



BUDGET SECTION

Thursday, June 29, 2023
Pioneer Room, State Capitol
Bismarck, North Dakota

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

Members present: Senators Brad Bekkedahl, Randy A. Burckhard, Kyle Davison, Dick Dever, Michael Dwyer, Robert Erbele, Kathy Hogan, David Hogue, Karen K. Krebsbach*, Curt Kreun, Tim Mathern, Scott Meyer, Merrill Piepkorn, Jim P. Roers, David S. Rust, Ronald Sorvaag, Shawn Vedaa, Terry M. Wanzek; Representatives Bert Anderson, Larry Bellew, Glenn Bosch, Josh Boschee, Mike Brandenburg, Karla Rose Hanson, Zachary Ista*, Dennis Johnson, Keith Kempenich, Gary Kreidt, Mike Lefor, Bob Martinson, Lisa Meier, Alisa Mitskog, Corey Mock*, David Monson*, Mike Nathe, Jon O. Nelson*, Emily O'Brien, Brandy Pyle, David Richter, Mark Sanford, Mike Schatz, Greg Stemen, Michelle Strinden, Steve Swiontek, Don Vigesaa

Members absent: Senators Jerry Klein, Donald Schaible; Representative Randy A. Schobinger

Others present: See [Appendix A](#)

**Attended remotely*

At the request of Chairman Bekkedahl, Mr. Brady A. Larson, Assistant Legislative Budget Analyst and Auditor, Legislative Council, reviewed the following memorandums and reports:

- [Supplementary Rules of Operation and Procedure of the North Dakota Legislative Management](#)
- [Budget Section Duties and Responsibilities for the 2023-25 Biennium](#)
- [68th Legislative Assembly State Budget Actions for the 2023-25 Biennium](#)
- [Budget Status Report for the 2023-25 Biennium](#)
- [68th Legislative Assembly Legislative Changes to Agency Base Budgets for the 2023-25 Biennium](#)

STATE BUDGET INFORMATION

Mr. Joe Morrissette, Former Director, Office of Management and Budget, presented a report ([Appendix B](#)) on the status of the general fund, balances of selected special funds, general fund revenue collections, and oil prices and production.

TOBACCO SETTLEMENT PROCEEDS

Mr. Morrissette presented information ([Appendix C](#)) on the status of tobacco settlement proceeds received by North Dakota. He reported the April 2023 payments totaled \$24.9 million and were deposited in the tobacco settlement trust fund, a total of \$48.1 million has been deposited in the tobacco settlement trust fund during the 2023-25 biennium, and funding deposited in the tobacco settlement trust fund is transferred to the community health trust fund.

STATE AGENCY APPLICATIONS FOR FEDERAL GRANTS

Mr. Morrissette presented information ([Appendix D](#)) on state agencies that applied for federal grants estimated to be \$25,000 or more pursuant to North Dakota Century Code Section 54-27-27. He reported the following agencies have applied for a federal grant estimated to be \$25,000 or more:

Agency	Time Period of Grant	Amount
Veterans Affairs	October 2023 - September 2024	\$749,971
Department of Health and Human Services	March 2023 - March 2024	\$1,000,000
Department of Health and Human Services	September 2023 - September 2024	\$1,250,000
Aeronautics Commission	May 2023 - May 2027	\$176,400
Department of Corrections and Rehabilitation	March 2023 - June 2024	\$95,000
Department of Transportation	September 2023 - September 2032	\$21,440,000
Department of Transportation	September 2023 - September 2032	\$9,850,000
Department of Transportation	September 2023 - September 2032	\$2,410,000

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

Agency	Time Period of Grant	Amount
Attorney General	October 2022 - September 2026	\$644,469
Department of Corrections and Rehabilitation	February 2023 - June 2024	\$227,297
Adjutant General	September 2022 - August 2026	\$2,287,118
Department of Transportation	September 2024 - September 2029	\$400,000
Department of Transportation	September 2023 - November 2029	\$30,000,000

IRREGULARITIES IN THE FISCAL PRACTICES OF THE STATE

Pursuant to Section 54-14-03.1, Mr. Morrissette presented information ([Appendix E](#)) on irregularities in the fiscal practices of the state. He presented the following fiscal irregularities for the period December 2022 through May 2023:

