

BUDGET SECTION

The Legislative Management's Budget Section is referred to in various sections of the North Dakota Century Code and the Session Laws of North Dakota. Although there are statutory references to the Budget Section, it is not created by statute. The Budget Section is an interim committee appointed by the Legislative Management. By tradition, the membership of the Budget Section consists of the members of the Senate and House Appropriations Committees, the Majority and Minority Leaders and their assistants, and the Speaker of the House.

Budget Section members were Senators Gary A. Lee, Bill L. Bowman, Ron Carlisle, Robert Erbele, Joan Heckaman, Ray Holmberg, Ralph Kilzer, Jerry Klein, Karen K. Krebsbach, Tim Mathern, David O'Connell, Larry J. Robinson, Mac Schneider, Ronald Sorvaag, Terry M. Wanzek, and Rich Wardner and Representatives Larry Bellew, Wesley R. Belter, Tracy Boe, Randy Boehning, Mike Brandenburg, Al Carlson, Jeff Delzer, Mark A. Dosch, Eliot Glassheim, Ron Guggisberg, Kathy Hogan, Richard G. Holman, Keith Kempenich, Gary Kreidt, Bob Martinson, Corey Mock, David Monson, Jon O. Nelson, Kenton Onstad, Chet Pollert, Mark Sanford, Jim Schmidt, Peter F. Silbernagel, Robert J. Skarphol, Roscoe Streyle, Blair Thoreson, and Don Vigesaa.

The following duties assigned to the Budget Section by law or by Legislative Management directive were acted on during the 2015-16 interim:

1. **Annual report from the North Dakota State University (NDSU) Main Research Center (Section 4-05.1-05)** - This section requires an annual report to be presented to the Budget Section regarding any adjustments or increases of full-time equivalent (FTE) positions.
2. **Status of the State Board of Agricultural Research and Education (Section 4-05.1-19(10))** - This section requires a status report to be presented to the Budget Section.
3. **Annual report from the NDSU Extension Service (Section 4-08-10)** - This section requires an annual report to be presented to the Budget Section regarding any adjustments or increases of FTE positions.
4. **Higher education campus improvements and building construction (Section 15-10-12.1)** - This section requires the approval of the Budget Section or the Legislative Assembly for the construction of any building financed by donations, gifts, grants, and bequests on land under the control of the State Board of Higher Education. Campus improvements and building maintenance of more than \$385,000 also require the approval of the Budget Section or Legislative Assembly. Budget Section approval can only be provided when the Legislative Assembly is not in session, excluding the 6 months prior to a regular legislative session and the 3 months following the close of a regular session. The Budget Section approval regarding the construction of buildings and campus improvements must include a specific dollar limit for each building, campus improvement, or maintenance project. If a request is to be considered by the Budget Section, the Legislative Council must notify each member of the Legislative Assembly and allow any member to present testimony to the Budget Section regarding the request. Campus improvements and building maintenance of \$385,000 or less and the sale of real property received by gift or bequest may be authorized by the board.
5. **Sources of funds received for construction projects of entities under the State Board of Higher Education (Section 15-10-12.3)** - This section requires each institution under the State Board of Higher Education undertaking a capital construction project that was approved by the Legislative Assembly and for which local funds are to be used to present a biennial report to the Budget Section detailing the source of all funds used in the project.
6. **State Board of Higher Education's semiannual project variance reports (Section 15-10-47)** - This section requires the Office of Management and Budget (OMB) to provide to the Budget Section upon request information relating to the State Board of Higher Education's semiannual project variance reports regarding construction projects valued at more than \$250,000.
7. **Annual audits from center of excellence awarded funds under Chapter 15-69 (Section 15-69-05, effective through July 31, 2023)** - This section requires a center of excellence that is awarded funds under Chapter 15-69 to provide an annual audit report to the Budget Section on the funds distributed to the center until the completion of the Centers of Excellence Commission's postaward monitoring of the center.
8. **State Fire Marshal report on fire departments funding (Section 18-04-02)** - This section provides Budget Section receive a biennial report from the State Fire Marshal summarizing the expenditures by certified city fire departments, certified rural fire departments, and certified fire protection districts of funds received under Section 18-04-05 and the information on committed and uncommitted reserve fund balances of these entities.
9. **Game and Fish Department land acquisitions (Section 20.1-02-05.1)** - This section requires Budget Section approval is required for Game and Fish Department land acquisitions of more than 10 acres or \$10,000.

10. **Legacy and Budget Stabilization Fund Advisory Board semiannual reports (Section 21-10-11)** - This section requires the Legacy and Budget Stabilization Fund Advisory Board to provide at least semiannual reports to the Budget Section regarding asset allocation and investment policies developed for the legacy and budget stabilization funds as well as recommendations presented to the State Investment Board regarding investment of funds in the legacy and budget stabilization funds.
11. **Abandoned oil and gas well plugging and site reclamation fund (Section 38-08-04.5)** - This section requires the Industrial Commission to report to the Budget Section on the status of the abandoned oil and gas well plugging and site reclamation fund and related information.
12. **Annual audits of renaissance fund organizations (Section 40-63-07(9))** - This section requires the Department of Commerce Division of Community Services to report annually to the Budget Section on the results of audits of renaissance fund organizations.
13. **Report identifying every state agency that has not submitted a claim for property belonging to that agency (Section 47-30.1-24.1)** - This section requires the Commissioner of the Board of University and School Lands to report to the Budget Section identifying every state agency that has not submitted a claim for unclaimed property belonging to that agency within 1 year of receipt of the certified mail notification.
14. **Relinquishment of agency rights to recover property (Section 47-30.1-24.1)** - This section provides each state agency that does not submit a claim for unclaimed property belonging to that agency within 1 year of receipt of the certified mail notification relinquishes its right to recover the property upon approval of the Budget Section.
15. **Change or expansion of state building construction projects (Section 48-01.2-25)** - This section provides a state agency or institution may not significantly change or expand a building construction project approved by the Legislative Assembly unless the change, expansion, or additional expenditure is approved by the Legislative Assembly or the Budget Section if the Legislative Assembly is not in session, excluding the 6 months prior to a regular legislative session and the 3 months following the close of a regular session.
16. **Job insurance trust fund (Section 52-02-17)** - This section requires Job Service North Dakota report to the Legislative Council before March 1 of each year the actual job insurance trust fund balance and the targeted modified average high-cost multiplier, as of December 31 of the previous year, and a projected trust fund balance for the next 3 years. The Legislative Management has assigned this responsibility to the Budget Section.
17. **Report on the number of employees receiving bonuses above the 25 percent limitation (Section 54-06-30)** - This section authorizes agencies to pay bonuses to not more than 25 percent of the employees employed by the agency on July 1 of each state fiscal year. Human Resource Management Services (HRMS) may approve the payment of bonuses above the 25 percent limitation, but is required to report any exceptions granted under this subsection to the Budget Section.
18. **Warrants and checks outstanding for more than 90 days and less than 3 years (Section 54-11-01)** - This section requires the State Treasurer to report to the Budget Section, within 90 days of the beginning of each fiscal year, all warrants and checks outstanding for more than 90 days and less than 3 years.
19. **Irregularities in the fiscal practices of the state (Section 54-14-03.1)** - This section requires the Office of the Budget to submit a report to the Budget Section documenting:
 - a. Any irregularities in the fiscal practices of the state.
 - b. Areas where more uniform and improved fiscal procedures are desirable.
 - c. Any expenditures or governmental activities contrary to law or legislative intent.
 - d. The use of state funds to provide bonuses, cash incentive awards, or temporary salary adjustments for state employees.
20. **Transfers exceeding \$50,000 (Section 54-16-04(2))** - This section provides, subject to Budget Section approval, the Emergency Commission may authorize a transfer of more than \$50,000 from one fund or line item to another. Budget Section approval is not required if the transfer is necessary to comply with a court order, to avoid an imminent threat to the safety of people or property due to a natural disaster or war crisis, or to avoid an imminent financial loss to the state.
21. **Acceptance and expenditure of federal funds of more than \$50,000 which were not appropriated (Section 54-16-04.1).**
 - a. Acceptance of federal funds - This section requires Budget Section approval for any Emergency Commission action authorizing a state officer to accept more than \$50,000 of federal funds which were not appropriated, and the Legislative Assembly has not indicated intent to reject the money. Budget Section approval is not required if the acceptance is necessary to avoid an imminent threat to the safety of people or property due to a natural disaster or war crisis or to avoid an imminent financial loss to the state.

- b. Expenditure of federal funds - This section requires Budget Section approval for any Emergency Commission action authorizing a state officer to spend more than \$50,000 of federal funds which were not appropriated, and the Legislative Assembly has not indicated intent to reject the money.
22. **Acceptance of federal funds for a specific purpose or program which were not appropriated (Section 54-16-04.1(4))** - This section provides, upon approval by the Emergency Commission and Budget Section, the state may accept any federal funds made available to the state which are not for a specific purpose or program and which are not required to be spent prior to the next regular legislative session for deposit into a special fund until the Legislative Assembly appropriates the funds.
23. **Acceptance and expenditure of other funds of more than \$50,000 which were not appropriated (Section 54-16-04.2).**
- a. Acceptance of other funds - This section requires Budget Section approval for any Emergency Commission action authorizing a state officer to accept more than \$50,000 from gifts, grants, donations, or other sources which were not appropriated, and the Legislative Assembly has not indicated intent to reject the money or programs. Budget Section approval is not required if the acceptance is necessary to avoid an imminent threat to the safety of people or property due to a natural disaster or war crisis or to avoid an imminent financial loss to the state.
- b. Expenditure of other funds - This section requires Budget Section approval for any Emergency Commission action authorizing a state officer to spend more than \$50,000 from gifts, grants, donations, or other sources which were not appropriated, and the Legislative Assembly has not indicated intent to reject the money or programs.
24. **Transfers of spending authority from the state contingencies appropriation exceeding \$50,000 (Section 54-16-09)** - This section provides, subject to Budget Section approval, the Emergency Commission may authorize a transfer of more than \$50,000 from the state contingencies line item to the appropriate line item in the appropriation of the state officer who requested the transfer. Budget Section approval is not required if the transfer is necessary to avoid an imminent threat to the safety of people or property due to a natural disaster or war crisis or to avoid an imminent financial loss to the state. A total of \$700,000 was provided for the 2015-17 biennium.
25. **Housing units owned or master leased by cities, counties, school districts, or other employers of essential service workers (Section 54-17-40)** - This section requires the Housing Finance Agency to report quarterly to the Budget Section on the progress being made to reduce the overall number of units owned, master leased, or subsidized by these entities.
26. **North Dakota Outdoor Heritage Advisory Board (Section 54-17.8-07)** - This section provides Budget Section receive a report from the North Dakota Outdoor Heritage Advisory Board on a biennial basis regarding the activities of the board.
27. **Reports from state agencies that applied for federal grants estimated to be \$25,000 or more (Section 54-27-27)** - This section requires OMB to present at each meeting of the Budget Section reports received from state agencies other than entities under the control of the State Board of Higher Education that have applied for federal grants estimated to be \$25,000 or more.
28. **Budget stabilization fund (Section 54-27.2-03)** - This section provides any transfers from the budget stabilization fund must be reported to the Budget Section.
29. **Tobacco settlement funds (Section 54-44-04(23))** - This section requires the Director of OMB to report to the Budget Section on the status of tobacco settlement funds and related information.
30. **Form of budget data (Section 54-44.1-07)** - This section requires the Director of the Budget to prepare budget data in the form prescribed by the Legislative Council and to present it to the Legislative Assembly at a time and place set by the Legislative Council. Drafts of proposed general and special appropriations Acts embodying the budget data and recommendations of the Governor for appropriations for the next biennium and drafts of such revenues and other Acts recommended by the Governor for putting into effect the proposed financial plan must be submitted to the Legislative Council within 7 days after the day of adjournment of the organizational session. The Budget Section was assigned this responsibility.
31. **Report from the Information Technology Department (ITD) (Section 54-59-19)** - This section requires ITD to prepare and present an annual report to the Information Technology Committee and to present a summary of the report to the Budget Section.
32. **Annual audits from a center of research excellence (Section 54-65-03)** - This section requires a center of research excellence receiving funds under Chapter 54-65 to provide its annual audit on funds distributed to the center.

