

BUDGET SECTION

The Legislative Management's Budget Section is established in North Dakota Century Code Section 54-35-02.9. The section provides the Budget Section consists of the Majority and Minority Leaders of the House and Senate, the Assistant Majority and Minority Leaders of the House and Senate, the Speaker of the House, and the members of the House and Senate Appropriations Committees. The Legislative Management is to designate the Chairman of the Budget Section and the Chairman is to call quarterly meetings.

Section 54-35-02.9 provides the Legislative Assembly, by law, may provide for the Budget Section to approve specific actions, projects, and transfers. When evaluating state agency requests, the Budget Section is to consider criteria applicable to the request, including whether:

1. The request is for a specific purpose;
2. The request is for a specific amount of funds and for a specific time frame, not to continue beyond the end of the current biennium;
3. The request conforms with legislative intent;
4. The request is consistent with related statutory provisions;
5. The request supports state priorities;
6. The request improves state efficiencies and promotes effective state government;
7. If the request is for a new program, the program does not extend beyond the current biennium; and
8. The request addresses a state emergency.

Budget Section members were Representatives Don Vigasaa (Chairman), Bert Anderson, Larry Bellew, Tracy Boe, Joshua A. Boschee, Mike Brandenburg, Jeff Delzer, Michael Howe, Keith Kempenich, Kim Koppelman, Gary Kreidt, Scott Louser, Bob Martinson, Lisa Meier, Alisa Mitskog, Corey Mock, David Monson, Mike Nathe, Jon O. Nelson, Chet Pollert, Mark Sanford, Mike Schatz, Jim Schmidt, Randy A. Schobinger, and Michelle Strinden and Senators Brad Bekkedahl, Kyle Davison, Dick Dever, Robert Erbele, Joan Heckaman, Kathy Hogan, David Hogue, Ray Holmberg, Jerry Klein, Karen K. Krebsbach, Tim Mathern, Erin Oban, Dave Oehlke, Nicole Poolman, David S. Rust, Ronald Sorvaag, Terry M. Wanzek, Rich Wardner

Senator Oban resigned on March 27, 2022, and Senator Holmberg resigned on June 1, 2022. Senator Kathy Hogan became a member of the Budget Section on March 29, 2022.

The following duties assigned to the Budget Section by law or by Legislative Management directive were acted on or reports were received during the 2021-22 interim:

1. **Annual report from the North Dakota State University (NDSU) Extension Service (Section 11-38-12)** - This section requires, within the duties of the NDSU Extension Service, an annual report to be provided to the Budget Section regarding any adjustments or increases of full-time equivalent (FTE) positions.
2. **Department of Trust Lands investment performance (Section 15-02-08.1)** - This section requires the Department of Trust Lands to provide annual reports to the Budget Section regarding the investment performance of funds under its control.
3. **Higher education campus improvements and building maintenance (Section 15-10-12.1)** - This section requires the approval of the Budget Section or the Legislative Assembly for campus improvements and building maintenance of more than \$700,000 on land under the control of the State Board of Higher Education (SBHE) which are financed by donations, gifts, grants, and bequests. Budget Section approval may be provided only 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 must include a specific dollar limit for each 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 \$700,000 or less and the sale of real property received by gift or bequest may be authorized by the board. Any new building or an addition to an existing building with a cost of more than \$700,000 requires approval by the Legislative Assembly.
4. **Sources of funds received for construction projects of entities under the control of SBHE (Section 15-10-12.3)** - This section requires each institution under the control of SBHE undertaking a capital construction

project 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.

5. **SBHE'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 SBHE's semiannual project variance reports regarding construction projects valued at more than \$250,000.
6. **Annual report from the NDSU Main Research Center (Section 15-12.1-05)** - This section requires, within the duties of the NDSU Main Research Center, an annual report to be provided to the Budget Section regarding any adjustments or increases of FTE positions.
7. **Status of the State Board of Agricultural Research and Education (SBARE) (Section 15-12.1-17(10))** - This section requires, within the duties of SBARE, a status report to be provided to the Budget Section.
8. **State Fire Marshal report on fire departments funding (Section 18-04-02)** - This section provides the 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. **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.
10. **North Dakota National Guard service member, veteran, family, and survivor support program (Section 37-03-18)** - This section requires the Adjutant General to provide annual reports to the Budget Section regarding the income and expenditures made from the North Dakota National Guard service member, veteran family, and survivor support program and requires Budget Section approval for any expenditures from the fund that exceed \$500,000.
11. **State disaster relief fund expenditures (Section 37-17.1-27)** - This section requires an agency to report to the Appropriations Committees of the Legislative Assembly or to the Budget Section on the purpose and payee of any expenditure from the state disaster relief fund.
12. **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.
13. **Annual audits of renaissance fund organizations (Section 40-63-07(9))** - This section requires the Department of Commerce Division of Community Services to provide annual reports to the Budget Section on the results of audits of renaissance fund organizations.
14. **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 present a 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.
15. **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.
16. **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.
17. **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.
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 OMB to submit a written 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; and
 - 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. The Budget Section may amend any request that exceeds \$3 million and the amended request is deemed approved by the Emergency Commission. The total amount of requests that may be approved during a biennium under this section, excluding Federal Highway Administration emergency relief and federal disaster and emergency recovery funding, may not exceed \$50 million.
22. **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. The Budget Section may amend any request that exceeds \$3 million and the amended request is deemed approved by the Emergency Commission. The total amount of requests that may be approved during a biennium under this section may not exceed \$20 million.
23. **Consider authorization of additional 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.
24. **Housing incentive fund (Section 54-17-40)** - This section requires the Housing Finance Agency to provide a report at least once each biennium to the Budget Section regarding the activities of the housing incentive fund.
25. **North Dakota Outdoor Heritage Advisory Board (Section 54-17.8-07)** - This section provides the Budget Section receive a report from the North Dakota Outdoor Heritage Advisory Board on a biennial basis regarding the activities of the board.
26. **Department of Corrections and Rehabilitation (DOCR) annual report on the department's prison population management plan (Section 54-23.3-11)** - This section requires DOCR to provide an annual report to the Budget Section regarding the department's prison population management plan and inmate admissions and the number of inmates the department has not admitted after sentencing.
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 SBHE which have applied for federal grants estimated to be \$25,000 or more.

