

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

BUDGET SECTION

Wednesday, June 10, 1998
Brynhild Haugland Room, State Capitol
Bismarck, North Dakota

Representative Jack Dalrymple, Chairman, called the meeting to order at 9:05 a.m.

Members present: Representatives Jack Dalrymple, Ole Aarsvold, Leroy G. Bernstein, Merle Boucher, Ron Carlisle, Jeff W. Delzer, John Dorso, Gereld F. Gerntholz, Roy Hausauer, Robert Huether, Richard Kunkel, Bill Oban, Al Soukup, Ken Svedjan, Mike Timm, Ben Tollefson, Francis J. Wald, Janet Wentz, Gerry Wilkie; Senators Bill L. Bowman, Ray Holmberg, Aaron Krauter, Evan E. Lips, Tim Mathern, Pete Naaden, Donna L. Nalewaja, Gary J. Nelson, David E. Nething, Rolland W. Redlin, Larry J. Robinson, Ken Solberg, Rod St. Aubyn, Harvey D. Tallackson

Members absent: Representatives James Boehm, Rex R. Byerly, Pam Guleson, Edward H. Lloyd, Ronald Nichols

Others present: See Appendix A

It was moved by Senator Lips, seconded by Senator Robinson, and carried on a voice vote that the minutes of the March 4, 1998, meeting of the Budget Section be approved as mailed.

STATUS OF THE GENERAL FUND

At the request of Chairman Dalrymple, Mr. Rod Backman, Director, Office of Management and Budget, presented a report on the status of the state general fund, general fund revenues for the 1997-99 biennium, and estimated state costs relating to the 1997 flood. A copy of the information presented is on file in the Legislative Council office. Mr. Backman said preliminary information for the month of May indicated that through May 31, 1998, 1997-99 biennium general fund revenues were 5.4 percent, or \$34.3 million more than projected in the 1997 legislative revenue forecast. He said based on preliminary information, general fund revenues for the month of May were 3.2 percent, or \$2.5 million less than projected. Mr. Backman presented the following information on the status of the state general fund, based on preliminary information for the month of May 1998:

Unobligated general fund balance - July 1, 1997	\$65,000,000
Add:	
Estimated general fund collections through May 31, 1998	673,276,470
Remaining forecasted general fund revenue for the 1997-99 biennium (based on the 1997 legislative revenue forecast)	796,081,581
Total estimated general fund revenue for the 1997-99 biennium (\$34.3 million more than the legislative estimate of \$1,500,096,023)	\$1,534,358,051
Less:	
1997-99 biennium general fund appropriations	1,489,240,087
Estimated general fund balance - June 30, 1999 (\$34.3 million more than the legislative estimate of \$10,855,936)	\$45,117,964

Mr. Backman presented information on estimated state costs relating to the 1997 flood. He said the Office of Management and Budget expects the 1999 Legislative Assembly to receive from state agencies deficiency appropriation requests of \$15 million to \$18 million to repay moneys borrowed from the Bank of North Dakota, pursuant to North Dakota Century Code (NDCC) Section 54-16-13. He said this estimate does not include any costs related to the Grand Forks dike project. He said the dike project is still in the early planning stage and cost estimates are not available.

In response to a question from Senator Nething, Mr. Backman said the estimated June 30, 1999, general fund balance does not include any estimated general fund turnback from the foundation aid program.

UNIVERSITY SYSTEM FUNDING POOL ALLOCATIONS

At the request of Chairman Dalrymple, Ms. Laura Glatt, Vice Chancellor for Administrative Affairs, North Dakota University System, presented information on fiscal year 1999 allocations to institutions of higher education for salaries and wages and technology and

recommendations regarding the allocation process for the 1999-2001 biennium. A copy of the information presented is on file in the Legislative Council office. A schedule showing fiscal year 1999 salary funding pool allocations to the institutions of higher education and the agricultural research centers is attached as Appendix B. A schedule showing fiscal year 1999 technology funding pool allocations to the institutions of higher education is attached as Appendix C. Ms. Glatt said the North Dakota University System recommends that for the 1999-2001 biennium, the appropriation for the University System office include funding pools. She said the University System recommends that operating line items for all higher education institutions and entities be combined into a single line item at the system level and that all capital improvement line items be combined into a separate line item at the system level. She said the University System also recommends that funds be pooled in both the executive recommendation and the legislative appropriation to allow the University System greater flexibility in allocating the funds. She said the additional flexibility recommended by the University System will be accompanied by a new accountability report developed in cooperation with the Legislative Assembly.