33. **Annual report of Standing Rock Sioux Tribe agreements (Section 57-39.8-02)** - This section requires the Standing Rock Sioux Tribe to report annually regarding any agreements entered by the Standing Rock Sioux Tribe under Chapter 57-39.8.
34. **Three Affiliated Tribes investment of oil and gas tax receipts (Section 57-51.2-02)** - This section requires the Three Affiliated Tribes to report annually regarding investment of oil and gas tax receipts in essential infrastructure and fees, expenses, and charges the tribe imposes on the oil industry.
35. **Hub city annual report on use of funding received from allocations from the oil and gas gross production tax (Section 12 of 2013 House Bill No. 1358)** - This bill requires a representative of a hub city to report annually on the use of funding received from allocations from the oil and gas gross production tax under Section 57-51-15.
36. **Department of Corrections and Rehabilitation annual report on the department's prison population management plan (Section 6 of 2013 Senate Bill No. 2015)** - This bill requires the Department of Corrections and Rehabilitation to report annually on the department's prison population management plan and inmate admissions and the number of inmates the department has not admitted after sentencing.
37. **State Board of Higher Education plan to reorganize the Office of the Commissioner of Higher Education (Section 4 of 2015 House Bill No. 1003)** - This bill requires the State Board of Higher Education to obtain Budget Section approval of its plan and related spending of its appropriation amount of up to \$1 million, to reorganize the Office of the Commissioner of Higher Education.
38. **North Dakota State University report on the status of the Minard Hall project (Section 27 of 2015 House Bill No. 1003)** - This bill requires NDSU to report regarding the status of the Minard Hall project and approval of increased spending authorization.
39. **Industrial Commission core library expansion project (Section 25 of 2015 House Bill No. 1014)** - This bill requires the Industrial Commission to report regarding the use of funding provided for the core library expansion project, including the amounts spent to date and the amounts anticipated to be continued into the 2017-19 biennium, and on the progress of the project.
40. **Bank of North Dakota financial center project (Section 26 of 2015 House Bill No. 1014)** - This bill requires the Bank to report, contingent upon the Bank's net income exceeding \$125 million for calendar year 2015, regarding the use of funding provided for the North Dakota Financial Center project, including the amounts spent to date and the amounts anticipated to be continued into the 2017-19 biennium, and on the progress of the project.
41. **Annual report from the State Board of Higher Education (Section 15 of 2015 House Bill No. 1020)** - This bill requires the board to report on FTE position adjustments made.
42. **Report from the Main Research Center regarding the flooded lands study (Section 16 of 2015 House Bill No. 1020)** - This bill requires the Main Research Center to report regarding the status of the flooded lands study and spending related to the study.
43. **Department of Veterans' Affairs service dog program (Section 4 of 2015 House Bill No. 1025)** - This bill requires the Department of Veterans' Affairs to obtain Budget Section approval of the service dog program to assist veterans with posttraumatic stress disorder.
44. **Report from the Department of Transportation on distributions to non-oil-producing counties (Section 4 of 2015 House Bill No. 1176)** - This bill requires the Department of Transportation to report to the Budget Section regarding the use of one-time funding appropriated in Section 4 of the bill, including the amounts distributed to each county, the amounts spent to date, and the amounts anticipated to be continued into the 2017-19 biennium.
45. **Report from the Commissioner of the Board of University and School Lands (Section 5 of 2015 House Bill No. 1176)** - This bill requires the Commissioner of the Board of University and School Lands to report to the Budget Section regarding the use of funding provided in Section 5 of the bill, including the amounts awarded, the amounts spent to date, and the amounts anticipated to be continued into the 2017-19 biennium.
46. **Report from OMB on salary savings for the Attorney General's office (Section 3 of 2015 Senate Bill No. 2003)** - This bill requires OMB to report in September 2015 and September 2016 to the Budget Section regarding the amount of salary savings used to reduce funding needed from the general fund and to report on the number and duration of vacant FTE positions in the Attorney General's office.
47. **Report from the Attorney General on fees in excess of campus assessments (Section 13 of 2015 Senate Bill No. 2003)** - This bill requires the Attorney General to report to the Budget Section regarding any fees charged to a campus in excess of the campus assessments listed in Section 13 of Senate Bill No. 2003 for legal fees charged by the Attorney General.

48. **Report regarding any transfers between line items and between subdivisions in excess of \$50,000 (Section 3 of 2015 Senate Bill No. 2012)** - This section requires the Department of Human Services (DHS) to report to the Budget Section after June 30, 2016, on any transfers in excess of \$50,000 made during the 2015-17 biennium between line items within each subdivision and between subdivisions (effective July 1, 2015).
49. **Report from the Department of Transportation on distributions to oil-producing and non-oil-producing counties (Section 2 of 2015 Senate Bill No. 2103)** - This bill requires the Department of Transportation to report to the Budget Section regarding the use of one-time funding appropriated in Section 2 of the bill, including the amounts distributed to each county, the amounts spent to date, and the amounts anticipated to be continued into the 2017-19 biennium.
50. **Federal funds report** - Receive a report from the Legislative Council staff in the fall of 2016 on the status of the state's federal funds receipts for the current biennium and estimated federal funds receipts for the subsequent biennium.

The following duties assigned to the Budget Section by law or by Legislative Management directive are scheduled to be addressed by the Budget Section at its December 2016 meeting:

1. **Report on specified commodities and services exempted from the procurement requirements of Section 54-44.4-02.2** - This section requires the Director of OMB to report to the Budget Section in December of even-numbered years on specified commodities and services exempted by written directive of the Director from the procurement requirements of Chapter 54-44.4.
2. **Review and report on budget data (Legislative Management directive)** - Pursuant to Legislative Management directive, the Budget Section is to review and report on the budget data prepared by the Director of the Budget and presented to the Legislative Assembly during the organizational session (December 2016).

The following duties assigned to the Budget Section by law or by Legislative Management directive did not require action by the Budget Section during the 2015-16 interim:

1. **Investment in real property by the Board of University and School Lands (Section 15-03-04)** - This section provides Budget Section approval is required prior to the Board of University and School Lands purchasing, as sole owner, commercial or residential real property in North Dakota.
2. **Reduction of the game and fish fund balance below \$15 million (Section 20.1-02-16.1)** - This section provides the Game and Fish Department can spend money in the game and fish fund within the limits of legislative appropriations; only to the extent the balance of the fund is not reduced below \$15 million, unless otherwise authorized by the Budget Section.
3. **Provision of contract services by the Life Skills and Transition Center (Section 25-04-02.2)** - This section provides, subject to Budget Section approval, the Life Skills and Transition Center may provide services under contract with a governmental or nongovernmental person.
4. **Approve expenditures from the state disaster relief fund (Section 37-17.1-27)** - This section requires Emergency Commission and Budget Section approval of expenditures from the state disaster relief fund to provide the required state share of funding for expenses associated with presidentially declared disasters in the state.
5. **Waiver of exemption of special assessments levied for flood control purposes on state property (Section 40-23-22.1)** - This section provides state property in a city is exempt from special assessments levied for flood control purposes unless the governing body of the city requests waiver of the exemption and the exemption is completely or partially waived by the Budget Section. The exemption does not apply to any privately owned structure, fixture, or improvement located on state-owned land if the structure, fixture, or improvement is used for commercial purposes unless the structure, fixture, or improvement is primarily used for athletic or educational purposes at a state institution of higher education.
6. **Termination of food stamp program (Section 50-06-05.1(17))** - This section provides, subject to Budget Section approval, DHS may terminate the food stamp program if the rate of federal financial participation in administrative costs is decreased or if the state or counties become financially responsible for the coupon bonus payments.
7. **Termination of energy assistance program (Section 50-06-05.1(19))** - This section provides, subject to Budget Section approval, DHS may terminate the energy assistance program if the rate of federal financial participation in administrative costs is decreased or if the state or counties become financially responsible for the energy assistance program payments.

8. **Purchase or lease of aircraft by a state agency or entity of state government (Section 54-06-37)** - This section requires Budget Section approval for state agency or other entity of state government purchase or lease of an aircraft without specific authorization from the Legislative Assembly. This section does not apply to aircraft purchased or leased by the Adjutant General's office or the University of North Dakota (UND) School of Aviation.
9. **Transfers resulting in program elimination (Section 54-16-04(1))** - This section provides, subject to Budget Section approval, the Emergency Commission may authorize a transfer which would eliminate or make impossible the accomplishment of a program or objective for which funding was provided by the Legislative Assembly.
10. **Consider authorization of additional full-time equivalent (FTE) positions (Section 54-16-04.3)** - This section provides, on the advice of OMB and the recommendation of the Emergency Commission, the Budget Section may approve the employment by a state officer of FTE positions in addition to those authorized by the Legislative Assembly.
11. **New correctional programs which exceed \$100,000 of cost during a biennium (Section 54-23.3-09)** - This section requires the Director of the Department of Corrections and Rehabilitation to report to the Legislative Assembly or, if the Legislative Assembly is not in session, the Budget Section prior to the implementation of any new program that serves adult or juvenile offenders, including alternatives to conventional incarceration and programs operated on a contract basis, if the program is anticipated to cost in excess of \$100,000 during the biennium.
12. **Capital improvements preliminary planning revolving fund (Section 54-27-22)** - This section provides before any funds can be distributed from the preliminary planning revolving fund to a state agency, institution, or department, the Budget Section must approve the request (approximately \$84,000 is estimated to be available in the fund as of June 30, 2015).
13. **Cashflow financing (Section 54-27-23)** - This section provides that in order to meet the cashflow needs of the state, OMB may borrow, subject to Emergency Commission approval, from special funds on deposit in the state treasury. However, the proceeds of any such indebtedness cannot be used to offset projected deficits in state finances unless first approved by the Budget Section. Additional cashflow financing, subject to certain limitations, must be approved by the Budget Section.
14. **Purchases of "put" options (Section 54-44-16)** - This section requires OMB to report any purchases of "put" options to the Budget Section.
15. **Objection to budget allotments or expenditures (Section 54-44.1-12.1)** - This section allows the Budget Section to object to a budget allotment, an expenditure, or the failure to make an allotment or expenditure if such action is contrary to legislative intent.
16. **Budget reduction due to initiative or referendum action (Section 54-44.1-13.1)** - This section provides, subject to Budget Section approval, the Director of the Budget may reduce state agency budgets by a percentage sufficient to cover estimated revenue reductions caused by initiative or referendum action.
17. **Children's Services Coordinating Committee grants (Section 54-56-03)** - This section provides Budget Section approval is required prior to the distribution by the Children's Services Coordinating Committee of any grants not specifically authorized by the Legislative Assembly.
18. **Requests by ITD to finance the purchase of software, equipment, or implementation of services (Section 54-59-05(4))** - This section requires ITD to receive Budget Section or Legislative Assembly approval before executing any proposed agreement to finance the purchase of software, equipment, or implementation of services in excess of \$1 million. The department may finance the purchase of software, equipment, or implementation of services only to the extent the purchase amount does not exceed 7.5 percent of the amount appropriated to the department during that biennium.
19. **Report on reductions made in homestead property income tax credit (Section 57-38-01.29)** - This section requires the Tax Commissioner to report to the Budget Section, for review, any adjustments in the homestead property income tax credit which was available in taxable years 2007 and 2008.
20. **Consider request to reduce the commercial property income tax credit (Section 57-38-01.30)** - This section provides Budget Section approval is required for any adjustments made by the Tax Commissioner to the commercial property income tax credit which was available in taxable years 2007 and 2008.
21. **Extraterritorial workers' compensation insurance (Section 65-08.1-02)** - This section authorizes Workforce Safety and Insurance to establish, subject to Budget Section approval, a casualty insurance organization to provide extraterritorial workers' compensation insurance.