28. **Consider specific criteria for actions, projects, and transfers (Section 54-35-02.9)** - This section requires the Budget Section to review specific criteria when considering an item before 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.
31. **Three Affiliated Tribes of the Fort Berthold Reservation investment of oil and gas tax receipts (Section 57-51.2-02)** - This section provides the Budget Section receive a report from the Three Affiliated Tribes annually regarding investment of oil and gas tax receipts in essential infrastructure and fees, expenses, and charges the tribe imposes on the oil industry.
32. **Federal funds report** - Receive a report from the Legislative Council staff in the fall of 2022 on the status of the state's federal funds receipts for the current biennium and estimated federal funds receipts for the subsequent biennium.
33. **Agriculture research and related entities FTE positions (Section 8 of Senate Bill No. 2020 (2021))** - This bill requires SBHE to report to the Budget Section annually regarding any adjustments made to the number of FTE positions authorized for the NDSU Extension Service, Northern Crops Institute, Upper Great Plains Transportation Institute, Main Research Center, branch research centers, and Agronomy Seed Farm.
34. **Report from the Governor on federal and other funds received (Section 3 of House Bill No. 1001 (2021))** - This section requires the Governor's office to provide a report to the Budget Section regarding the source, amount, and purpose of any additional income from other funds received from a source that exceeds \$150,000.
35. **Report regarding any transfers between line items in excess of \$50,000 (Section 8 of House Bill No. 1012 (2021))** - This section requires Department of Human Services (DHS) to report to the Budget Section after June 30, 2022, on any transfers in excess of \$50,000 made during the 2021-23 biennium between line items within subdivisions 1, 2, and 3 of House Bill No. 1012.
36. **Report regarding any transfers between line items in excess of \$50,000 (Section 9 of House Bill No. 1012 (2021))** - This section requires DHS to report to the Budget Section after June 30, 2022, on any transfers in excess of \$50,000 made during the 2021-23 biennium from line items within subdivisions 1, 2, and 3 to line items in subdivision 4 of House Bill No. 1012.
37. **Substance use disorder program (Section 62 of House Bill No. 1012 (2021))** - This section requires DHS to provide quarterly reports to the Budget Section regarding the status of the substance use disorder voucher treatment program.
38. **General fund transfers to highway fund (Section 13 of House Bill No. 1015 (2021))** - This section requires the Department of Transportation to provide quarterly reports regarding the use of funds transferred from the general fund to the highway fund as authorized in the section.
39. **Main Research Center capital project priority (Section 11 of Senate Bill No. 2020 (2021))** - This section requires the Director of the NDSU Main Research Center to report to the Legislative Management regarding priority capital projects and other expenses that may be eligible for funding from the federal State Fiscal Recovery Fund allocated to the state under the federal American Rescue Plan Act of 2021.
40. **Intermodal facility grant certification (Section 1 of Senate Bill No. 2245 (2021))** - This section requires OMB to certify that funding appropriated from the federal Coronavirus Capital Projects Fund may be used for an intermodal facility grant before providing the grant.
41. **Federal Coronavirus Capital Projects Fund (various bills)** - These bills require OMB to consult with the Budget Section to determine if capital projects comply with guidelines regarding the use of federal coronavirus capital projects funds.

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 2022 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 legislative organizational session.

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 2021-22 interim:

1. **Bank of North Dakota loans (Section 6-09-15.1)** - This section requires OMB to provide a report to the Budget Section regarding any loans obtained from the Bank of North Dakota when the balance in the state general fund is insufficient to meet legislative appropriations. The total principal of any loans may not exceed \$50 million.
2. **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.
3. **Game and Fish Department land acquisitions (Section 20.1-02-05.1)** - This section requires Budget Section approval for Game and Fish Department land acquisitions of more than 10 acres or \$10,000.
4. **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.
5. **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.
6. **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.
7. **Termination of food stamp program (Section 50-06-05.1(16))** - 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.
8. **Termination of energy assistance program (Section 50-06-05.1(18))** - 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.
9. **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 a state agency or other entity of state government to purchase or lease 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 School of Aviation.
10. **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.
11. **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.
12. **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.

13. **Report from the Industrial Commission on revenue impacts in excess of \$20 million (Section 54-17-42)** - This section requires if any order, regulation, or policy of the Industrial Commission necessary to implement the provisions of Chapter 38-08 has an estimated fiscal effect on the state in excess of \$20 million in a biennium, the Industrial Commission will provide a report to the Budget Section regarding the fiscal impact on state revenues and expenditures, including any effect on the funds of the Industrial Commission.
14. **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.
15. **Cashflow financing (Section 54-27-23)** - This section provides 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.
16. **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.
17. **Purchases of "put" options (Section 54-44-16)** - This section requires OMB to report any purchases of "put" options to the Budget Section.
18. **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.
19. **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.
20. **Requests by the Information Technology Department (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.
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. **Federal block grant hearings (Senate Concurrent Resolution No. 4001 (2021))** - This resolution authorizes the Budget Section, through September 30, 2023, to hold any required legislative hearings for federal block grants.
23. **State Water Commission expenditure of additional amounts that become available in the resources trust fund in excess of the 2021-23 biennium appropriation (Section 3 of House Bill No. 1020 (2021))** - This bill requires Budget Section approval for State Water Commission expenditure of funds that become available in the resources trust fund in excess of 2021-23 biennium appropriations.
24. **State parks gift fund approval (Section 55-08-07.2)** - This section requires the Parks and Recreation Department to obtain Emergency Commission and Budget Section approval for any expenditure from the state parks gift fund in excess of \$50,000 if the funding is not designated for a specific purpose.

OFFICE OF MANAGEMENT AND BUDGET
2019-21 Biennium General Fund Revenues and Expenditures

The Budget Section received the following report from OMB on the final status of the general fund for the 2019-21 biennium:

Unobligated general fund balance - July 1, 2019	\$65,000,000
Balance obligated for authorized carryover from the 2017-19 biennium	128,664,231
Total beginning general fund balance - July 1, 2019	\$193,664,231
Add	
General fund collections	5,751,904,322
Total estimated revenues available	\$5,945,568,553

Less		
Legislative appropriations - One-time	(\$48,639,068)	
Legislative appropriations - Ongoing	(4,794,924,098)	
Authorized carryover from previous biennium	(128,664,231)	
Supplemental and deficiency appropriations	(123,140,000)	
Unspent authority	337,679,612	
Other adjustments	2,091	
Total appropriations		(4,757,685,694)
Estimated ending general fund balance - June 30, 2021 - Before transfers and adjustments		\$1,187,882,859
Transfer to budget stabilization fund ¹		0
Other adjustments		(65,529,514)
Ending general fund balance - June 30, 2021		\$1,122,353,345
¹ Pursuant to Chapter 54-27.2, any end-of-biennium balance in excess of \$65 million must be transferred to the budget stabilization fund, up to a maximum of 15 percent of general fund appropriations. The budget stabilization fund is estimated to be at the maximum balance at the end of the 2019-21 biennium.		