Ms. Glatt's testimony indicated that institutions of higher education were required, during the 1997-99 biennium, to reallocate \$2.5 million from within appropriated budgets to achieve salary increases in excess of the increases provided by the Legislative Assembly. Senator Nalewaja asked if the institutions were given guidelines regarding what funds could be reallocated for salary increases. Ms. Glatt said the institutions were encouraged to reallocate funds within the salaries and wages line item by not filling vacant positions.

Representative Boucher asked how the fiscal year 1998 salary increases, which averaged between 4.5 and 5 percent at the institutions of higher education, affected North Dakota's standing in regional comparisons. Ms. Glatt said that although the fiscal year 1998 salary increases may not have greatly improved North Dakota's standing in the region because faculty salaries increased nationally by an average of four percent during fiscal year 1998, the additional compensation adjustments provided a boost to faculty and staff morale.

Ms. Glatt's testimony indicated that \$75,000 from the salary funding pool was retained by the North Dakota University System office for the common course numbering initiative. In response to a question from Representative Carlisle, Ms. Glatt said she would provide to members of the Budget Section information on the common course numbering project.

Representative Dorso said most legislators are concerned about faculty salaries in North Dakota. He said administrative staff at the institutions of higher education also participated in additional salary increases made possible through University System

funding pool allocations and institutional budget reallocations. Representative Dorso requested that the North Dakota University System provide information on faculty salary increases and administrative staff salary increases for fiscal year 1998 for each higher education institution. Representative Dorso also requested information on vacant positions within the University System which were used to fund salary increases. Ms. Glatt said several institutions are leaving positions vacant because of reduced tuition income but intend to fill those positions in the future. Representative Dorso requested information on only those vacant positions which will not be filled. Representative Boucher requested that the University System provide information on the length of time positions have been vacant and how the vacancies will affect educational programs. Ms. Glatt said the University System will provide the requested information.

Representative Svedjan asked if funding pool allocations restored all institutions and programs within institutions to the level of funding included in the executive recommendation for the 1997-99 biennium. Ms. Glatt said the funding pool allocations were not intended to restore every institution to the level of funding included in the executive recommendation. She said some differences between what was allocated and what was included in the 1997-99 biennium executive recommendation are attributable to the \$75,000 retained by the board for the common course numbering initiative. She said this amount was removed from the amount available to allocate to the institutions.

Senator Robinson said it is difficult for North Dakota to improve its regional ranking for faculty and staff salaries at institutions of higher education because as North Dakota provides additional salary adjustments, so do other states. Ms. Glatt said the Board of Higher Education has attempted to address the problem over a number of years. She said the Board of Higher Education's six-year plan includes salary increases of five percent, in addition to those authorized by the Legislative Assembly, funded through budget reallocations by the institutions.

Senator Solberg said the Appropriations Committees were told the funding pools were needed so institutions could direct additional salary increases to specific programs where the increases were most needed. Mr. Larry Isaak, Chancellor, North Dakota University System, said salary increases have been directed to specific areas where the increases were most needed. He said one factor limiting flexibility in distributing the funding pools was the fact that the North Dakota institutions of higher education will experience an approximate \$8.5 million shortfall because of less than anticipated tuition income during the 1997-99 biennium. He said no deficiency appropriation will be requested because of the tuition shortfall.

Representative Soukup asked if the Board of Higher Education has developed enrollment projections for the next five to six years. Mr. Isaak said it is difficult to project higher education enrollment. He said North Dakota high school enrollment is projected to decline, but higher education enrollment depends upon many factors, including the number of students returning to college to continue their education or for retraining. In response to another question from Representative Soukup, Mr. Isaak said the cost of living is considered in regional faculty and staff salary comparisons.