22. **Approval of North Central Research Extension Center and Williston Research Extension Center property (Section 1 of 2013 Senate Bill No. 2352)** - This bill requires Budget Section approval conveyance of the North Central Research Extension Center and Williston Research Extension Center property.
23. **State Board of Higher Education tuition increases (Section 39 of 2015 House Bill No. 1003)** - This bill requires the State Board of Higher Education to obtain Budget Section approval of any tuition rate increases over 2.5 percent by the board for the 2015-16 or 2016-17 academic years.
24. **Report from the Governor on federal funds (Section 3 of 2015 Senate Bill No. 2001)** - This bill requires the Governor's office to report to the Budget Section regarding the source, amount, and purpose of federal or other funds received by the Governor's office.
25. **Report from the State Board of Higher Education Valley City State University fine arts building (Section 8 of 2015 Senate Bill No. 2015)** - This bill requires the board to report to the Budget Section regarding the Valley City State University fine arts building project, contingent upon general fund revenues for the first 6 months or for the first year of the biennium exceeding the 2015 legislative estimates.
26. **State Board of Higher Education Dunbar Hall project (Section 8 of 2015 Senate Bill No. 2015)** - This bill requires the board to certify to the Budget Section that the Dunbar Hall project conforms to the North Dakota University System Campus Master Plan and Space Utilization study, contingent upon general fund revenues for the period beginning July 1, 2015, and ending December 31, 2016, exceeding the 2015 legislative estimates.
27. **State Water Commission transfers between project funding designations (Section 8 of 2015 Senate Bill No. 2020)** - This bill requires Budget Section approval for State Water Commission transfers between project funding designations in Section 17 of 2015 Senate Bill No. 2020.
28. **State Water Commission expenditure of additional amounts that become available in the resources trust fund and the water development trust fund in excess of the 2015-17 biennium appropriation (Section 5 of 2015 Senate Bill No. 2020)** - This bill requires Budget Section approval for State Water Commission expenditure of funds that become available in the resources trust fund and the water development trust fund in excess of 2015-17 biennium appropriations.
29. **State Water Commission revenue bonds (Section 30 of 2015 Senate Bill No. 2020)** - This bill requires Budget Section approval of the issuance of any new State Water Commission revenue bonds.
30. **Office of Management and Budget donated funds (Section 3 of 2015 Senate Bill No. 2304)** - This bill requires Budget Section approval for OMB to spend any donated funds over \$1 million for upgraded fixtures and furniture for the new Governor's residence.
31. **Report from the Industrial Commission on revenue impacts in excess of \$20 million (Section 1 of 2015 Senate Bill No. 2343)** - This bill provides Budget Section receive a report from the Industrial Commission regarding the fiscal impact or estimated fiscal effect on the state in excess of \$20 million in a biennium of the effect of any order, regulation, or policy of the Industrial Commission to implement the provisions of Chapter 38-08, on state revenues and expenditures, including any effect on the funds of the Industrial Commission.
32. **Federal block grant hearings (2015 House Concurrent Resolution No. 3001)** - This resolution authorizes the Budget Section, through September 30, 2017, to hold any required legislative hearings for federal block grants.

OFFICE OF MANAGEMENT AND BUDGET

2013-15 Biennium General Fund Revenues and Expenditures

The Budget Section received a report from OMB on the final status of the general fund for the 2013-15 biennium.

Unobligated general fund balance - July 1, 2013		\$1,396,059,186
Balance obligated for unspent emergency appropriation authority		165,874,199
Balance obligated for authorized carryover from the 2011-13 biennium		89,503,462
Total beginning general fund balance - July 1, 2013		\$1,651,436,847
Add		
General fund collections through June 30, 2015	\$5,801,797,506	
Total revenues		5,801,797,506
Total available		\$7,453,234,353
Less		
Legislative appropriations	(\$6,862,587,354)	
Contingent appropriation - Dickinson State University	(6,000,000)	
Contingent appropriation - Department of Public Instruction	(5,000,000)	

Authorized carryover from the 2013-15 biennium	(89,503,462)	
2013-15 emergency appropriations utilized in the 2011-13 biennium	163,812,041	
Supplemental appropriations	(6,084,026)	
2015-17 authority used in 2013-15 pursuant to emergency clause	(9,858,196)	
Total expenditures		(6,815,220,997)
Unspent authority returned to the general fund		92,432,516
Ending balance before transfers and adjustment		\$730,445,872
Transfers and adjustments		
Transfer to budget stabilization fund	\$0	
Net effect of other transfers, adjustments, and cash certifications	(916,483)	
Total transfers and adjustments		(916,483)
Ending unobligated balance - June 30, 2015		\$729,529,389

2013-15 Biennium General Fund Turnback

The Budget Section received a report from OMB on the 2013-15 biennium agency unspent general fund appropriation amounts (turnback). Unspent 2013-15 biennium general fund appropriation authority (turnback) totaled approximately \$92.4 million. The Budget Section learned the Tax Commissioner had turnback of \$10.5 million, which primarily related to the homestead tax credit program; the Department of Public Instruction had turnback of \$42 million, of which \$37 million related to state aid to schools and \$4 million related to rapid enrollment grants; and the Department of Human Services had turnback of \$9.5 million related primarily to nursing home payments.

2015-17 Status of the General Fund

The Office of Management and Budget reported general fund revenue collections for the first 5 months of the 2015-17 biennium were \$152 million less than projected resulting in OMB completing a new revenue forecast in February 2016. The revised February 2016 forecast projected 2015-17 general fund revenues to be \$1.07 billion less than the original forecast. The Governor addressed the revenue shortfall using a combination of the June 30, 2017, ending balance of \$331.7 million, ordering a 4.05 percent general fund budget allotment resulting in a budget reduction of \$244.9 million, and transferring \$497.6 million from the budget stabilization fund. As a result of the allotment, the Department of Public Instruction received a transfer of \$71.7 million from the foundation aid stabilization fund to offset general fund reductions affecting state school aid transportation, transportation aid, and special education aid. In July 2016 OMB completed a second revised revenue forecast as a result of revenue collections through May 2016 being \$90 million less than the revised February 2016 revenue forecast. As a result, the Governor called a special legislative session which convened on August 2, 2016, and adjourned on August 4, 2016. The Governor also ordered an additional 2.5 percent general fund budget allotment, which resulted in an additional \$44.3 million being transferred from the foundation aid stabilization fund to the Department of Public Instruction. The Legislative Assembly approved, during the August 2016 special legislative session, Senate Bill No. 2379, which reduced general fund appropriations by the Governor's general fund budget allotment amount of 4.05 percent and an additional general fund reduction of 2.50 percent for a total reduction of 6.55 percent and restored 2.5 percent of the Department of Human Services' 6.55 percent general fund appropriation reduction and 1.5 percent of the Department of Corrections and Rehabilitation's 6.55 percent general fund appropriation reduction. Senate Bill No. 2379 also provided a transfer of \$572.5 million from the budget stabilization fund to the general fund, and a contingent transfer of \$100 million from Bank of North Dakota profits to the general fund to provide for an estimated June 30, 2017, ending general fund balance of \$28,723.

At each Budget Section meeting, a representative of OMB reviewed the status of the state general fund and revenue collections for the 2015-17 biennium. The following is a summary of the status of the state general fund, based on actual revenue collections through August 2016, and reflecting the July 2016 revised revenue forecast for the remainder of the 2015-17 biennium:

Unobligated general fund balance - July 1, 2015		\$729,529,389
Balance obligated for authorized carryover from the 2013-15 biennium		147,653,143
Total beginning general fund balance - July 1, 2015		\$877,182,532
Add		
General fund collections through August 2016	\$2,792,721,416	
Forecasted general fund revenue for the remainder of the 2015-17 biennium	1,455,230,744	
Total revenues		4,247,952,160
Total available		\$5,125,134,692
Expenditures		
Legislative appropriations - One-time	(\$1,173,663,758)	
Legislative appropriations - Ongoing	(4,852,498,920)	
4.05 percent budget allotment (Executive branch only)	239,120,391	

4.05 percent budget allotment (legislative branch and judicial branch)	5,749,197	
2.50 percent allotment all branches	151,154,067	
Restore DHS and Department of Corrections and Rehabilitation	(36,535,880)	
Department of Transportation contingent appropriation	(20,000,000)	
Authorized carryover from the 2013-15 biennium	(147,653,143)	
2015-17 emergency appropriations utilized in the 2013-15 biennium	9,858,196	
Total appropriations		(5,824,469,850)
Estimated ending balance before transfer from budget stabilization fund		(\$699,335,158)
Transfer from budget stabilization fund		572,485,453
Known turnback:		
Adjutant General - Firefighter Training Center	400,000	
Department of Public Instruction - State school aid	17,300,000	
Office of Management and Budget	1,546,000	
Total turnback		19,246,000
Estimated ending balance - June 30, 2017 - Before additional transfer from other revenue sources		(\$107,603,705)
Transfer from Bank of North Dakota		100,000,000
Estimated ending general fund balance - June 30, 2017 - After transfer from other revenue sources		(\$7,603,705)

2015-17 Biennium Actual and Revised Revenues

The Budget Section received a report from OMB in September 2016 on the actual and revised forecasted 2015-17 biennium general fund revenue compared to the July 2016 revised forecast:

Tax Type	Original Legislative Forecast	July 2016 Revised Forecast	Increase (Decrease) From Original Legislative Forecast
Sales and use taxes	\$2,868,026,560	\$1,863,517,574	(\$1,004,508,986)
Motor vehicle excise tax	314,324,000	201,543,785	(112,780,215)
Individual income tax	763,276,000	690,525,749	(72,750,251)
Corporate income tax	371,422,000	158,713,800	(212,708,200)
Insurance premium tax	91,830,364	104,935,597	13,105,233
Financial institutions tax		324,145	324,145
Oil and gas gross production tax	74,693,374	102,881,583	28,188,209
Oil extraction tax	225,306,626	197,118,417	(28,188,209)
Gaming tax	7,106,250	6,975,584	(130,666)
Lottery	15,260,000	17,210,000	1,950,000
Cigarette and tobacco tax	61,334,000	57,082,715	(4,251,285)
Wholesale liquor tax	18,995,000	18,114,988	(880,012)
Coal conversion tax	39,578,000	42,725,976	3,147,976
Mineral leasing fees	19,667,704	23,635,424	3,967,720
Departmental collections	73,883,318	78,448,832	4,565,514
Interest income	20,999,500	23,889,121	2,889,621
State Mill profits - Transfer	13,775,000	8,834,894	(4,940,106)
Major special funds - Transfer	657,000,000	657,000,000	
Other transfers	2,030,496	2,106,402	75,906
Total revenues and transfers	\$5,638,508,192	\$4,255,584,586	(\$1,382,923,606)

2015-17 Oil Tax Revenue Allocations

The Budget Section received a report from OMB in September 2016 on estimated oil tax revenue and revenue allocations for the July 2016 revised forecast. The Budget Section learned the revised estimated oil tax revenue and revenue allocations will be \$530.4 million less than the original 2015 legislative forecast. The Budget Section learned the July 2016 revised forecast estimates an average North Dakota price of \$42 per barrel compared to \$53 in the original estimate and production ending at 900,000 barrels per day compared to 1.1 million barrels per day in the original estimate for the 2015-17 biennium.