2019-21 Biennium General Fund Turnback

The Budget Section received a report from OMB on the 2019-21 biennium agency unspent general fund appropriation amounts (turnback). Unspent 2019-21 biennium general fund appropriation authority totaled approximately \$337.7 million. Major unspent general fund appropriations include:

- The Department of Public Instruction (DPI) had turnback of \$61.2 million, which was a result of reduced state school aid spending due to lower than anticipated enrollment growth.
- The Department of Human Services had turnback of \$179.2 million, which primarily related to lower than anticipated cost and caseload levels and the enhanced COVID-19 federal medical assistance percentage.
- The Highway Patrol had turnback of \$21.2 million and DOCR had turnback of \$46.8 million, which primarily related to the use of federal coronavirus relief funds for employee salaries.

2019-21 Biennium Capital Construction Carryover

The Budget Section received a report from OMB on 2019-21 biennium capital construction carryover. The Office of Management and Budget reported funding of \$105.4 million for the 2019-21 biennium was continued into the 2021-23 biennium. Of the total amount, \$80 million was for the continuation of funding authority for the statewide interoperable radio network project.

2021-23 Status of the General Fund

At each Budget Section meeting, a representative of OMB reviewed the status of the state general fund and revenue collections for the 2021-23 biennium. The following is a summary of the status of the state general fund, based on actual revenue collections through August 2022, and reflecting the 2021 legislative forecast for the remainder of the 2021-23 biennium:

Unobligated general fund balance - July 1, 2021		\$1,122,353,345
Balance obligated for authorized carryover from the 2019-21 biennium		72,766,911
Total beginning general fund balance - July 1, 2021		\$1,195,120,256
Add		
General fund collections to date	\$3,145,739,918	
Remaining forecasted general fund collections	1,495,329,366	
Total estimated general fund collections		4,641,069,284
Total estimated revenues available		\$5,836,189,540
Less		
Legislative appropriations - One-time	(\$114,923,493)	
Legislative appropriations - Ongoing	(4,878,033,837)	
Authorized carryover from previous biennium	(72,766,911)	
Contingent appropriation for Theodore Roosevelt Presidential Library	(17,500,000)	
2021-23 biennium authority spent in 2019-21 pursuant to emergency clause	100,000	
Total appropriations		(5,083,124,241)
Estimated ending general fund balance - June 30, 2023 - Before transfers		\$753,065,299

Transfer to budget stabilization fund ¹	0
Estimated ending general fund balance - June 30, 2023	\$753,065,299

¹Pursuant to Chapter 54-27.2, any end-of-biennium balance in excess of \$65 million must be transferred to the budget stabilization fund, up to a maximum of 15 percent of general fund appropriations. The budget stabilization fund is estimated to be at the maximum balance at the end of the 2021-23 biennium.

The Budget Section was informed as of June 30, 2022, the balance in the budget stabilization fund was \$717.4 million. As of August 31, 2022, the balance in the legacy fund was \$8.0 billion, the balance in the foundation aid stabilization fund was \$439.9 million, the balance in the tax relief fund was \$294.8 million, and the unobligated balance in the strategic investment and improvements fund was \$731.9 million.

2021-23 Biennium Revised Revenues and Preliminary 2023-25 Revenues

The Budget Section received updates on OMB's projected 2021-23 biennium revised revenue forecast and preliminary 2023-25 revenue forecast. Items noted include:

- Sales and use tax collections are estimated to increase from \$980 million in fiscal year 2022 to \$1.11 billion in fiscal year 2024.
- Individual income tax collections are estimated to decrease from \$465.5 million in fiscal year 2021 to \$414.5 million in fiscal year 2023 due to a tax credit approved by the 2021 Legislative Assembly. If the tax credit had not been approved, fiscal year 2023 collections would be approximately \$521.5 million.
- Oil prices are estimated to be \$70 per barrel in fiscal year 2024 and \$65 per barrel in fiscal year 2025. Oil production is estimated to remain at approximately 1.1 million barrels per day through fiscal year 2025.

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	Description	Amount
June 2021		
Department of Commerce	Temporary workload increase	\$4,500
Department of Commerce	Temporary workload increases	\$18,614
Department of Human Services	Temporary workload increase	\$665
Council on the Arts	Temporary workload increases	\$7,250
State Historical Society	Temporary workload increase	\$1,633
Public Employees Retirement System	Temporary workload increase	\$1,500
Judicial branch	Incorrect job classification	\$16,302
Department of Human Services	Temporary workload increase	\$614
Department of Human Services	Temporary workload increase	\$864
September 2021		
North Dakota Vision Services - School for the Blind	Teachers working additional hours for summer contract	\$19,565
State Department of Health	Equity adjustment for promotion	\$914
Department of Human Services	Adjustment for incorrect pay rate	\$6,244
Department of Human Services	Equity increase	\$798
Department of Human Services	Workload increases	\$1,956
Department of Labor and Human Rights	Temporary workload increase	\$1,000
Department of Corrections and Rehabilitation	Shift differential pay	\$800
Council on the Arts	Temporary workload increases	\$7,750
State Fair	Workload increase	\$703
Highway Patrol	Reduction in force	\$53,829
Bank of North Dakota	Reduction in force	\$26,855
December 2021		
Legal Counsel for Indigents	Retention pay	\$2,100
Retirement and Investment Office	Workload adjustments	\$2,847
Department of Human Services	Promotional increases	\$2,047
Department of Human Services	Equity increase	\$672
Department of Human Services	Temporary workload increases	\$1,079
Bank of North Dakota	Reduction in force	\$29,305
March 2022		
Department of Career and Technical Education	Correct compensation errors	\$92,311
Department of Human Services	Temporary workload adjustment	\$4,779
Attorney General	Retroactive workload adjustment	\$1,925

Agency	Description	Amount
Department of Human Services	Retroactive recruiting and retention compensation adjustments	\$65,079
Department of Human Services	Retroactive equity increases	\$14,004
Department of Human Services	Retroactive promotion increases	\$2,971
Securities Department	Retroactive increase in responsibilities	\$667
Adjutant General	Retroactive equity increases	\$2,369
June 2022		
Department of Human Services	Workload increases	\$2,787
Department of Human Services	Equity increases	\$4,518
State Library	Temporary workload increase	\$981
Department of Human Services	Temporary workload increases	\$2,584
Securities Department	Workload adjustment	\$1,187
Department of Commerce	Workload adjustment	\$750
Judicial branch	Severance pay	\$26,505
Highway Patrol	Severance pay	\$25,686
September 2022		
North Dakota Vision Services	Additional teacher summer contract days	\$14,979
North Dakota Vision Services	Retired employee contract payout	\$5,164
Department of Environmental Quality	Temporary workload adjustment	\$500
Attorney General	Equity increases	\$4,565
Retirement and Investment Office	Workload adjustments	\$10,044
Department of Human Services	Workload adjustments	\$13,203
Department of Human Services	Retroactive leave payout	\$2,788
Department of Human Services	Shift differential pay	\$577
Department of Corrections and Rehabilitation	Equity increase	\$712

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 2021-23 biennium to date through June 2022, approximately \$23.3 million had been received by the state and deposited in the tobacco settlement trust fund. The entire \$23.3 million was transferred to the community health trust fund. Payments received by the state and deposited in the tobacco settlement trust fund since December 1999 total \$563.4 million.