Senator Bowman asked if the higher education institutions have difficulty recruiting faculty. Mr. Isaak said the difficulty depends upon the type of position. He said it is difficult for institutions to recruit faculty for technology-related programs. Ms. Glatt said the problem of recruiting for technology-related positions applies to staff positions as well as faculty positions. Representative Dorso said the problem recruiting for technology-related positions applies to all state agencies, not just higher education institutions.

In response to a comment from Representative Dorso, Ms. Glatt said the North Dakota University System has discussed its concerns regarding the pooling process with the Office of Management and Budget. Representative Dorso said any accountability report to be developed by the Board of Higher Education should be agreed upon prior to the 1999 legislative session. He said he would be concerned about combining funds appropriated for operating expenses and capital projects into the same funding pool. Ms. Glatt said the University System is suggesting that all operating line items be pooled into a single line item at the system level and that all funds appropriated for capital projects be pooled into a separate line item at the system level.

At the request of Chairman Dalrymple, Ms. Patricia Jensen, Vice President, Dean and Director for Agricultural Affairs, North Dakota State University, discussed North Dakota Agricultural Experiment Station fiscal year 1999 allocations to agricultural research centers for salaries and wages. The allocations are summarized in Appendix B.

UNIVERSITY SYSTEM CAPITAL PROJECTS

At the request of Chairman Dalrymple, Ms. Jensen presented information on the status of the North Dakota State University animal research facility. A copy of the information presented is on file in the Legislative Council office. Ms. Jensen said the original cost for the project was estimated to be \$10 million. She said the cost estimates for the project have been revised to \$11.7 million. She said there is currently \$1.86 million of federal funds available for the project which must be used by September 30, 2000. She said a fundraising effort has been established, and a plan is being developed by the North Dakota State University Foundation to

raise the required \$1 million of local matching funds, as specified in 1997 Senate Bill No. 2003.

Senator St. Aubyn asked if, when the project is presented to the 1999 Legislative Assembly, the university will request authority to construct the proposed facility at a cost of \$11.7 million or a scaled-back facility at a cost of \$10 million. Ms. Jensen said that issue is still being discussed, but the university will probably request authority to construct the project as originally proposed at a cost of \$11.7 million. Senator St. Aubyn asked why the estimated cost of the project has increased \$1.7 million from what was appropriated for the 1997-99 biennium. Ms. Jensen said the estimated cost increase is based on inflationary increases.

In response to a question from Senator Mathern, Ms. Jensen said if the entire \$1 million of local matching funds is raised prior to the 1999 legislative session, North Dakota State University will proceed with the project.

Representative Soukup asked if additional federal funds will be available for the project. Ms. Jensen said the university is hopeful that additional federal funds will be allocated by the United States Department of Agriculture for the project. She said no new federal appropriations are anticipated.

At the request of Chairman Dalrymple, Mr. Al Hoffarth, Vice President for Operations/Finance, University of North Dakota, discussed the status of the university's biomedical research facility and a proposed walkway between Abbott and McCannel Halls. Mr. Hoffarth distributed a memorandum from the University of North Dakota Alumni Association and Foundation, a copy of which is on file in the Legislative Council office. The memorandum indicated that the University of North Dakota Alumni Association and Foundation will guarantee the availability of up to \$1.2 million of private funds for the construction of the research facility if the university is unable to obtain the required funds from any other source. Mr. Hoffarth also distributed maps showing the location of the proposed Abbott Hall walkway and a schedule of costs relating to the Abbott Hall addition and remodeling project. This information is on file in the Legislative Council office. The information indicated that the proposed walkway would cost approximately \$190,000.

Representative Dorso asked if the \$1.2 million available from the University of North Dakota Alumni Association and Foundation was a grant or a loan. Mr. Hoffarth said the foundation funds will be provided as a grant to the university. Representative Dorso asked for an explanation of the Abbott Hall project. Mr. Hoffarth said the Abbott Hall project began in 1995. He said the university had intended to construct the walkway if the funds appropriated for the project were adequate. He said, however, this intention was not discussed with the Legislative Assembly. Representative Dorso said the University of North Dakota is asking the Budget Section to approve a

project that did not go through the appropriation process and was not anticipated by the Legislative Assembly.