	Amounts Shown in Millions		
	Original Legislative Forecast	July 2016 Revised Forecast ¹	Increase (Decrease) From Original Forecast
Estimated oil revenue allocations			
General fund	\$300.0	\$300.0	\$0
Legacy fund	950.6	810.7	(139.9)
Property tax relief fund	300.0	300.0	0
Strategic investment and improvements fund	202.5	130.7	(71.8)

	Amounts Shown in Millions		
	Original Legislative Forecast	July 2016 Revised Forecast ¹	Increase (Decrease) From Original Forecast
Political subdivisions	630.8	525.2	(105.6)
Political subdivision allocation fund	43.9	13.2	(30.7)
Tribal allocations	265.1	201.1	(64.0)
Foundation aid stabilization fund	134.2	123.4	(10.8)
Common schools trust fund	134.2	123.4	(10.8)
Resources trust fund	264.2	242.7	(21.5)
Renewable energy development fund	3.0	3.0	0
Energy conservation fund	1.2	1.2	0
Oil and gas impact grant fund	140.0	74.4	(65.6)
State disaster relief fund	16.4	14.6	(1.8)
North Dakota outdoor heritage fund	27.5	19.6	(7.9)
Well plugging and site reclamation fund	10.1	10.1	0
Oil and gas research fund	10.0	10.0	0
Estimated state oil tax revenue	\$3,433.7	\$2,903.3	(\$530.4)

Preliminary 2017-19 Revenue Forecast

The Budget Section received the OMB July 2016 revenue forecast. The revised revenue forecast for the 2015-17 biennium anticipates general fund revenue will total \$3.6 billion, \$1.4 billion less than the original 2015-17 biennium forecast of \$5.0 billion. The preliminary 2017-19 biennium revenue forecast anticipates total general fund revenue of \$3.8 billion for the 2017-19 biennium, \$175.5 million more than the 2015-17 biennium revised forecast, but \$1.2 billion less than the original 2015-17 biennium forecast of \$5 billion. The preliminary 2017-19 oil tax revenue forecast anticipates oil tax collections to total \$3.5 billion for the 2017-19 biennium, \$600 million more than the revised estimate for the 2015-17 biennium of \$2.9 billion.

Employee Bonuses

The Office of Management and Budget reported to the Budget Section in September 2015 and September 2016 regarding the number of employees receiving bonuses exceeding the 25 percent limitation pursuant to Section 54-06-30. The Budget Section learned agencies may not give bonuses to more than 25 percent of their employees except in special circumstances approved by Human Resources Management Services (HRMS). The Budget Section learned HRMS is required to report exceptions to the Budget Section. In September 2015 OMB reported that no agencies made requests or exceeded the 25 percent limitation as of September 23, 2015. In September 2016 OMB reported the Retirement and Investment Office provided performance bonuses to 7 of its 18 FTE positions, or 39 percent, during fiscal year 2016.

Fiscal Irregularities

Pursuant to Section 54-14-03.1, the Budget Section received reports from OMB on irregularities in the fiscal practices of the state. Fiscal irregularities include the use of state funds to provide bonuses, cash incentive awards, and temporary salary adjustments for state employees. The Office of Management and Budget identified the following fiscal irregularities:

Agency	Amount	Reason
Adjutant General	\$1,587.00	3 months of temporary workload increase for employee
Attorney General	\$3,047.00	Employee paid \$277 each month over the maximum salary range
Commission on Legal Counsel for Indigents	\$1,500.00	2 months of temporary increase for service as acting supervisor of the Williston office due to a vacancy
Commission on Legal Counsel for Indigents	\$1,000.00	Additional workload while transitioning from supervising attorney in Bismarck office to Deputy Director of the Commission
Department of Commerce	\$3,565.00	Severance pay for downsizing due to pending budget cuts
Department of Public Instruction	\$554.00	Temporary workload adjustment
Department of Trust Lands	\$3,000.00	3 months of temporary workload increase due to two vacancies
DHS	\$657.00	3 months of temporary increase to supervise an additional student
Indian Affairs Commission	\$4,742.00	Severance pay for reductions in force due to budget allotment
Information Technology Department	\$1,750.00	3.5 months of temporary workload increase to manage security division due to vacancy
Job Service North Dakota	\$296,975.40	Severance pay for 41 employees due to reductions in federal funding
Job Service North Dakota	\$4,195.00	Severance pay due to reduction in federal funding
North Dakota Vision Services - School for the Blind	\$8,362.00	Summer contracts for additional hours
North Dakota Vision Services - School for the Blind	\$4,521.97	Payment for teachers working additional days for summer contracts

Agency	Amount	Reason
Office of Administrative Hearings		Expenditures for the accrued leave line item exceeded 75 percent in the first 18 months
OMB	\$44,250.00	Employee settlement agreement
Parks and Recreation Department	\$13,080.00	Employee settlement agreement
Public Service Commission	\$25,000.00	Severance pay for employee
State Department of Health	\$577.96	2 months of temporary increase due to the maternity leave of a coworker
State Historical Society	\$1,200.00	3 months of temporary workload increase to manage Fort Buford Historic Site due to illness of site supervisor
State Water Commission	\$3,000.00	Settlement agreement
Tax Department	\$600.00	Temporary responsibility change
Tax Department	\$600.00	3 months of temporary increase due to vacancy
Tax Department	\$500.00	Additional workload due to coworker on extended leave
Veterans' Home	\$17,500.00	Settlement agreement

Tobacco Settlement Proceeds

Pursuant to Section 54-44-04, the Budget Section received reports on tobacco settlement proceeds received by the state. The Office of Management and Budget reported for the 2015-17 biennium to date through September 2016, approximately \$62.6 million had been received by the state, and total payments received to date were \$495.9 million. As directed in the initiated measure adopted by voters in November 2008, funds received in 2015 and 2016 were deposited into the tobacco settlement trust fund and the tobacco prevention and control trust fund as follows:

Period	Amounts Shown in Millions		
	Tobacco Settlement Trust Fund	Tobacco Prevention and Control Trust Fund	Total
April 2015	\$19.47	\$11.18	\$30.65
April 2016		11.48	11.48
June 2016	20.47		20.47
Total	\$39.94	\$22.66	\$62.6

The proceeds deposited in the tobacco prevention and control trust fund are administered by the Tobacco Prevention and Control Executive Committee, and the proceeds deposited in the tobacco settlement trust fund were allocated among the community health trust fund, common schools trust fund, and water development trust fund as follows pursuant to Section 54-27-25:

Tobacco settlement trust fund	
Community health trust fund (10 percent)	\$3,974,055
Common schools trust fund (45 percent)	17,883,245
Water development trust fund (45 percent)	17,883,245
Attorney General appropriation	200,000
Total transfers from the tobacco settlement trust fund	\$39,940,545
Tobacco prevention and control trust fund	22,663,243
Total tobacco settlement proceeds received during the 2015-16 interim	\$62,603,788

EXECUTIVE BUDGET DEVELOPMENT - BUDGET FORMS CHANGE

The Budget Section received reports from OMB regarding the development of the 2017-19 biennium executive budget. The Budget Section learned OMB, pursuant to Sections 21 and 22 of 2015 House Bill No. 1003, is changing the 2017-19 biennium budget data to include budget information for higher education institutions using the same forms, supporting information, and documentation as other budget units. The Budget Section learned the state budget is anticipated to increase by \$1 billion due to this change in reporting format. The Budget Section learned all of the FTEs authorized for the State Board of Higher Education will also be reported, which will substantially increase the 11,821.88 FTEs reported in the 2015-17 biennium. The Office of Management and Budget stated agencies will be building their 2017-19 biennium budgets starting from the original 2015-17 biennium appropriation in order to allow the agencies more flexibility to make changes.

The anticipated budget participation activities and timeline are as follows:

Activities for Development of Executive Budget	Time Period of Budget
Budget request guidelines for state agencies	April through May 2016
Preliminary revenue forecast	July through August 2016
Agency budgets submitted to OMB	July through October 2016
Budget recommendation presented to the Legislative Assembly	Early December 2016

The Budget Section learned the Governor directed agencies to develop general fund budget requests equal to 90 percent of 2015-17 ongoing appropriations, with the exception of DHS, the Department of Corrections and Rehabilitation, and the Department of Public Instruction state aid, transportation, and special education funding.

Federal Grant Applications

The Office of Management and Budget reported quarterly to the Budget Section regarding state agencies applying for federal grants estimated to be \$25,000 or more pursuant to Section 54-27-27. Section 54-27-27 requires OMB to present at each meeting of the Budget Section reports received from state agencies, other than entities under the control of the State Board of Higher Education, that have applied for federal grants estimated to be \$25,000 or more. The Office of Management and Budget reported the following agencies applied for federal grants estimated to be \$25,000 or more:

Agency	Time Period of Grant	Amount
June 2015		
Department of Public Instruction	3 years	\$125,000/year
State Library	9 months	\$40,000
September 2015		
Department of Public Instruction	October 2015 through September 2017	\$148,225
Department of Agriculture	September 2015 through August 2018	\$375,000
State Water Commission	October 2015 through June 2016	\$26,000
December 2015		
Department of Veterans' Affairs	October 2015 through June 2016	\$1,264,612
March 2016		
Housing Finance Agency	Effective 2016	\$3,000,000
June 2016		
Attorney General's office	July 2016 through June 2017	\$50,000
September 2016		
State Department of Health	September 2016 through August 2020	\$300,000
Game and Fish Department	September 2016 through September 2018	\$300,000

State Board of Higher Education Project Variance Reports

The Office of Management and Budget reported to the Budget Section regarding semiannual capital project variance reports from the State Board of Higher Education pursuant to Section 15-10-47. Section 15-10-47 requires whenever any new construction, renovation, or repair, valued at more than \$250,000, is underway on the campus of an institution of higher education under the control of the State Board of Higher Education, the State Board of Higher Education must provide OMB with semiannual project variance reports. The reports must include:

- Name or description of the project.
- Expenditures authorized by the Legislative Assembly.
- Amount of the original contract.
- Amount of any change orders and description.
- Amount of any potential or anticipated change orders.
- Sum of the original contract, change orders, and potential or anticipated change orders and the amount by which that sum varies from the expenditures authorized by the Legislative Assembly.
- Total expenditures to date.
- Scheduled date of completion as noted in the original contract and the latest available scheduled date of completion.
- List of each public and nonpublic entity that has a contractually reflected financial obligation with respect to the project.