Prior to the 2017-19 biennium, tobacco settlement funds were distributed as follows--10 percent to the community health trust fund, 45 percent to the common schools trust fund, and 45 percent to the water development trust fund. The tobacco settlement payments during the 2017-19 biennium were distributed 55 percent to the community health trust fund, 0 percent to the common schools trust fund, and 45 percent to the water development trust fund. Beginning with the 2019-21 biennium, all tobacco settlement proceeds are allocated to the community health trust fund.

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 SBHE, which 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 2021		
State Department of Health	September 2021 - September 2022	\$125,000
Department of Human Services	October 2021 - September 2026	\$8,000,000
Department of Human Services	August 2021 - August 2025	\$12,000,000
Department of Human Services	October 2020 - September 2021	\$659,157
Insurance Department	January 2021 - January 2023	\$666,483
Housing Finance Agency	September 2021 - July 2024	\$1,000,000
Adjutant General	October 2021 - September 2023	\$150,000
Department of Agriculture	September 2021 - August 2022	\$500,000
Game and Fish Department	January 2021 - May 2025	\$165,000
September 2021		
Industrial Commission	October 2021 - September 2026	\$25,560
Department of Corrections and Rehabilitation	January 2022 - December 2022	\$200,000
Department of Commerce	30 months from date of award	\$1,000,000
Parks and Recreation Department	September 2021 - May 2027	\$2,714,093
December 2021		
State Historical Society	March 2021 - August 2022	\$75,000

Agency	Time Period of Grant	Amount
March 2022		
Department of Public Instruction	April 2022 - March 2024	\$317,439
Department of Human Services	April 2021 - March 2024	\$1,200,000
Department of Agriculture	September 2022 - August 2023	\$100,000
Department of Agriculture	2 years from time of award	\$700,000
June 2022		
State Department of Health	November 2022 - October 2027	\$2,500,000
State Department of Health	August 2022 - July 2025	\$2,250,000
Industrial Commission	June 2022 - June 2023	\$25,000,000
Game and Fish Department	September 2022 - September 2023	\$96,300
Game and Fish Department	July 2022 - June 2025	\$332,025
Department of Transportation (15 transportation project grants)	June 2022 - September 2029	\$310,531,044
September 2022		
Department of Commerce	October 2022 - August 2024	\$250,000
Department of Commerce	July 2023 - June 2025	\$803,570
Department of Agriculture	November 2022 - June 2025	\$52,500
Game and Fish Department	July 2023 - June 2025	\$5,000,000
Parks and Recreation Department (2 transportation alternative grants)	June 2024 - June 2026	\$1,187,086
Parks and Recreation Department	September 2022 - August 2024	\$27,478
Department of Transportation (5 transportation project grants)	September 2022 - June 2028	\$21,740,000

The Office of Management and Budget reported the following agencies were awarded federal grants of \$25,000 or more:

Agency	Time Period of Grant	Amount
June 2021		
Governor's office	January 2021 - September 2022	\$2,732,339
Department of Human Services	Through December 2021	\$200,000,000
Department of Human Services	February 2021 - March 2021	\$130,000
Department of Human Services	October 2020 - September 2021	\$649,157
Department of Human Services	October 2020 - September 2021	\$81,300
Game and Fish Department	January 2021 - May 2025	\$165,000
September 2021		
Department of Human Services	October 2020 - September 2021	\$161,690
Industrial Commission	October 2021 - September 2026	\$25,560
Adjutant General	October 2021 - September 2023	\$160,000
December 2021		
Housing Finance Agency	September 2021 - July 2024	\$59,895
Department of Corrections and Rehabilitation	October 2021 - September 2026	\$1,542,174
State Historical Society	March 2021 - August 2022	\$75,000
March 2022		
Department of Human Services	August 2021 - July 2026	\$200,178
Department of Agriculture	September 2021 - August 2022	\$500,000
September 2022		
Industrial Commissioner	May 2022 - June 2023	\$25,000,000
Department of Agriculture	March 2022 - June 2022	\$48,556
Department of Agriculture	September 2022 - August 2023	\$100,000
Department of Agriculture	October 2022 - August 2023	\$52,500
Game and Fish Department	September 2022 - September 2023	\$96,300
Department of Transportation	December 2021 - June 2024	\$1,449,000
Department of Transportation	August 2022 - September 2026	\$19,500,000

State Board of Higher Education Project Variance Reports

The Office of Management and Budget reported to the Budget Section regarding capital project variance reports provided from SBHE to OMB pursuant to Section 15-10-47. Section 15-10-47 provides 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 SBHE, the board 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 2022, OMB reported project variance reports for North Dakota University System projects as of June 30, 2022, as follows:

	Project Authorization	Adjusted Authorization	Variance (Over)/Under Authorization
Projects Specifically Authorized by the Legislative Assembly			
Bismarck State College	\$36,922,561	\$36,922,561	\$0
Dakota College at Bottineau	\$9,345,914	\$9,168,156	(\$177,758)
Dickinson State University	\$8,913,000	\$15,609,000	\$6,696,000
Lake Region State College	\$310,734	\$310,734	\$0
Mayville State University	\$1,600,000	\$1,998,970	\$398,970
Minot State University	\$29,844,462	\$29,844,462	\$0
NDSU Extension Service	\$1,748,000	\$1,748,000	\$0
Forest Service	\$69,010	\$69,010	\$0
North Dakota State University	\$244,000,000	\$257,400,000	\$13,400,000
University of North Dakota	\$309,144,769	\$309,444,769	\$300,000
Valley City State University	\$55,700,000	\$55,700,000	\$0
Projects Approved by the State Board of Higher Education			
Dakota College at Bottineau	\$3,400,000	\$3,400,000	\$0
North Dakota State University	\$4,600,000	\$4,600,000	\$0
University of North Dakota	\$1,100,000	\$1,100,000	\$0
Williston State College	\$11,500,000	\$11,500,000	\$0