Representative Dorso, with the approval of Chairman Dalrymple, requested that the Legislative Council staff prepare a memorandum on the Budget Section's authority to authorize a new capital project or the expansion of a capital project authorized by the Legislative Assembly and the constitutionality of that authority.

At the request of Chairman Dalrymple, the Legislative Council staff presented a memorandum on capital construction projects with a required local match that were authorized by the Legislative Assembly from the 1989-91 biennium to the 1997-99 biennium. A copy of the memorandum, which was revised after presentation to the committee, is attached as Appendix D.

Representative Wald requested that the Legislative Council staff prepare a memorandum on the source of the local matching funds provided by each institution.

In response to a question from Representative Soukup, Mr. Hoffarth said the budget for the construction of the biomedical research facility is \$6 million.

Representative Delzer asked if Budget Section approval was necessary due to the fact that funds for the project were appropriated by the 1997 Legislative Assembly in Senate Bill No. 2003. Chairman Dalrymple said Budget Section approval was necessary to allow the use of funds from the University of North Dakota Alumni Association and Foundation.

It was moved by Senator St. Aubyn, seconded by Representative Svedjan, and carried on a roll call vote that the Budget Section authorize the University of North Dakota to proceed with the construction of a biomedical research facility, as authorized by 1997 Senate Bill No. 2003, and to use up to \$1.2 million to be provided by the University of North Dakota Alumni Association and Foundation for the construction, if other funds do not become available. Representatives Dalrymple, Aarsvold, Carlisle, Delzer, Dorso, Gerntholz, Hausauer, Huether, Kunkel, Oban, Soukup, Svedjan, Timm, Tollefson, Wald, Wentz, and Wilkie and Senators Bowman, Holmberg, Krauter, Lips, Mathern, Nalewaja, Nelson, Redlin, Robinson, Solberg, St. Aubyn, and Tallackson voted "aye." No negative votes were cast.

In response to a question from Representative Dalrymple, Mr. Hoffarth said the Abbott Hall walkway project was included as part of the university's master plan but was not included in testimony provided to the Appropriations Committees. Chairman Dalrymple said the Budget Section does not have the authority to authorize such a project.

Representative Svedjan said the funds available for the Abbott Hall walkway are part of the funds appropriated by the 1995 Legislative Assembly for the Abbott Hall renovation project. He asked what restrictions are placed upon the university regarding the use

of those funds if they are not needed to complete the renovation project. Representative Dalrymple said the funds should not be spent until a determination is made by the next Legislative Assembly regarding their use.

At the request of Chairman Dalrymple, Mr. Dick Rayl, Vice President for Business and Finance, North Dakota State University, presented a request to increase spending authority from \$1.2 million to \$1.6 million for the engineering/architecture addition to Ehly Hall at North Dakota State University. A copy of the information presented is on file in the Legislative Council office. Mr. Rayl said 1997 Senate Bill No. 2003 provided authority for the construction of a \$1.2 million addition to Ehly Hall to be funded from private donations. Mr. Rayl said the university has \$978,020 available for the project and additional pledges of \$530,615, for a total of \$1,508,635. Mr. Rayl said the executive committee of the North Dakota State University Development Foundation has voted to guarantee any outstanding pledges required to provide a total of \$1.6 million for the project.

In response to a question from Senator St. Aubyn, Mr. Rayl said the \$1.6 million project is the same project authorized at \$1.2 million by the 1997 Legislative Assembly. He said when bids were received in March 1998, they exceeded the legislative authorization for the project.

Representative Dorso expressed concern that this request from North Dakota State University and the previous request from the University of North Dakota are setting a precedent that the university foundation will provide the funds necessary to cover any shortfall in the funding provided for capital projects. Mr. Isaak said NDCC Section 15-10-12.1 provides that the State Board of Higher Education, subject to Budget Section approval, can construct buildings and campus improvements financed by donations, gifts, grants, and bequests. He said North Dakota State University is requesting authority to spend an additional \$400,000 for the project, pursuant to this section.