In September 2016 OMB reported project variance reports for University System projects for the period June 2015 through June 2016, as follows:

	Number of Projects	Adjusted Authorization	Current Contract Amounts	Contract (Over)/Under Authorization
Projects Specifically Authorized by the Legislative Assembly				
Bismarck State College	4	\$24,735,626	\$21,811,584	\$2,924,042
Lake Region State College	2	\$7,301,617	\$6,063,562	\$1,238,055
Williston State College	2	\$19,647,905	\$18,412,263	\$1,235,642
UND	16	\$307,183,495	\$190,364,756	\$116,818,739
NDSU	12	\$113,567,009	\$104,048,180	\$9,518,829

	Number of Projects	Adjusted Authorization	Current Contract Amounts	Contract (Over)/Under Authorization
NDSU Extension Services	7	\$28,093,000	\$20,813,585	\$7,279,415
North Dakota State College of Science	3	\$23,242,657	\$21,681,755	\$1,560,902
Mayville State University	1	\$5,754,484	\$5,517,474	\$237,010
Minot State University	6	\$14,707,606	\$6,380,490	\$8,327,116
Valley City State University	4	\$23,105,597	\$18,398,760	\$4,706,837
Dakota College at Bottineau	3	\$11,746,983	\$1,014,064	\$10,732,919
Projects Approved by the State Board of Higher Education				
Bismarck State College	2	\$620,000	\$511,182	\$108,818
UND	9	\$10,890,914	\$9,111,910	\$1,779,004
NDSU	24	\$239,825,769	\$215,382,881	\$24,442,888
North Dakota State College of Science	1	\$380,000	\$265,216	\$114,784
Dickinson State University	1	\$566,195	\$489,720	\$76,475
Mayville State University	1	\$601,658	\$570,989	\$30,669
Minot State University	1	\$384,000	\$384,000	\$0
Valley City State University	1	\$500,000	\$500,000	\$0

ATTORNEY GENERAL'S OFFICE SALARY SAVINGS REPORT

The Office of Management and Budget reported to the Budget Section regarding the Attorney General's 2015-17 biennium targeted market equity increases and general fund savings through September 30, 2015. The Budget Section learned the Attorney General's office reported total general fund savings of \$992,564 related to original salaries and wages funding for the period July 1, 2015, through September 29, 2016, and the savings are due to vacancies and employee turnover. The Budget Section learned the salary savings were not realized by the Attorney General's office because of a \$1 million reduction in funding for salaries and wages as a result of general fund budget reductions approved during the August 2016 special legislative session.

2017 SESSION APPROPRIATION BILL FORMAT

The Budget Section considered a June 2016 interim Government Finance Committee recommendation regarding the format of appropriation bills for the 2017 legislative session. The recommendation resulted from the action by the Governor to order general fund budget allotments in February 2016. The recommendation provided for a section to be added to each appropriation bill providing a comparison of the agency's 2015-17 biennium after allotment amount to the 2017-19 biennium general fund appropriation. Because of legislative action reducing agency general fund budgets in the August 2016 special legislative session, the Budget Section, pursuant to Section 54-44.1-07, directed that proposed agency and institution appropriations bills introduced for consideration by the 65th Legislative Assembly include, as the agency or institution's base level funding, the agency or institution's original ongoing appropriations for the 2015-17 biennium adjusted by changes to ongoing appropriations made as a result of legislative action during the August 2016 special legislative session.

NORTH DAKOTA UNIVERSITY SYSTEM State Board of Higher Education Reporting

The Budget Section received a report from OMB regarding the change in the number of FTE employees and special funding reported as part of the budget due to new reporting requirement for the State Board of Higher Education pursuant to Sections 21 and 22 of 2015 House Bill No. 1003. The Budget Section learned the number of FTEs reported will increase by 4,294.36, from 2,297.00 to 6,591.36, and the special funds amount reported will increase by \$1.8 billion.

State Board of Higher Education Reorganization of North Dakota University System Office Plan

The University System requested, but later withdrew its request for the use of \$1 million contingent appropriation pursuant to Section 4 of 2015 House Bill No. 1003. The University System request was designed to improve the effectiveness of the University System office and would have included the following implementation options:

Full Implementation	Partial Implementation
<ul style="list-style-type: none"> • Help students graduate faster and to help serve the state's workforce needs (\$360,000); • Correct policy inconsistencies (\$368,000); and • Increase operational efficiency (\$265,000). 	<ul style="list-style-type: none"> • Help students graduate faster and to help serve the state's workforce needs (\$200,000); • Correct policy inconsistencies (\$150,000); and • Increase operational efficiency (\$50,000).

The Budget Section postponed action regarding the request and as a result of the Governor's 4.05 February 2016 percent general fund budget allotment the University System decided to utilize the \$1 million contingent appropriation to meet a portion of its 4.05 percent general fund budget allotment and withdrew its request.

Capital Projects

The University System requested Budget Section approval relating to the following capital construction project request:

Williston State College

- **Workforce training project** - Pursuant to Section 15-10-12.1 and Section 48-01.2-25, the Budget Section **approved** an increase in scope and budget of the workforce training project by \$150,000, from \$8,238,267 to \$8,388,267 and a change in the source of funding from revenues received from training to using \$800,000 of the \$1.5 million provided for deferred maintenance and extraordinary campus needs in Section 33 of 2015 House Bill No. 1003.

Local Funds Report

Pursuant to Section 15-10-12.3, the Budget Section received a report on sources of funds received for construction projects of entities under the State Board of Higher Education.

NORTH DAKOTA STATE UNIVERSITY

Minard Hall Project

North Dakota State University reported to the Budget Section regarding the status of the Minard Hall project pursuant to Section 27 of 2015 House Bill No. 1003. North Dakota State University reported on December 16, 2015, that it spent \$4,654,854 as a result of the building collapse and that NDSU agreed to a settlement of \$3,020,000 resulting in \$1,634,854 of unreimbursed costs. The Budget Section learned that on December 10, 2015, the State Board of Higher Education approved NDSU's request to seek a deficiency appropriation from the 2017 Legislative Assembly for the unreimbursed costs. The Budget Section learned that of the \$4.7 million in costs incurred due to the collapse, \$3.8 million is related to costs for repairs and \$900,000 is related to costs of forensic studies, expert witnesses, and legal assistance.

WILLISTON STATE COLLEGE

Community Wellness Center

The Budget Section learned that Williston State College requested and received approval from the State Board of Higher Education to increase student fees for the college's new community wellness center. The State Board of Higher Education informed the Budget Section that it did not intend to circumvent legislative intent by approving the fee increase, but believed the increase was necessary and the board will continue to review the fees being charged and if possible, reduce fees for the next academic year. The Budget Section learned the community wellness center is located on campus and the construction was valued at \$76 million, a joint powers and operating agreement between State Board of Higher Education and the Williston Park District to facilitate the construction and operations of the wellness center had been signed, the use of student fees to support the operation of the wellness center is included in the operating agreement between the board and the Williston Park District, and the joint powers agreement required an operating agreement in which student fees would be used to support the operation of the wellness center. The Budget Section learned the joint powers agreement was modeled after an agreement entered by Bismarck State College in 2008 and Valley City State University in 2015. The Budget Section learned the fee structure was approved by the student government, the activity board, and at an open student forum.

NORTH DAKOTA STATE UNIVERSITY MAIN RESEARCH CENTER

Flooded Lands Study

The Agricultural Experiment Station reported to the Budget Section regarding the flooded lands study relating to the recovery of grasslands affected by Souris River flooding pursuant to Section 16 of 2015 House Bill No. 1020. The Budget Section learned that Souris River flooding caused \$5 million in damages to landowners and the study will continue throughout 2015-17 biennium.

ANNUAL FULL-TIME EQUIVALENT POSITION REPORT

Agricultural Experiment Station

The Agricultural Experiment Station reported to the Budget Section regarding FTE position adjustments made at the Agricultural Experiment Station main research center and branch research centers pursuant to Section 4-05.1-05. The Budget Section learned that the main research center added 5.00 FTE positions between July 1, 2014, and June 30, 2015, and 1.30 FTE positions since June 30, 2015, for a total of 360.15 FTE positions as of November 30, 2015, and the branch research centers added 2.00 FTE positions between July 1, 2014, and June 30, 2015, and reduced .25 FTE positions since June 30, 2015, for a total of 115.69 FTE positions as of November 30, 2015, and the Agronomy Seed Farm did not change any FTE positions.

Northern Crops Institute

The Northern Crops Institute reported to the Budget Section regarding the FTE position adjustments made at the Northern Crops Institute pursuant to Section 4-05.1-05. The Budget Section learned the Northern Crops Institute has had 12 FTE positions filled over the past two bienniums with no adjustments.

North Dakota State University Extension Service

The Extension Service reported to the Budget Section regarding the FTE position adjustments made at the Extension Service pursuant to Section 4-08-10. The Budget Section learned the Extension Service added 1.41 FTE positions between July 1, 2014, and June 30, 2015, and reduced .45 FTE positions since June 30, 2015, for a total of 264.87 FTE positions as of November 30, 2015.

Upper Great Plains Transportation Institute

The Upper Great Plains Transportation Institute reported to the Budget Section regarding the FTE position adjustments made for the Upper Great Plains Transportation Institute pursuant to Section 15 of 2015 House Bill No. 1020. He said the Upper Great Plains Transportation Institute added .50 FTE positions between July 1, 2014, and June 30, 2015, and 2.00 FTE positions since June 30, 2015, for a total of 57.48 FTE positions as of November 30, 2015.

STATE BOARD OF AGRICULTURAL RESEARCH AND EDUCATION Status Report

The State Board of Agricultural Research and Education inform to the Budget Section on the status of board activities pursuant to Section 4-05.1-19(10). The board reported information regarding the Agricultural Experiment Station and the Extension Service budget along with activities of the board, its initiatives and projects, including determining the cause of adverse economic impacts on crops and livestock produced in the state and the development of strategies for the provision of research solutions and resources to negate adverse economic impacts on crops and livestock produced in the state.

DEPARTMENT OF COMMERCE

Centers of Excellence and Centers of Research Excellence Audit and Monitoring Reports

The Budget Section received monitoring and annual audit reports of centers of excellence and centers of research excellence pursuant to Sections 15-69-05 and 54-65-03. The Department of Commerce reported \$57.8 million of state centers of excellence funds and \$214.2 million in nonstate funds have generated a total economic impact of an estimated \$751 million. The Department of Commerce also reported each centers of excellence award is monitored for a period of 6 to 10 years, and centers are reviewed after a period of at least 3 full fiscal years. The review includes determining whether the centers are having the desired economic benefits. The Department of Commerce reported that centers of excellence and centers of research excellence participants and the Centers of Excellence Commission assessment include:

Center of Excellence and Center of Research Excellence	Commission's Assessment
NDSU - Center for Advanced Electronics Design and Manufacturing	No findings identified
NDSU - Center for Surface Protection	No findings identified
Lake Region State College - Dakota Precision Ag Center	No findings identified
NDSU - Center for Ag Biotechnology: Oilseed Development	No findings identified
UND Research Foundation - Center of Excellence in Life Sciences and Advanced Technology	No findings identified
UND - Unmanned Aircraft Systems Center of Excellence	No findings identified
Dickinson State University Strom Center for Entrepreneurship and Innovation - Institute for Technology and Business	Report not received
NDSU - Center for Biopharmaceutical Research and Production	No findings identified
NDSU - Center for Integrated Electronic Systems	No findings identified
NDSU - Center for Sensors, Communication, and Control	No findings identified
UND - Center of Excellence in Space Technology and Operations	No findings identified
UND Research Foundation - Center for Passive Therapeutics	No findings identified
UND - Petroleum Research, Education, and Entrepreneurship Center	Three findings identified
UND - SUNRISE BioProducts Center of Excellence for Chemicals, Polymers, and Composites from Crop Oils	No findings identified
NDSU - Center for Advanced Technology Development and Commercialization	No findings identified
Dakota College at Bottineau - Entrepreneurial Center for Horticulture	One finding identified
UND - Unmanned Aircraft Systems Software Curriculum and Development	One finding identified
UND - Unmanned Aircraft Systems Research, Education, and Training Enhancement Grant	One finding identified
UND - Law Enforcement and Public Safety Agency Small Unmanned Aircraft Systems Course	No findings identified
UND Certified Flight Instructor - V2 Aerospace, Inc., Technical Assistance Request	No findings identified
NDSU - Material and Nanotechnology Center	No findings identified
NDSU - Research 1 Expansion	No findings identified
UND - Grand Forks Air Force Base Realignment Business Transition	One finding identified
UND Center for Innovation - Certificate Programs for Motion Video and Activity-Based Intelligence Analysis	No findings identified
NDSU - Center for Life Sciences Research and Applications	No findings identified
UND - Center for Avian Therapeutics for Infectious Diseases	No findings identified
NDSU - Center for Biobased Materials, Science and Technology	No findings identified
UND - Limited Deployment Cooperative Airspace Project	No findings identified
NDSU - Limited Deployment Cooperative Airspace Project	No findings identified