GOVERNOR'S OFFICE Additional Federal or Other Funds Received

The Governor's office reported to the Budget Section on the source, amount, and purpose of additional federal or other funds received during the 2021-23 biennium pursuant to Section 3 of House Bill No. 1001 (2021). The reports indicated the following additional funds were received by the Governor's office through September 2022:

Source	Amount	Purpose
Yes Every Kid, Inc.	\$5,000	Expenses of Governor's Summit on Innovative Education
National Governor's Association	\$35,000	Support education efforts and the state's social emotional learning network
Dakota Medical Foundation	\$50,000	Expenses of recovery reinvented program
Dakota Medical Foundation	\$60,000	Expenses of recovery reinvented program
Western Dakota Energy Association	\$500	Expenses of Governor's Summit on Innovative Education
Minnkota Power Cooperative	\$1,000	Expenses of Governor's Summit on Innovative Education
Microsoft Corporation	\$2,500	Expenses of Governor's Summit on Innovative Education
Basin Electric Power Cooperative	\$2,500	Expenses of Governor's Summit on Innovative Education
Burgum Foundation	\$5,000	Expenses of Governor's Summit on Innovative Education
Dakota Medical Foundation	\$110,000	Efforts to address addiction issues
National Governor's Association	\$35,000	Efforts to address workforce readiness issues
AT&T	\$1,000	Expenses of Governor's Summit on Innovative Education
Bravera Bank	\$2,500	Expenses of Governor's Summit on Innovative Education
Fenworks, Inc.	\$17,500	Expenses of Governor's Summit on Innovative Education
XTO Energy Inc.	\$10,000	Expenses of Governor's Summit on Innovative Education
Marathon Oil	\$5,000	Expenses of Governor's Summit on Innovative Education
Dakota Medical Foundation	\$65,000 ¹	Expenses of recovery reinvented program

¹Pursuant to Section 3 of House Bill No. 1001 (2021), the Governor's office received Emergency Commission and Budget Section approval to receive other funds in excess of \$150,000 from a single source.

UNIVERSITY SYSTEM

Campus Improvements

The University System requested Budget Section approval relating to the following capital construction project requests for campus improvements:

Dickinson State University

- **Pulver Hall project** - Pursuant to Section 48-01.2-25, the Budget Section authorized the project scope of the Dickinson State University Pulver Hall project to increase from \$4,284,500 to \$4,609,000 to allow for the replacement of air conditioning units. The source of funding for the increase is institution extraordinary repairs funding and required matching funds.

North Dakota State University

- **Softball indoor facility project** - Pursuant to Section 48-01.2-25, the Budget Section authorized an increase for the NDSU softball indoor facility project authorization from \$2 million to \$2.6 million utilizing additional special or local funds.
- **Football performance complex project** - Pursuant to Section 48-01.2-25, the Budget Section authorized an increase for the NDSU football performance complex project authorization from \$37.2 million to \$50 million utilizing special funds derived from donations.

Mayville State University

- **Natural gas boiler installation project** - Pursuant to Section 48-01.2-25, the Budget Section authorized the project scope of the Mayville State University natural gas boiler installation project to increase from \$1,600,000 to \$1,998,970 utilizing capital building funds and operating funds.

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 control of SBHE. The report indicated nine projects were authorized in prior bienniums and continued into the 2021-23 biennium.

The report indicated one project, the Carrington Research Extension Center seed cleaning project, was authorized in a previous biennium and continued into the 2019-21 biennium.

ANNUAL FULL-TIME EQUIVALENT POSITION REPORT

North Dakota State University Main Research Center

The NDSU Main Research Center reported to the Budget Section regarding FTE position adjustments made at the Main Research Center pursuant to Section 15-12.1-05. The Main Research Center added 5.80 FTE positions between December 1, 2020, and November 30, 2021, resulting in a total of 244.55 FTE positions as of November 30, 2021.

Branch Research Centers and Agronomy Seed Farm

The branch research centers added 2.60 FTE positions between December 1, 2020, and November 30, 2021, resulting in 110.80 FTE positions as of November 30, 2021. The Agronomy Seed Farm reported no changes in FTE positions were made between December 1, 2020, and November 30, 2021, maintaining a total of 3.00 FTE positions as of November 30, 2021.

North Dakota State University Extension Service

The NDSU Extension Service reported to the Budget Section regarding the FTE position adjustments made at the Extension Service pursuant to Section 11-38-12. The Extension Service added 5.80 FTE positions between December 1, 2020, and November 30, 2021, resulting in a total of 244.55 FTE positions as of November 30, 2021.

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 11-38-12. The Northern Crops Institute added 1.30 FTE positions between December 1, 2020, and November 30, 2021, resulting in a total of 15.15 FTE positions as of November 30, 2021.

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 11-38-12. The Upper Great Plains Transportation Institute did not adjust any positions between December 1, 2020, and November 30, 2021, resulting in a total of 43.88 FTE positions as of November 30, 2021.

STATE BOARD OF AGRICULTURAL RESEARCH AND EDUCATION

Status Report

The State Board of Agricultural Research and Education submitted a report to the Budget Section in June 2022 regarding the status of board activities pursuant to Section 15-12.1-17(10).

Potential Uses of Federal State Fiscal Recovery Funds

The Director of the Main Research Center submitted a report to the Budget Section in June 2022 pursuant to Section 11 of Senate Bill No. 2020 (2021) regarding capital projects that may utilize federal state fiscal recovery funds.

ADJUTANT GENERAL

North Dakota National Guard Service Member, Veteran, Family, and Survivor Support Program

The Budget Section received a report pursuant to Section 37-03-18 regarding the North Dakota National Guard service member, veteran, family, and survivor support program. The program allows the Adjutant General to accept and expend funds from the North Dakota National Guard Foundation or any similar foundation, offered or tendered, for the benefit of the North Dakota National Guard service member, veteran, family, and survivor support program. Any funds received are deposited in a special fund and are appropriated on a continuing basis to the Adjutant General to be used for the program. Expenditures from the fund may not exceed \$500,000 per biennium unless approved by the Emergency Commission and the Budget Section.

The Adjutant General reported in September 2022, the North Dakota National Guard Foundation provided over \$31,000 in fiscal year 2022 to support an ND Cares event, a survivor outreach event, and military youth camps.

Use of State Disaster Relief Fund

Section 37-17.1-27 requires the Adjutant General to provide reports to either the Appropriations Committees of the Legislative Assembly or the Budget Section regarding the uses of funds from the state disaster relief fund. The Adjutant General provided reports to the Budget Section throughout the interim regarding the uses of funds from the state disaster relief fund.

