Section not approve Request #2132. Senators Roers and Rust and Representatives Brandenburg, Ista, Kempenich, Meier, Mock, Monson, Nathe, Pyle, Richter, Ruby, and Schobinger voted "aye." Senators Bekkedahl, Burckhard, Davison, Dever, Dwyer, Erbele, Hogue, Klein, Kreun, Meyer, Piepkorn, Schaible, Sorvaag, and Wanzek and Representatives Anderson, Bosch, Boschee, Fisher, Hanson, Lefor, Martinson, Mitskog, Nelson, O'Brien, Sanford, Stemen, Strinden, Swiontek, and Vigesaa voted "nay."

It was moved by Senator Davison, seconded by Senator Dever, and carried on a roll call vote that the Budget Section approve Request #2132. Senators Bekkedahl, Burckhard, Davison, Dever, Dwyer, Erbele, Hogue, Klein, Kreun, Meyer, Piepkorn, Schaible, and Wanzek and Representatives Anderson, Bosch, Boschee, Fisher, Hanson, Lefor, Martinson, Mitskog, Nelson, O'Brien, Sanford, Stemen, Strinden, Swiontek, and Vigesaa voted "aye." Senators Roers, Rust, and Sorvaag and Representatives Brandenburg, Ista, Kempenich, Meier, Mock, Monson, Nathe, Pyle, Richter, Ruby, and Schobinger voted "nay."

It was moved by Senator Wanzek, seconded by Representative Mock, and carried on a roll call vote that the Budget Section approve Requests #2121 as amended, #2123, #2124, #2125, #2127, and #2129. Senators Bekkedahl, Burckhard, Davison, Dever, Dwyer, Erbele, Hogue, Klein, Kreun, Meyer, Piepkorn, Roers, Rust, Schaible, Sorvaag, and Wanzek and Representatives Anderson, Bosch, Boschee, Brandenburg, Fisher, Hanson, Ista, Kempenich, Lefor, Martinson, Meier, Mitskog, Mock, Monson, Nathe, Nelson, O'Brien, Pyle, Richter, Ruby, Sanford, Schobinger, Stemen, Strinden, Swiontek, and Vigesaa voted "aye." No negative votes were cast.

Representative Hanson noted the Department of Corrections and Rehabilitation had submitted an Emergency Commission request to expand housing to increase inmate capacity. She noted local jails are experiencing increased inmate counts due to deferred admissions.

Chairman Bekkedahl noted the Emergency Commission reviewed the request but did not act on it because the commission determined it did not have the authority to approve a new capital project request.

NEW AND VACANT FULL-TIME EQUIVALENT FUNDING POOLS

Mr. Allen H. Knudson, Legislative Budget Analyst and Auditor, Legislative Council, provided a report ([Appendix G](#)) regarding the use of the legislative branch new and vacant FTE funding pool. He noted:

- One new FTE position has been hired and \$209,000 has been transferred from the pool.
- A total of \$352,650 of funds has been saved to date from vacant FTE positions, of which \$21,653 was used for accrued leave payments and temporary salaries.

Mr. Don Wolf, Director of Finance, Supreme Court, provided a report ([Appendix H](#)) regarding the use of the judicial branch new and vacant FTE funding pool. He noted:

- A total of 20 new FTE positions have been hired but funding has not yet been used from the pool for the positions.
- A total of \$839,838 of funds has been saved from vacant FTE positions, of which \$282,066 has been used for other salary purposes, including accrued leave payments, overtime, and position reclassifications.

RETIREMENT AND INVESTMENT OFFICE INCENTIVE COMPENSATION PROGRAM

Ms. Janilyn Murtha, Executive Director, Retirement and Investment Office, presented an update ([Appendix I](#)) on the Retirement and Investment Office incentive compensation program. She noted:

- The State Investment Board approved an incentive compensation program based on in-house investment returns compared to benchmarks.
- Select employees are eligible to receive an annual bonus ranging from 25 to 100 percent of base salary levels.

OIL AND GAS INFORMATION

Mr. Mark Bohrer, Assistant Director, Oil and Gas Division, Department of Mineral Resources, presented an update ([Appendix J](#)) on the abandoned oil and gas well plugging and site reclamation fund and the status of oil and gas development in the state. He noted:

- The balance of the abandoned oil and gas well plugging and site reclamation fund was \$25,312,303 on June 30, 2023, and is anticipated to be \$37,434,817 on June 30, 2025.
- Oil production was 1,129,539 barrels per day in March 2024 and 1,241,106 barrels per day in April 2024.

LEGACY AND BUDGET STABILIZATION FUND ADVISORY BOARD REPORT

Senator Klein, 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 June 19, 2024](#) regarding the investment of funds in the legacy fund and budget stabilization fund pursuant to Section 21-10-11. He reported:

- The asset allocation of the budget stabilization fund is 99.1 percent short-term fixed income and cash and 0.9 percent cash and equivalents.
- Fiscal year 2024 to date average earnings of the fund is 5.5 percent.
- The legacy fund's fiscal year 2024 to date return is 9.8 percent compared to a benchmark return of 8.95 percent.

2021-23 BIENNIUM REPORT ON COMPLIANCE WITH LEGISLATIVE INTENT

Chairman Bekkedahl called on Mr. Brady A. Larson, Assistant Legislative Budget Analyst and Auditor, Legislative Council, to present the [2023-25 Biennium Report on Compliance With Legislative Intent](#) and [Analysis of State Trust Funds](#). Mr. Larson noted in addition to the printed report, the information is available on the legislative branch website.

STATE BOARD OF AGRICULTURAL RESEARCH AND EDUCATION REPORTS

At the request of Chairman Bekkedahl, Mr. Larson distributed a written report ([Appendix K](#)) from the State Board of Agricultural Research and Education regarding its activities pursuant to Section 15-12.1-17.

OTHER BUSINESS

Chairman Bekkedahl announced the Budget Section is tentatively scheduled to meet on Wednesday, September 18, 2024.

No further business appearing, Chairman Bekkedahl adjourned the meeting at 12:40 p.m.

Brady A. Larson
Assistant Legislative Budget Analyst and Auditor

Allen H. Knudson
Legislative Budget Analyst and Auditor

ATTACH:11