Center of Excellence and Center of Research Excellence	Commission's Assessment
UND - Global Hawk Sensor Operator Part Task Trainer	No findings identified
UND Center for Innovation Foundation - Joint Distributed Common Ground System	No findings identified
UND - Unmanned Aircraft Systems Airspace Initiative (Phase 2)	No findings identified
UND - Airspace Integration Team - Unmanned Aircraft Systems National Test Site (Phase I, II, III)	No findings identified
UND Certified Flight Instructor - Enhanced Use Lease for Grand Forks Air Base III	No findings identified
UND Certified Flight Instructor - Enhanced Use Lease for Grand Forks Air Base IV	One finding identified
Bismarck State College - National Energy Center of Excellence	No longer reporting
UND Energy and Environmental Research Center - National Center for Hydrogen Technology	No longer reporting
Williston State College - Petroleum Safety and Technology Center	No longer reporting
Valley City State University - Enterprise University	No longer reporting

Renaissance Fund Organizations Annual Audits

The Department of Commerce reported on the annual audits of renaissance fund organizations pursuant to Section 40-63-07(9). The department reported 58 cities have a renaissance zone, 8 of which have established renaissance fund organizations. Approximately \$5.6 million of tax credits have been claimed and approximately \$4.9 million of tax credits remain available as of September 2016.

The department reported the following tax credit summary to the Budget Section in September 2016:

Renaissance Tax Credits	Total Credits Authorized	Total Credits Claimed	Total Credits Available ¹	
			Committed	Uncommitted
Category 1 - (0 to 5,000 population)	\$2,135,866	\$538,366 ²	\$465,000	\$1,132,500
Category 2 - (5,001 to 30,000 population)	250,000	250,000 ³		
Category 3 - (Over 30,000 population)	8,114,134	4,835,000 ⁴	1,763,750	\$1,515,384
Total	\$10,500,000	\$5,623,366	\$2,228,750	\$2,647,884

¹Of the \$4,876,634 credits available, \$563,750 reserved for Fargo, \$465,000 reserved for Hope, and \$1.2 million for Grand Forks. If not claimed in a timely manner, the reserved credits can be used by other renaissance fund organization cities.

²Category 1 cities - Casselton (\$37,500), Hazen (\$15,500), Mayville (\$162,650), and Hope (\$322,716).

³Category 2 cities - Jamestown (\$150,000) and West Fargo (\$100,000).

⁴Category 3 cities - Fargo (\$4,835,000).

BANK OF NORTH DAKOTA

North Dakota Financial Center Project

The Budget Section received a report in March 2016 from the Bank of North Dakota regarding the status of the North Dakota Financial Center project pursuant to Section 16 of 2015 House Bill No. 1014. The Bank reported net income for the Bank of \$131 million for calendar year 2015, \$6 million more than the \$125 million net income requirement included in Section 16 of 2015 House Bill No. 1014. The Budget Section learned the anticipated cost of the building is \$17 million. The new building is anticipated to house the Department of Commerce, the Housing Finance Agency, and the Department of Financial Institutions. JLG Architects is the architectural firm leading the design process and JE Dunn Construction was selected as the construction manager at risk. The Budget Section learned the \$17 million is part of the assets of the Bank and once the building is complete, it will remain an asset of the Bank. Although preliminary planning had begun on the project the Budget Section learned the Industrial Commission delayed any further action on the project due to the general fund revenue shortfall, which resulted in general fund budget allotments.

GAME AND FISH DEPARTMENT

Funds Provided to Other Organizations

The Budget Section received a report from the Game and Fish Department regarding funds the department provides to other organizations, and the status of the department employees working in other entity offices. The Budget Section learned the department cost-shares two farm bill biologists with nongovernmental entities and that the department began the cooperative agreements for the farm bill biologist in 2008 and 2009. The department explained that the biologists are 50 percent funded by the Game and Fish Department and are located in Natural Resources Conservation Service offices to assist and promote farm bill conservation programs, such as Conservation Reserve Program, Wetland Reserve Program, Quality Incentive Program, and Conservation Stewardship Program and others.

Land Acquisition Requests

Pursuant to Section 20.1-02-05.1, the Budget Section approved the following land acquisition requests from the Game and Fish Department:

Burke County

The purchase of 39.8 acres adjacent to existing wildlife management areas in Burke County. The purchase price of the land was \$61,292 (\$1,540 per acre).

McLean County

The purchase of 255 acres adjacent to existing wildlife management areas in McLean County. The purchase price of the land was \$1,113,000 (\$4,364.71 per acre).

DEPARTMENT OF TRUST LANDS State Agency Unclaimed Property

The Budget Section received reports from the Department of Trust Lands regarding state agencies that have not submitted a claim for unclaimed property belonging to that agency pursuant to Section 47-30.1-24.1. The Budget Section learned the North Dakota Uniform Unclaimed Property Act has been in effect since 1975, and since that time, North Dakota state agencies have been reported as being owners of unclaimed property. The 2003 Legislative Assembly enacted Section 47-30.1-24.1 in an effort to resolve the issue of state agency unclaimed property. Section 47-30.1-24.1 provides within 1 year of receipt of state agency property, the administrator of unclaimed property shall notify the agency by certified mail. The Commissioner of the University and School Lands is to present a report to the Budget Section identifying every state agency that has not submitted a claim for property belonging to that agency within 1 year of the receipt of the date of the certified mail receipt, and upon approval of the Budget Section, the agency relinquishes its right to recover its property.

The Department of Trust Lands reported during the 2015-16 interim, its Unclaimed Property Division identified 7 state agencies with unclaimed properties with a total value of \$16,673 as of September 2015 and 11 state agencies with unclaimed properties with a total value of \$3,246 as of June 2016.

The Budget Section pursuant to Section 47-30.1-24.1 approved the lists of state agencies relinquishing their rights to recover unclaimed property in September 2015 and in June 2016.

Use of Oil and Gas Impact Grant Funds

The Budget Section received reports from the Department of Trust Lands on the oil and gas impact grant fund, the amounts awarded from the fund, 2015-17 biennium amounts spent, and the amounts anticipated to be continued into the 2017-19 biennium pursuant to Section 5 of 2015 House Bill No. 1176. The department reported that the 2015 Legislative Assembly appropriated \$140 million to the Department of Trust Lands for oil and gas impact grants and designated \$132.5 million for specific projects and the department had awarded \$42.6 million as of January 2016 of which \$626,724 was canceled or reduced due to fund revenues being less than anticipated. The Budget Section learned the July 2016 revised revenue forecast projected that the oil and gas impact grant fund would receive \$73.4 million for the 2015-17 biennium and through September 2016 the fund has received \$38.4 million in revenue. If current biennium funding received meets total program grant obligations, the department anticipates distributing \$7.3 million of grant suspensions. The Budget Section learned that \$60.3 million in legislative designations will likely not be awarded during the 2015-17 biennium.

JOB SERVICE NORTH DAKOTA

Status of the Unemployment Trust Fund and the Modified Average High-Cost Multiplier

The Budget Section received a report in March 2016 from Job Service North Dakota on the status of the unemployment trust fund and the targeted modified average high-cost multiplier pursuant to Section 52-02-17. As of December 31, 2015, the balance of the unemployment trust fund was \$120.7 million, \$48.4 million below the projected 2015-17 biennium target balance of \$169.1 million. The average high-cost multiplier for the period was 0.63, 0.37 below the projected 2015-17 biennium target of 1.0. The Budget Section learned that with the increase in the number of unemployment insurance claims, the agency currently projects the June 30, 2017, balance of the fund to be \$72.5 million, \$112.2 million below the projected 2015-17 biennium target balance of \$184.7 million. Job Service North Dakota reported the maximum weekly wage rate is \$633. An individual can draw up to 26 weeks of benefits and the current average for benefits being paid is 11 weeks.

INFORMATION TECHNOLOGY DEPARTMENT Annual Reports

Pursuant to Section 54-59-19, the Budget Section received the ITD 2014-15 and 2015-16 annual reports. The Information Technology Department reported three strategic areas for ITD:

- "Cloud" Services - Many agencies contract with private vendors for "cloud" services. The Information Technology Department assists the agencies by reviewing the security at the vendor's data center, the backup policies, and disaster recovery.
- Security - ITD is involved in preventing and investigating security breaches.

- Business process analysis - ITD has started doing business process analysis for IT projects in order to better control the expectations of its clients and to develop a better project plan, and to develop a more accurate completion date.

DEPARTMENT OF HUMAN SERVICES
Transfers in Excess of \$50,000

The Budget Section received a report from DHS regarding transfers in excess of \$50,000 pursuant to Section 3 of 2015 Senate Bill No. 2012. The Budget Section learned through September 2016, the department had the following transfers between line items and between subdivisions of Senate Bill No. 2012 in excess of \$50,000:

Transfers	General Fund	Total Funds	Explanation
Centralization of department functions	\$3,200,629	\$3,237,809	Funds were transferred from the human service centers and institutions line items in the field services program to the salaries and wages line item and the operating line item in the management program. The supervision of human resources and fiscal administration functions in the department were centralized.
Certified medical coder	\$72,233	\$72,233	Funds were transferred from the salaries and wages line item in the management program to the human service centers and institutions line items in the field services program. A certified medical coder was assigned to the human service centers.
Aging and Disability Resource LINK	\$99,414	\$166,540	Funds were transferred from the human service centers and institutions line items in the field services program to the salaries and wages line item and the operating line item in program and policy. The transfer was for the Aging Services Division for Aging and Disability Resource LINK information and assistance, and to assist with central intake for vulnerable adult protective services.

Status of Medicaid Management Information System

The Budget Section received a report from DHS on the status of the Medicaid management information system computer project. The department reported the project was implemented in October 2015 and had completed 37 provider payment cycles as of June 2016. The total cost of the project was approximately \$97.9 million, of which the federal share is \$85.5 million. The Budget Section learned 3.2 million claims had been received and processed. The department is working with Xerox on outstanding issues affecting provider payments and DHS is resolving known system issues related to primary care provider referrals, recipient liability, member eligibility, and mass adjustments. The department reported 52,000 claims in suspense as of June 2016, totaling approximately \$10 million, with approximately 50 percent of these claims being older than 60 days.

LEGACY AND BUDGET STABILIZATION FUND
Advisory Board Report

The Budget Section received reports from the Legacy and Budget Stabilization Fund Advisory Board regarding the investment policies for the legacy fund and budget stabilization fund pursuant to Section 21-10-11. Section 21-10-11 requires the advisory board to provide at least semiannual reports to the Budget Section regarding asset allocation and investment policies developed for the legacy fund and budget stabilization fund as well as recommendations presented to the State Investment Board regarding investment of funds in the legacy fund and budget stabilization fund.