DEPARTMENT OF COMMERCE

Renaissance Fund Organizations Annual Audits

The Department of Commerce reported on the annual audits of renaissance fund organizations (RFOs) pursuant to Section 40-63-07(9). The department reported 57 cities have a renaissance zone, 8 of which have established RFOs. The department reported approximately \$20 million has been invested in RFOs and \$10 million of tax credits have been claimed. The department reported of the \$494,134 remaining tax credits available as of September 2022, \$250,000 has been reserved for the Hope RFO and the remaining credits remain unclaimed.

The department reported the following tax credit summary as of September 2022:

Renaissance Tax Credits	Total Credits Authorized	Total Credits Claimed	Total Credits Available	
			Committed	Uncommitted
Category 1 (0 to 5,000 population)	\$1,043,366	\$628,366 ¹	\$250,000	\$165,000
Category 2 (5,001 to 30,000 population)	250,000	250,000 ²		
Category 3 (Over 30,000 population)	9,206,634	9,127,500 ³		79,134
Total	\$10,500,000	\$10,005,866	\$250,000	\$244,134

¹Category 1 cities - Casselton (\$37,500), Hazen (\$15,500), Mayville (\$252,650), and Hope (\$322,716).
²Category 2 cities - Jamestown (\$150,000) and West Fargo (\$100,000).
³Category 3 cities - Fargo (\$9,127,500).

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 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. The State Treasurer provided reports to the Budget Section in September 2021 and September 2022. The Budget Section was informed items reported may be the result of money that 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 2021 the total dollar amount of outstanding checks in state fiscal year 2021 decreased by 1.6 percent compared to state fiscal year 2020. The State Treasurer reported the total amount of outstanding checks as of September 2021 was 19,925 with an amount totaling \$7.8 million. The State Treasurer reported 8,282 outstanding checks from fiscal years 2018 and 2019 totaling \$1,024,242 would be transferred to the Department of Trust Lands' Unclaimed Property Division in October 2021.

The State Treasurer reported in September 2022 the total dollar amount of outstanding checks increased by 11 percent from fiscal year 2021 to fiscal year 2022. The State Treasurer reported 4,189 checks totaling \$623,228 issued in fiscal year 2020 will be transferred to the Unclaimed Property Division in October 2022. As of September 2022, there were 21,140 outstanding checks totaling \$8.2 million issued during fiscal years 2020, 2021, and 2022.

DEPARTMENT OF TRUST LANDS

State Agency Unclaimed Property

The Budget Section received a report 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 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 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. Effective July 1, 2021, Senate Bill No. 2048 (2021) removed the requirement that the Department of Trust Lands provide a report to the Budget Section identifying state agencies with unclaimed property and removed the provision for Budget Section to approve the relinquishment of state agency unclaimed property.

During the 2019-21 biennium the Department of Trust Lands reported its Unclaimed Property Division identified 20 state agencies with unclaimed properties with a total value of \$20,732 as of June 2021. The Budget Section, pursuant to Section 47-30.1-24.1, approved the list of state agencies relinquishing rights to recover unclaimed property.

Investment Performance

The Budget Section received reports from the Department of Trust Lands in September 2021 and September 2022 regarding the investment of assets under the control of the Board of University and School Lands. The department reported as of June 2022, approximately \$7.1 billion of assets were under the control of the board. The net return for the permanent trust funds as of June 30, 2022, was negative 4.99 percent for the prior year compared to a benchmark of negative 6.73 percent, 4.29 percent for the prior 3 years compared to a benchmark of 5.51 percent, and 4.64 percent for the prior 5 years compared to a benchmark of 5.72 percent. As of June 30, 2022, the net return on investments for the strategic investment and improvements fund was negative 2.33 percent for the prior 6 months compared to a benchmark of negative 1.49 percent and negative 2.62 percent for the prior year compared to a benchmark of negative 1.71 percent. In fiscal year 2022, the department paid \$48.8 million, or 80 basis points, of fund management fees to private entities for managing approximately \$6.1 billion of the \$7.1 billion of assets under the control of the board.

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 2022 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, 2021, the balance of the unemployment trust fund was \$252 million, \$6 million more than the target balance of \$246 million. The average high-cost multiplier for the period was 1.02, 0.02 above the projected target of 1.0.

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 Sections 8 and 9 of House Bill No. 1012 (2021) and Section 11 of House Bill No. 1506 (2021). Through September 2022, transfers have been made between line items and subdivisions to better align staff with the structure of the department.

Substance Use Disorder Voucher Program

The Budget Section received a report from DHS regarding the status of the substance use disorder voucher program pursuant to Section 62 of House Bill No. 1012 (2021). The report indicated the program received an appropriation of \$15.3 million for the 2021-23 biennium and through June 2022 a total of \$11.9 million of funding was still available for the program.

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

The Legacy and Budget Stabilization Fund Advisory Board reported as of April 30, 2022, the market value of the legacy fund was \$8.1 billion. The unaudited fund performance for the year ended March 31, 2022, was negative 6.2 percent compared to a target return of negative 6.13 percent. The board reported that during the 5-year period ended March 31, 2022, the return was 10.10 percent compared to a target return of 9.36 percent.

Budget Stabilization Fund

As of April 30, 2022, the market value of the budget stabilization fund was \$724.4 million. The Legacy and Budget Stabilization Fund Advisory Board reported the unaudited investment returns, net of fees, averaged 2.37 percent during the 5 years ended March 31, 2022, compared to a policy benchmark of 1.89 percent. Unaudited fund performance for the year ended March 31, 2022, net of fees, was negative 4.62 percent compared to a policy benchmark of negative 3.42 percent.

HOUSING FINANCE AGENCY

Housing Incentive Fund Update

Pursuant to Section 54-17-40, the Budget Section received a report from the Housing Finance Agency regarding the housing incentive fund. In September 2021, an application round for the housing incentive fund was held and a total of 16 applications were received. Four projects received funding, including a new 120-unit senior housing facility in Fargo and three rehabilitation projects to preserve 221 units in Grand Forks, Rolla, and Fargo.

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 on or before October 31 of each year, a fire department must file a certificate of existence to the State Fire Marshal. The State Fire Marshal reported funds distributed from the insurance tax distribution fund help communities maintain fire services with equipment, operations, buildings, vehicles, and other necessities. The State Fire Marshal reported certified fire departments, certified rural fire departments, and certified fire protection districts receiving funds are required to file a report with the State Fire Marshal detailing expenditures of funds and its committed and uncommitted reserve balances. The report must identify the purpose of any committed reserve balance and anticipated time period for spending the committed reserves. The Insurance Commissioner computes the amounts due to certified fire departments on December 1 of each year, and distributes the funds to each fire service jurisdiction in December of each year. The State Fire Marshal reported to be eligible, fire departments from cities, townships, or fire districts must be in operation for at least 8 months.