Agency	Fiscal Irregularity	Amount
Department of Corrections and Rehabilitation	Weather-related essential services	\$8,000,000
Department of Corrections and Rehabilitation	Temporary workload adjustments	\$1,000
Parks and Recreation Department	Position reclassification	\$641
Attorney General	Workload adjustments	\$1,134
Attorney General	Temporary workload adjustments	\$1,500
State Library	Position reclassification	\$1,007
Office of Management and Budget	Severance pay	\$7,450
Beef Commission	Promotion increase	\$583
Judicial branch	Position reclassification	\$1,668
Department of Commerce	Temporary workload adjustments	\$17,745
Department of Career and Technical Education	Workload adjustment	\$825
Adjutant General	Temporary workload adjustment	\$2,572
Department of Health and Human Services	Workload adjustments	\$6,069
Department of Health and Human Services	Position reclassification	\$8,671
Department of Health and Human Services	Leave of absence adjustments	\$1,319
Department of Health and Human Services	Temporary workload adjustments	\$3,230
Department of Health and Human Services	Shift differential	\$3,710
Department of Health and Human Services	Probation adjustment	\$517
Department of Health and Human Services	Equity increase	\$647
Department of Health and Human Services	Promotion increase	\$3,657
Department of Health and Human Services	Part to full-time position adjustment	\$1,562
Department of Health and Human Services	Severance pay	\$53,502

TARGETED MARKET EQUITY FUNDING POOL

Mr. Morrissette provided an update ([Appendix F](#)) regarding distributions from the executive branch targeted market equity funding pool. He noted \$82.5 million was allocated to executive branch agencies for equity increases for 6,582 employees. He noted the North Dakota University System did not utilize \$18.5 million of other funds allocations for equity increases due to the 2023-25 biennium tuition freeze.

Ms. Molly Herrington, Chief People Officer, and Ms. Susan Sisk, Director, Office of Management and Budget, responded to questions regarding the targeted market equity funding pool and pay frequency for deployed members of the National Guard.

CAREER ACADEMIES FUNDING

Mr. Morrissette provided comments regarding the use of a Bank of North Dakota line of credit for costs to build career academies through the statewide area and career center initiative grant program. He noted the line of credit was to be used until funding from the federal Coronavirus Capital Projects Fund became available, the federal funding was approved recently, and a total of \$6.3 million was accessed through the line of credit.

LEGACY AND BUDGET STABILIZATION FUND ADVISORY BOARD REPORT

Representative Bosch, Chairman, Legacy and Budget Stabilization Fund Advisory Board, presented a memorandum entitled [Legacy and Budget Stabilization Fund Advisory Board - Status Report to the Budget Section June 29, 2023](#), regarding the investment of funds in the legacy fund and budget stabilization fund pursuant to Section 21-10-11. He noted:

- The estimated market value of the budget stabilization fund as of June 30, 2023, was \$914.4 million and the asset allocation of the budget stabilization fund is 99.5 percent short-term fixed income and cash and 0.5 percent cash and equivalents.
- The fiscal year to date earnings of the fund are approximately 2.73 percent.
- The market value of the legacy fund as of May 2023, was \$9.2 billion and the amount, based on the percent of market value (POMV) calculator of 2021-23 biennium legacy fund earnings that will be transferred to the general fund at the end of the 2021-23 biennium is \$486.6 million.
- The legacy fund's fiscal year to date net return was 5.78 percent compared to a benchmark return of 5.17 percent.

LEGACY FUND EARNINGS

Mr. Ryan Skor, Chief Financial Officer, Retirement and Investment Office, presented information ([Appendix G](#)) regarding the allocation of legacy fund earnings. He noted:

- Senate Bill No. 2330 (2023) implemented a POMV definition to provide that legacy fund earnings to be transferred to the general fund at the end of a biennium are an amount equal to 7 percent of the 5-year average value of the fund.
- Legacy fund earnings to be transferred at the end of the 2021-23 biennium under the POMV definition are \$486.6 million.
- Actual legacy fund earnings for the 2021-23 biennium are estimated to be \$458 million.

STATUS OF THE UNEMPLOYMENT INSURANCE TRUST FUND AND THE MODIFIED AVERAGE HIGH-COST MULTIPLIER

Ms. Jaime Lawler, Data and Quality Assurance Manager, Job Service North Dakota, presented information ([Appendix H](#)) on the status of the unemployment insurance trust fund and the targeted modified average high-cost multiplier pursuant to Section 52-02-17. She noted:

- The multiplier is an actuarial calculation used to project the length of time the existing fund balance could support benefit payments at historically high payout rates and with no future revenue.
- The trust fund is financed by quarterly employer unemployment insurance taxes and these funds are used to pay unemployment insurance benefits.

Ms. Lawler noted as of December 31, 2022, the balance of the unemployment trust fund was \$275 million, \$7 million less than the target balance of \$282 million, and the modified average high-cost multiplier was 0.99, 0.01 less than the projected target of 1.0.

OTHER BUSINESS

Chairman Bekkedahl announced the next Budget Section meeting date is tentatively scheduled for Thursday, September 21, 2023.

No further business appearing, Chairman Bekkedahl adjourned the meeting at 11:45 a.m.

Brady A. Larson
Assistant Legislative Budget Analyst and Auditor

Allen H. Knudson
Legislative Budget Analyst and Auditor

ATTACH:8