Legacy Fund

As of January 2015, the board's recommended asset allocation plan was fully implemented for the legacy fund, including 30 percent broad United States equity, 20 percent broad international equity, 35 percent fixed income, 5 percent core real estate, and 10 percent diversified real assets. The legacy fund's 1-year net return as of March 31, 2015, was 5.72 percent compared to approximately a 1 percent return when it was previously invested in fixed income. The Budget Section learned the market value of the legacy fund was \$3,328.6 million as of June 30, 2015. The market value of the legacy fund as of March 31, 2016, was \$3.7 billion and fund investments have averaged a return of 2.57 percent net of fees since inception. The legacy fund balance in June 2017 is projected to be \$4.3 billion.

Budget Stabilization Fund

The Budget Section learned as of March 31, 2016, the balance in the budget stabilization fund was \$579.8 million, of which \$8.9 million is invested in cash equivalents, \$89.8 million is invested in certificate of deposits with the Bank of North Dakota, and \$481.1 million is invested in short-term fixed income securities with Babson Capital Management and JP Morgan Chase & Co. The Budget Section learned that the Governor ordered and the Legislative Assembly approved, in the August 2016 special legislative session, the entire balance in the budget stabilization fund is to be transferred to the general fund due to general fund revenue shortfalls.

STATE TREASURER

Outstanding Warrants and Checks

The Budget Section received reports from the State Treasurer regarding warrants and checks outstanding for more than 90 days and less than 3 years pursuant to Section 54-11-01. Section 54-11-01 provides the State Treasurer report to the Budget Section, within 90 days of the beginning of each fiscal year, all warrants and checks outstanding for more than 90 days and less than 3 years. The State Treasurer provided reports to the Budget Section in September 2015 and September 2016. The Budget Section learned items reported may be the result of money which has not been received by the proper recipient or checks that have not been cashed. Annually, checks more than 3 years old are transferred to the Department of Trust Lands as unclaimed property.

The State Treasurer reported in September 2015 the number of checks outstanding increased by 5 percent from state fiscal year 2014 and a total of \$3.6 million in outstanding checks existed for fiscal years 2013, 2014, and 2015, which is an increase of 11.9 percent from fiscal year 2014 to fiscal year 2015. The State Treasurer provided a listing of 3,181 outstanding checks which were sent to the Unclaimed Property Division of the Department of Trust Lands in October 2015 totaling \$482,506.

The State Treasurer reported as of September 2016, the number of checks outstanding increased by 12.1 percent from state fiscal year 2015 and a total of \$5.1 million in outstanding checks existed for fiscal years 2014, 2015, and 2016, which is an increase of 1.75 percent from state fiscal year 2015 to state fiscal year 2016. The State Treasurer provided a listing of 3,577 outstanding checks which were sent to the Unclaimed Property Division of the Department of Trust Lands in October 2016 totaling \$557,486.

HOUSING FINANCE AGENCY

Housing Units Owned or Master Leased for Essential Service Workers

The 2013 Legislative Assembly appropriated \$15.4 million from the general fund for transfer to the housing incentive fund and provided an aggregate tax credit of \$20 million for the purpose of assisting developing communities to address an unmet housing need or alleviate a housing shortage. Pursuant to Section 54-17-40, the Budget Section received reports regarding the progress being made to reduce the overall number of housing units owned, master leased, or subsidized by cities, school districts, or other employers of essential service workers. In June 2016 the Budget Section learned that funding provided was in the form of a 0 percent forgivable loan subject to the units being retained as affordable housing for a minimum of 15 years. If rental rates increase to allow the loan to be repaid, payments will be required. The Housing Finance Agency reviews the financial statements of the units which received the 0 percent loan to verify that income is not sufficient to repay the loan. The Housing Finance Agency requires an annual monitoring fee of \$25 for each affordable housing unit designated for affordable housing. The Budget Section learned the fees cover inspection and auditing expenses incurred by the agency. The revenues from fees are deposited into the housing incentive fund.

In September 2016 the Housing Finance Agency reported the number of housing units owned by political subdivisions decreased by 80, master leased units decreased by 179, and an additional 10 rent subsidies were being provided compared to the report in September 2015. The Budget Section learned the 2016 statewide housing needs assessment study indicates housing needs will increase by 21 percent, or by 76,490 housing units, from 2014 to 2029. The study indicated an acceptable cost burden for low-income individuals is 30 percent of income. For example, an individual would need to make \$15.66 per hour in North Dakota to pay for a two-bedroom apartment at a cost of \$814 per month to be within the 30 percent guideline. The Budget Section learned that without state funding, it may not be possible to meet the state's need for housing units as only 150 to 175 units can be produced per year at current funding levels.

DEPARTMENT OF TRANSPORTATION

One-Time Funding Report

The Budget Section received a report from the Department of Transportation regarding one-time state funding for road improvements for the 2015-17 biennium. The Budget Section learned the department has planned \$822 million of construction work on state highways, city, and county roads, of which \$600 million was bid through the department and \$222 million was bid through counties. The Budget Section learned that \$112 million from the general fund, provided in 2015 House Bill No. 1176, was reduced by 6.55 percent because of legislative action during the August 2016 special legislative session to \$104,664,000. The Budget Section learned that of the \$104.7 million available from 2015 House Bill No. 1176, \$56.9 million remains to be expended and of the \$352 million from the strategic investment and improvements fund, provided in 2015 Senate Bill No. 2103, \$47.8 million remains to be expended. The department reported that it is anticipating \$40 million more in additional federal highway funds through the federal Fixing America's Surface Transportation Act for the 2017-19 biennium.

ATTORNEY GENERAL'S OFFICE

The Budget Section received a report from the Attorney General's office indicating it has not assessed any additional legal fees to higher education institutions in excess of those listed in Section 13 of 2015 Senate Bill No. 2003.

HUB CITY REPORTS

The Budget Section received reports from hub cities in December 2015 regarding each city's use of funds received from hub city allocations from the oil and gas gross production tax under Section 57-51-15.

Williston

The Budget Section learned Williston is using the funds for infrastructure projects, including road projects and water and sewer projects. The 2013-15 biennium gross production tax revenues were \$62.6 million and infrastructure construction expenditures were \$72.2 million and the city's debt has increased from \$131.7 million in 2014 to \$214.8 million in 2015. The Budget Section learned the city's property taxes have increased due to increases in property valuations and the city did not budget a tax increase in the base budget for the current year.

Dickinson

Dickinson reported that increases in the hub city allocations from oil and gas gross production tax have been vital to Dickinson and the decrease in oil activity has not reduced the need for investment in western North Dakota. The citizens of Dickinson have incurred \$4,500 of debt per capita in the past 3 years totaling \$122 million in long-term debt with annual debt obligations of over \$5 million and Dickinson has made \$55.4 million in investments from September 2014 through August 2015, receiving \$15.5 million in revenue from the oil and gas gross production tax. The Budget Section learned that the funds are being used for 16 civil service buildings and infrastructure projects, including a public safety facility, a salt brine storage building, road projects, a public works facility, a water reclamation facility, and water and sewer projects.

Minot

The Budget Section learned Minot's debt per capita has increased from \$2,017 to \$3,678 and hub city funding has been used for sewer system upgrades and improvements and airport-related projects.

DEPARTMENT OF VETERANS' AFFAIRS

Contingent Funding Request for Service Dog Program

The Budget Section approved the Department of Veterans' Affairs request to spend up to \$25,000 of contingent funding from the general fund for the service dog program pursuant to Section 4 of 2015 House Bill No. 1025. The Budget Section learned the department had expended the initial \$25,000 appropriated from the general fund to place two service dogs with veterans in the 2015-17 biennium, and four more veterans are qualified and ready to be placed with service dogs. The department reported that the contingency funding will allow two of the four qualified veterans to receive service dogs.

DEPARTMENT OF CORRECTIONS AND REHABILITATION

Inmate Report

Pursuant to Section 6 of 2013 Senate Bill No. 2015, the Budget Section received annual reports on the Department of Corrections and Rehabilitation's prison population management plan, inmate admissions, and the number of inmates not admitted after sentencing. The Department of Corrections and Rehabilitation reported in September 2015 that the department had not refused to admit any inmates. The Budget Section learned the department has budgeted \$75 per day to house inmates out of state, and currently anticipates housing between 100 and 200 inmates out of state. The department reported in September 2016 that the department has not refused to admit any inmates and the 2015-17 biennium average male inmate population for all facilities was 1,567. The 2015-17 biennium average female inmate population for all facilities was 223. The department reported the average length of time individuals are in county jails is 90 days. The Budget Section learned approximately 7,600 individuals are under supervision, of which roughly 900 are on parole.

INDUSTRIAL COMMISSION

Abandoned Oil and Gas Well Plugging and Site Reclamation Fund

Pursuant to Section 38-08-04.5, the Budget Section received a report on the balance of the abandoned oil and gas well plugging and site reclamation fund and expenditures. The Industrial Commission reported as of June 27, 2016, the balance of the abandoned oil and gas well plugging and site reclamation fund was \$12.2 million. Revenues and expenditures of the fund are as follows:

Description	Actual Balances - Through June 27, 2016 (Amounts in Millions)
Balance - July 2013	\$2.3
Revenue	15.8
Expenditures	(5.9)
Balance - June 2016	\$12.2

Core Library Expansion Project

The Department of Mineral Resources reported to the Budget Section regarding the use of funding provided for the core library expansion project, including the amounts spent to date and the amounts anticipated to be continued into the 2017-19 biennium, and on the progress of the project pursuant to Section 25 of 2015 House Bill No. 1014. The Budget Section learned the project is being conducted under the construction manager at-risk process and has a guaranteed maximum price of \$13,633,322 of which \$7,560,884 has been spent as of June 27, 2016. The department expects to have \$197,027 in unexpended funds and that no funds are anticipated to be continued into the 2017-19 biennium.

NORTH DAKOTA OUTDOOR HERITAGE ADVISORY BOARD

Activities to Date

Pursuant to Section 54-17.8-07, the North Dakota Outdoor Heritage Advisory Board reported to the Budget Section a summary of the board's activities to date. In September 2015 the North Dakota Outdoor Heritage Advisory Board reported two additional grant rounds were held during the 2013-15 biennium, on November 1, 2014, and April 1, 2015. The Budget Section learned the Industrial Commission approved an additional 35 projects totaling \$9.6 million in the two additional rounds to provide a total of \$21 million in grants for the 2013-15 biennium. The board has established dates for four rounds of applications during the 2015-17 biennium: October 1, 2015; March 1, 2016; November 1, 2016; and May 1, 2017.

THREE AFFILIATED TRIBES OF THE FORT BERTHOLD RESERVATION

Investment of Oil and Gas Tax Receipts

Pursuant to Section 57-51.2-02, the Three Affiliated Tribes of the Fort Berthold Reservation reported to the Budget Section fees, expenses, and charges the tribe imposes on the oil industry and essential infrastructure projects completed by the Three Affiliated Tribes using oil and gas tax receipts. The Budget Section learned fiscal year 2015 expenditures were \$106,236,000, which include expenditures for environmental protection (\$2,212,000), infrastructure (\$91,233,000), and public safety (\$12,791,000). The Three Affiliated Tribes anticipates \$61.2 million in expenditures and \$147.2 million in revenue for fiscal year 2016. The Budget Section learned the federal Bureau of Reclamation water projects are ongoing projects and it is anticipated that all projects will be completed by the end of fiscal year 2016. The Three Affiliated Tribes are investing in programs regarding drug addiction, including a new drug treatment facility, which is anticipated to be completed in 2017 and is a joint project with the federal Indian Health Services.