The State Fire Marshal reported 364 fire departments received a total of \$8,994,753 of distributions in 2019 and 2020.

DEPARTMENT OF CORRECTIONS AND REHABILITATION

Inmate Report

Pursuant to Section 54-23.3-11, the Budget Section received annual reports on the DOCR's prison population management plan, inmate admissions, and the number of inmates not admitted after sentencing. The department reported in September 2022 the maximum operational capacity for male inmates is 1,624 while the maximum operational capacity for female inmates is 224. Both male and female inmate populations were below capacity and the prioritization plan authorized in Section 54-23.3-11 has not been implemented during the 2021-23 biennium.

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 the 2021-23 biennium beginning balance in the fund was \$13.9 million. As of June 30, 2022, the estimated fund balance was \$17.9 million, and the estimated June 30, 2023, balance is \$20.3 million.

North Dakota Outdoor Heritage Advisory Board

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. In September 2022, the board reported the fund has received \$72.1 million of oil and gas tax collections since the inception of the fund. A total of \$73.1 million has been awarded to 205 projects throughout the state.

DEPARTMENT OF TRANSPORTATION Report on Transportation Funding

The Department of Transportation reported to the Budget Section pursuant to Section 13 of House Bill No. 1015 (2021) regarding transportation funding. As of September 2021, the department reported it has utilized \$30 million of the \$100 million general fund appropriation provided to the department in House Bill No. 1015 to match \$37 million of federal funding to accelerate 13 rural and 12 urban road and bridge projects.

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 results of the survey revealed one block grant, the community services block grant administered by the Department of Commerce's 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 2023 legislative session. The required public hearing will be held as part of the appropriations hearing for the Department of Commerce during the 2023 legislative session.

Recommendation

The Budget Section recommends a resolution draft 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 68th Legislative Assembly through September 30, 2025.

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, 2021, and June 30, 2023. The report did not include federal funds received due to COVID-19. The report indicated agencies estimate \$5.0 billion of federal funds will be received during the 2021-23 biennium, \$337.3 million more than appropriated. Agencies estimate \$5.2 billion of federal funds will be received for the 2023-25 biennium, \$226.1 million more than is estimated to be received during the 2021-23 biennium.

The Budget Section reviewed a memorandum on the largest variances by agency for the 2021-23 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 2021-23 biennium relating to federal funds appropriated and federal funds estimated to be received and the major variances estimated for the 2023-25 biennium compared to the 2021-23 biennium.

LEGISLATIVE COUNCIL STAFF REPORTS

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

- *67th Legislative Assembly Budget Status Report for the 2021-23 Biennium.* The report provides information on the status of the general fund and estimated June 30, 2023, ending balance, legislative changes to general fund revenues, and legislative appropriation changes.
- *67th Legislative Assembly Legislative Changes to State Agency Budgets for the 2021-23 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 2021 session.
- *67th Legislative Assembly State Budget Actions for the 2021-23 Biennium.* The report provides information on the 2021-23 state budget, FTE positions, ongoing and one-time general fund appropriations, 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.
- *67th Legislative Assembly State Budget Actions for the 2021-23 Biennium Supplement.* The report provides information on revenue changes and appropriations made during the November 2021 special legislative session.
- *Estimated Revenue Sources and Distributions for Major State Funds for the 2021-23 Biennium.* The report provides information regarding revenue sources and transfers to major state funds and state agencies.

- *Oil and Gas Tax Revenue Allocation Flowchart*. The report provides information on the estimated allocation of oil and gas tax collections for the 2021-23 biennium based on the 2021 legislative revenue forecast.
- *2021-23 Biennium Report on Compliance with Legislative Intent*. The report provides the current status of major budget changes and initiatives approved by the 2021 Legislative Assembly for various agencies.
- *Analysis of State Trust Funds for the 2019-21 and 2021-23 Bienniums*. The report provides the current status of major state trust funds.
- *2021 and 2022 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.

OTHER REPORTS

The Budget Section received other reports, including:

- Theodore Roosevelt Presidential Library - Update on project fundraising - The Theodore Roosevelt Presidential Library Foundation reported it has raised \$100 million for the library project and the foundation has distributed funds to the City of Dickinson and Dickinson State University Heritage Foundation as required by Section 54-07-12.
- Department of Human Services - Integration with the State Department of Health - The Department of Human Services reported the new Department of Health and Human Services will include divisions for public health, medical services, behavioral health, human services, and administrative functions.
- Attorney General - Facility lease - The report provided information regarding cost overruns associated with a facility leased by the Attorney General.
- Industrial Commission - Update on oil and gas development in the state - The Industrial Commission reported oil production in the state was approximately 1.2 million barrels per day in April 2022. The price of oil will significantly affect the level of oil production in the state.
- Department of Emergency Services - Federal disaster reimbursement rate - The Department of Emergency Services reported the federal reimbursement rate for expenses caused by a presidentially declared disaster occurring between January 1, 2020, and December 31, 2021, was increased from 75 to 90 percent. As a result, the state matching rate decreased from 10 to 3 percent and the local matching rate decreased from 15 to 7 percent.
- Department of Transportation - State Fleet Services rates - The Department of Transportation reported State Fleet Services rates charged to state agencies will be increasing for the 2023-25 biennium due to increases in fuel prices and an increase in the cost of purchasing new vehicles.

AGENCY REQUESTS CONSIDERED BY THE BUDGET SECTION

Pursuant to Sections 54-16-04(2), 54-16-04.1, 54-16-04.2, and 54-16-09, the Budget Section considered agency requests authorized by the Emergency Commission. The following agency requests were approved from June 22, 2021, through September 28, 2022:

Department of Environmental Quality

- June 22, 2021, to authorize the department to accept \$400,000 of federal coronavirus relief funds for the 2019-21 biennium and to accept and spend \$750,000 of federal coronavirus relief funds for the 2021-23 biennium from the State Department of Health for wastewater testing.
- December 15, 2021, to increase federal funds spending authority by \$1.2 million in the operating expenses line item to accept and expend passthrough grant funds from the State Department of Health for wastewater testing.
- December 15, 2021, to increase special funds spending authority by \$2,056,000 from Volkswagen settlement funds in the grants line item to pay for grants awarded during the 2019-21 biennium but for which costs were not incurred until the 2021-23 biennium.
- June 28, 2022, to accept and expend federal funds totaling \$1,015,000 for the salaries and wages line item (\$579,110) and operating expenses line item (\$435,890) and to add 4 FTE positions for the Department of Environmental Quality.

Office of Management and Budget

- June 22, 2021, to transfer \$100,000 from the operating expenses line item to the salaries and wages line item for the 2019-21 biennium to make available a total of \$2.4 million for unemployment insurance payments.

- December 15, 2021, to reauthorize federal funds spending authority for \$1,167,468 of federal governor's emergency education relief funds, for which spending authority expired on June 30, 2021.

Council on the Arts

- June 22, 2021, to increase 2021-23 biennium special funds spending authority by \$269,000 in the grants line item to accept and spend funds from the Bush Foundation for a Lakota song repatriation project (\$209,000) and from the National Assembly of State Arts Agencies for a tiny press kit project (\$60,000).

Department of Human Services

- June 22, 2021, to increase 2021-23 biennium special funds spending authority by \$1.7 million in the grants line item to accept and spend federal Elementary and Secondary School Emergency Relief (ESSER) funds from DPI for early childhood programs.
- March 30, 2022, to increase federal funds spending authority by \$158,610 to accept and expend funds for home- and community-based services and assistive technology for a temporary position (\$78,610) to assist home- and community-based services case managers and for a grant (\$80,000) to train individuals to use assistive technology.

Department of Career and Technical Education

- September 30, 2021, to accept and spend \$150,000 of federal funds from DPI available from the ESSER Fund in the operating expenses line item to enhance the RUPrepareND career exploration website to include a work-based learning module to connect students with employers to facilitate career exploration and planning.
- September 30, 2021, to accept and spend \$200,000 of federal funds from DPI available from the ESSER Fund in the operating expenses line item to market to and recruit students to increase enrollment in career and technical education courses.
- September 30, 2021, to accept and spend \$290,000 of federal funds from the Agriculture Commissioner available from the United States Department of Agriculture in the adult farm management line item to provide tuition assistance for new farmers and ranchers to participate in the adult farm management program.
- June 28, 2022, to increase other funds spending authority by \$250,000 from the insurance regulatory trust fund for expenses relating to legal action taken against a company in noncompliance with law.

Department of Financial Institutions

- September 30, 2021, is to increase special fund spending authority by \$275,000, from the agency's financial institution regulatory fund, in the operating expense line item for the "building-out" of the Bismarck and Fargo offices.

Highway Patrol

- December 15, 2021, to increase spending authority from the motor carrier electronic permit transaction fund by \$66,431 for costs to construct an addition to the agency's shooting range that were incurred but not paid in the 2019-21 biennium.

State Historical Society

- December 15, 2021, to increase federal funds spending authority by \$75,000 to accept and expend American Rescue Plan Act grant funds received through Humanities North Dakota to support general operating costs at historic sites, which includes the cost to fabricate and install interpretive signs at multiple historic sites.
- June 28, 2022, to approve a line item transfer of \$335,400 from the grants line item to the capital assets line item to perform work in accordance with the Secretary of the Interior's standards and guidelines for archeology and historic preservation of state historic sites using federal historic preservation funds.

Department of Commerce

- March 30, 2022, to increase federal funds spending authority by \$1.2 million for grants from the Corporation for National and Community Service for AmeriCorps projects, including education, economic opportunity, disaster services, environmental stewardship, health, and veteran and military family projects.
- March 30, 2022, to transfer \$220,000 of federal funds from the grants line item to the operating expenses line item for commission investment funds, which is a portion of the funding provided by the Corporation for National and Community Service for the AmeriCorps program.
- September 28, 2022, to increase federal funds spending authority by \$1.55 million in the operating expenses line item for marketing costs encouraging outdoor enthusiasts and leisure travelers to explore North Dakota outdoor activities (\$1.3 million) and to develop a digital information system to be a one-stop online system for all North Dakota outdoor experiences (\$250,000).

- September 28, 2022, to increase federal funds spending authority by \$250,000--\$75,000 in the salaries and wages line item, \$132,000 in the operating expenses line item, and \$43,000 in the grants line item--to create an outdoor recreation and rural placemaking plan to attract businesses, promote economic activity, and retain and attract workers to North Dakota.
- September 28, 2022, to increase federal funds spending authority in the COVID-19 response line item by \$14,222,975 from funds transferred from the Department of Health and Human Services to develop state energy conservation policy and manage federal energy conservation program activities between public and private sectors.
- September 28, 2022, to increase federal funds spending authority by \$1,306,112 from funds transferred from the Department of Health and Human Services to support furnace repair and cooling contracts with community action partners and to expand cooling programs for qualifying citizens.

Department of Water Resources

- March 30, 2022, to increase 2 FTE positions and to transfer \$452,500 from the general water grants line item to the salaries and wages (\$392,500) and capital improvements (\$60,000) line items for positions to support and administer water resources and for a replacement rover for dam safety inspections.

Insurance Commissioner

- June 28, 2022, to increase other funds spending authority by \$250,000 from the insurance regulatory trust fund for expenses relating to legal action taken against a company in noncompliance with law.

Industrial Commission

- June 28, 2022, to add a new line item and increase federal funds spending authority by \$2.5 million for administrative costs, including salaries and wages and operating expenses, related to a federal grant to plug and reclaim abandoned oil wells and oil well sites.

Department of Transportation

- June 28, 2022, to increase special funds spending authority by \$7,173,530 from user revenues deposited in the state fleet fund for vehicle purchases in the capital assets line item.

Veterans' Home

- June 28, 2022, to increase federal funds spending authority by \$1,805,000 from the Federal Emergency Management Agency and United States Department of Health and Human Services for COVID-19 expenses.

Secretary of State

- June 28, 2022, to increase federal funds spending authority by \$1 million in the election reform line item from federal Help America Vote Act funds provided through the federal Consolidated Appropriations Act of 2022.

Department of Public Instruction

- September 28, 2022, to transfer \$500,000 of general fund spending authority from the integrated formula payments line item to the grants - program and passthrough line item to increase funding available for the leveraging the senior year program.

Governor's Office

- September 28, 2022, to approve the acceptance of \$65,000 of other funds from the Dakota Medical Foundation for expenses of the recovery reinvented program which would result in the Governor's office receiving more than \$150,000 from the Dakota Medical Foundation during the 2021-23 biennium. The request was due to the Governor's office continuing appropriation authority which requires Budget Section approval to accept other funds in excess of \$150,000 from a single source.

Department of Agriculture

- September 28, 2022, to increase federal funds spending authority by \$420,000 for a local food purchase assistance grant program to enhance food and agriculture supply chain resiliency in the state.

State Library

- September 28, 2022, to transfer \$138,000 of general fund spending authority from the salaries and wages line item to the operating expenses line item to be used to increase funding for online resources to meet maintenance of effort requirements for federal funding.