STATE FIRE MARSHAL

Fire Department Funding Report

Pursuant to Section 18-04-02, the State Fire Marshal reported to the Budget Section expenditures by certified fire departments, district funds received from the insurance tax distribution fund, and reserve fund balances. The State Fire Marshal reported a certification packet was mailed in August 2015 to 370 fire service entities within the state. The State Fire Marshal reported of the 320 reports that have been received, insurance tax distribution funds of \$6.8 million were received and \$5.6 million has been expended. The State Fire Marshal reported in September 2016 that 35 fire departments had uncommitted funds of \$160,044 remaining of the \$6,780,299 that was available for 2014. The Budget Section learned that only 59 of 321 fire departments reported 2014 data regarding fires to the State Fire Marshal's office and grant funds may be withheld from fire departments that fail to report required data.

LEGISLATIVE HEARINGS FOR FEDERAL BLOCK GRANTS

Background

The Legislative Council staff contacted state agencies receiving federal funds to determine which agencies receive block grants that require legislative hearings. The Budget Section learned the results of the survey revealed one block grant--the community services block grant administered by the Department of Commerce Division of Community Services--requires legislative hearings. 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 hearing during the 2017 legislative session. The required public hearing will be held as part of the appropriations hearing for the Department of Commerce during the 2017 legislative session.

Recommendation

The Budget Section recommends [House Concurrent Resolution No. 3001](#) to authorize the Budget Section to hold public legislative hearings required for the receipt of new federal block grant funds during the period from the recess or adjournment of the 65th Legislative Assembly through September 30, 2019.

FEDERAL FUNDS

The Budget Section reviewed a report from the Legislative Council on federal funds anticipated to be received by state agencies and institutions for the bienniums ending June 30, 2017, and June 30, 2019. The report indicated agencies estimate \$3.5 billion of federal funds will be received during the 2015-17 biennium, \$94.8 million less than appropriated. Agencies estimate \$3.7 billion of federal funds will be received for the 2017-19 biennium, \$234.3 million more than is estimated to be received during the 2015-17 biennium.

The Budget Section reviewed a memorandum on the largest variances by agency for the 2015-17 biennium between federal funds appropriated and federal funds estimated to be received. The memorandum provides information regarding the major variances experienced by agencies during the 2015-17 biennium relating to federal funds appropriated and federal funds estimated to be received and the major variances estimated for the 2017-19 biennium compared to the 2015-17 biennium.

LEGISLATIVE COUNCIL STAFF REPORTS

The Budget Section received the following reports prepared by the Legislative Council staff:

- *Budget Section Duties and Responsibilities for the 2015-17 Biennium.* The report provides information detailing the duties and responsibilities of the Budget Section for the 2015-16 interim.
- *64th Legislative Assembly Legislative Changes to State Agency Budgets for the 2015-17 Biennium.* The report provides information on legislative changes to agency budgets and is a compilation of the statements of purpose of amendment for action taken on appropriation bills during the session.
- *64th Legislative Assembly State Budget Actions for the 2015-17 Biennium.* The report provides information on the 2015-17 state budget, FTE positions, ongoing and one-time general fund appropriations, federal fiscal stimulus funding, one-time funding, major programs, and related legislation for each state agency. The report also includes an analysis of major special funds and statistical information on state appropriations.
- *64th Legislative Assembly Budget Status Report for the 2015-17 Biennium.* The report provides information on the status of the general fund and estimated June 30, 2017, ending balance, legislative changes to general fund revenues, and legislative appropriation changes.
- *2015-17 Biennium Report on Compliance with Legislative Intent.* The report provides the current status of major budget changes and initiatives approved by the 2015 Legislative Assembly for various agencies. The report contains information regarding the status of major state trust funds.
- *2015 and 2016 North Dakota Finance Facts.* The annual pocket brochure contains information on economic statistics, the state budget, K-12 education, higher education, human services, corrections, economic development, and transportation.
- *2015-17 Biennium Revenue - Monthly Summary.* The report provides general fund revenue and oil tax revenue collections and allocations.
- *2015-17 Biennium General Fund Budget - Current Status and "What If" Scenarios.* The report provides the current status of the general fund as of December 16, 2015, and various general fund revenue scenarios.
- *Moody's Analytics Report on Economic and Consumer Credit Analytics - North Dakota.* The report provides information from Moody's Analytics regarding North Dakota economic data and statistics.
- Reports summarizing legislative action during the August 2016 special legislative session.

OTHER REPORTS

The Budget Section received other reports, including:

- Department of Public Instruction - K-12 Student Enrollments and Projected State School Aid for the 2017-19 biennium - The report includes information on student enrollments for the 2015-16 academic year, projected student enrollments for the next 3 academic years, projected state school aid spending for the 2015-17 biennium, and the estimated cost-to-continue state school aid for the 2017-19 biennium. The Department of Public Instruction is expecting state school aid obligations for the 2015-17 biennium will be \$30 million less than projected, leaving \$30 million of unspent appropriation authority. Actual average daily membership for the 2015-16 academic year was 2,000 less than projections. The preliminary estimate of average daily membership for the 2016-17 academic year is 106,886, which is an increase of 796 students from the 2015-16 academic year. The department is projecting enrollments to increase by 1,800 students annually during the next biennium. The Budget Section learned if the second-year rate, student enrollments, and taxable valuations are unchanged, the cost to continue for the 2017-19 biennium would increase by \$62.7 million.

- Dickinson State University - Theodore Roosevelt Presidential Library - The report indicated the Theodore Roosevelt Presidential Library Foundation is actively pursuing a fundraising goal of \$50 million locally, regionally, and nationally and the foundation is developing relationships with the Theodore Roosevelt Association, descendants of Theodore Roosevelt, and other educational institutions in the nation. The foundation has developed an operational budget, a staffing plan, and the library will provide individuals access to President Roosevelt's papers online. The Theodore Roosevelt Presidential Library will not be officially sanctioned as a presidential library, because Congress only approved funding for the archiving of presidential papers after President Herbert Hoover and presidential libraries previous to President Hoover are not officially sanctioned, but the goal of the foundation is to establish a presidential library that compares to sanctioned libraries. The library will be the first fully digital presidential library and it expects the library to be financially independent and self-sustaining through capital campaigns, endowments, visitors, grants, and institutional and for profit networks.
- Valley City State University - Heating Plant Report - The report indicated that construction of the new heating plant on adjacent property owned by the Valley City State University alumni foundation would be more cost effective than building on the site of the existing heating plant. The report also identified no change in the cost of the project.
- Budget allotment reports - Information from select agencies regarding their plans to meet the Governor's 4.05 percent general fund allotment for the following departments: DHS, Department of Corrections and Rehabilitation, State Department of Health, Department of Transportation, and University System.

AGENCY REQUESTS CONSIDERED BY THE BUDGET SECTION

Pursuant to Sections 54-16-04, 54-16-04.1, 54-16-04.2, 54-16-04.3, and 54-16-09, the Budget Section considered agency requests that were authorized by the Emergency Commission. The Budget Section approved 17 of the 19 requests for the following: increased spending authority for the 2013-15 biennium of \$5 million and increased spending authority for the 2015-17 biennium by \$3,018,365, made line item transfers of \$984,714, authorized expenditures from the state contingencies appropriation of \$70,000, and authorized expenditures from the state disaster relief fund of \$27,307,427. The following is a list of 17 agency requests **approved** from June 16, 2015, through September 24, 2016:

Adjutant General

- June 16, 2015, to authorize the expenditure of \$5 million from the state disaster relief fund for the 2013-15 biennium to pay off Bank of North Dakota loans which were used for state match for presidentially declared disasters that occurred during the 2013-15 biennium as appropriated in 2015 Senate Bill No. 2023.
- June 16, 2015, to authorize the expenditure of \$27,307,427 from the state disaster relief fund for the state share of previous disasters still being processed and other disaster-related expenses for the 2015-17 biennium as appropriated in 2015 Senate Bill No. 2016.

Department of Agriculture

- September 23, 2015, to increase federal funds spending authority by \$229,500 in the salaries and wages line item (\$81,500) and the operating expenses line item (\$148,000). The funding is for a United States Food and Drug Administration drug residue cooperative agreement.

Attorney General

- June 16, 2015, to authorize \$70,000 from the state contingencies appropriation for the operating expenses line item to reimburse counties and cities for prosecution witness fees in cases heard in district and juvenile court.
- September 23, 2015, to transfer \$75,000 from the abortion litigation fees line item to the litigation fees line item related to fees and costs for other pending litigation. The Attorney General requested a \$120,000 transfer, but the Emergency Commission approved only \$75,000.
- September 29, 2016, to transfer \$70 from the abortion litigation fees line item and \$121,644 from the higher education legal services fees line item to the operating expenses line item for a total transfer of \$121,714 for prosecution witness fees.

State Auditor

- June 16, 2015, to transfer \$80,000 from the operating expenses line item to the capital assets line item for a remodeling project on the third floor of the Capitol tower.

North Dakota Council on the Arts

- September 23, 2015, to increase the operating expenses line item by \$100,000 of special funds from a Bush Foundation Community Creative Cohort program grant for the agency's Art for Life program toolkits.

Department of Parks and Recreation

- June 27, 2016, to increase spending authority by \$150,000 of special funds from the Lewis and Clark Fort Mandan Foundation from fundraising efforts for the agency's Lewis and Clark Interpretive Center line item to support the development of temporary exhibits, promotion, interpretive programming, and events.

Department of Public Instruction

- June 27, 2016, to increase spending authority by \$500,000 of special funds in the operating expenses line item from reimbursements from school districts for the cost of processing bulk commodities into food items served by the schools under the United States Department of Agriculture National School Lunch Program.

Secretary of State

- June 27, 2016, to transfer \$208,000 from the operating expenses line item to the salaries and wages line item for hiring employees to provide staff support during the agency's development of its software solution for office operations.
- June 27, 2016, to increase the operating expenses line item by \$150,000 from the agency's general services operating fund. The fund receives revenue from operations of the agency's electronic central indexing system and contractor licensing functions.
- September 29, 2016, to increase special funds spending authority by \$200,000 from the Secretary of State's general service operating fund. The number of contractor licenses issued has been more than anticipated resulting in additional expenses.

State Treasurer

- June 16, 2015, to transfer \$500,000 from the township allocation line item to the property tax relief credits line item to allow full payments to counties under the 12 percent property tax relief credit program for the 2013-15 biennium.

Department of Veterans' Affairs

- December 16, 2015, to increase federal funds spending authority by \$64,253 in the Department of Veterans' Affairs line item. The funding is for providing transportation services to veterans or purchasing vehicles to transport veterans.
- December 16, 2015, to increase federal funds spending authority by \$1,264,612 in the Department of Veterans' Affairs line item. The funding is for purchasing wheelchair accessible vans, operation of the vans, and providing reimbursements to subrecipients providing medical-related transportation services.

Veterans' Home

- September 29, 2016, to increase special funds spending authority by \$360,000, of which \$225,000 is in the operating expenses line item, and \$135,000 in the capital assets line item. The request is to offset general fund budget reductions of \$569,701 approved during the August 2016 special legislative session. Funding is from available Veterans' Home special funds.

The following 2 agency requests **were not approved** by the Budget Section:

Job Service North Dakota

- December 16, 2015, to authorize \$240,000 from the state contingencies appropriation for operating expenses (\$50,000) and salaries and wages (\$190,000) to maintain staffing through January 2016 related to the functionality of the new automated system for unemployment insurance claim services for employers and workers.

State Historical Society

- June 27, 2016, to authorize \$75,000 from the state contingencies appropriation for operating expenses to cover legal fees in the state's defense of a lawsuit filed by the contractor related to the expansion of the Heritage Center. The Emergency Commission amended the request to require the State Historical Society to return any unused funds and to repay the state contingencies appropriation with any legal fees recovered through the litigation process.