In response to a question from Senator St. Aubyn, Mr. Isaak said the project was authorized by the 1997 Legislative Assembly to be financed with private funds and was included in the capital improvements line item for North Dakota State University.

Senator Redlin said Budget Section approval of this request may encourage state agencies to propose a project to the Legislative Assembly at an unrealistically low price so that the project will be approved and then during the interim request the Budget Section to increase the spending authority for the project. He said the appropriation of funds needs to be left to the entire Legislative Assembly.

It was moved by Senator Lips, seconded by Senator Tallackson, and carried on a roll call vote that pursuant to North Dakota Century Code Section 15-10-12.1, the Budget Section authorize the expenditure of up to \$1.6 million of other funds for the construction of the

engineering/architecture addition to Ehly Hall at North Dakota State University. Representatives Dalrymple, Aarsvold, Boucher, Dorso, Gerntholz, Hausauer, Huether, Kunkel, Oban, Soukup, Svedjan, Tollefson, Wald, Wentz, and Wilkie and Senators Bowman, Holmberg, Krauter, Lips, Mathern, Nalewaja, Robinson, St. Aubyn, and Tallackson voted "aye." Representatives Delzer and Timm and Senators Nelson, Redlin, and Solberg voted "nay."

Senator Lips said it should not be necessary for the Budget Section to approve the proposed Abbott Hall walkway project because it could have been authorized by the Board of Higher Education through a change order to the Abbott Hall renovation project. He said the total cost of the project, including the walkway, is within the amount authorized by the Legislative Assembly.

Mr. Pat Seaworth, General Counsel, North Dakota University System, said the University of North Dakota does not need additional appropriation authority to construct the walkway. He said the original project, as presented to the Legislative Assembly, did not include a description of the walkway although the walkway was included in the campus master plan. He said Senator Lips is correct in that the Board of Higher Education could have approved the construction of the walkway through a change order to the Abbott Hall renovation project.

Representative Dorso said the Legislative Assembly provided a specific amount of appropriation authority for the Abbott Hall renovation project as it was presented, which did not include the walkway. He said although NDCC Section 15-10-12.1 gives the Budget Section authority for the approval of certain capital projects, it is inappropriate for the Budget Section to expand the scope of a capital project authorized by the Legislative Assembly.

Representative Wilkie said based on the information presented by the University of North Dakota, there have been other changes to the Abbott Hall project, such as for additional architecture and engineering costs and asbestos removal, which the Legislative Assembly and the Budget Section did not need to approve. He said the Budget Section should allow the university to use available funds for the construction of the walkway.

It was moved by Senator Lips, seconded by Representative Svedjan, and carried on a roll call vote that pursuant to North Dakota Century Code Section 15-10-12.1, the Budget Section authorize

the University of North Dakota to proceed with the construction of a walkway from Abbott Hall to McCannel Hall at a cost of \$190,000. Representatives Aarsvold, Boucher, Hausauer, Huether, Kunkel, Oban, Svedjan, Wald, Wentz, and Wilkie and Senators Holmberg, Lips, Mathern, Nalewaja, Robinson, St. Aubyn, and Tallackson voted "aye." Representatives Dalrymple, Delzer, Dorso, Gerntholz, Soukup, Timm, and Tollefson and Senators Bowman, Krauter, Nelson, Redlin, and Solberg voted "nay."

The committee recessed for lunch at 12:30 p.m. and reconvened at 1:15 p.m.

STATE HISTORICAL SOCIETY SELF-ASSESSMENT

Pursuant to Section 4 of 1997 House Bill No. 1022, the State Historical Society distributed copies of a report on the results of an assessment of the programs and services of the State Historical Society. A copy of the report is on file in the Legislative Council office. The report included the following conclusions:

- The State Historical Society has inadequate resources to meet public demands.
- The existing organizational structure is working efficiently.
- The State Historical Society needs to improve public information and marketing efforts.
- The State Historical Society has several needs relating to the maintenance, expansion, or improvement of buildings.
- The agency needs to work cooperatively with other state agencies and other organizations to meet technology challenges relating to maintaining and providing public access to state records.
- The agency needs additional staff to seek grants, gifts, and endowments to supplement state funding.

NONRESIDENT TUITION RATES

At the request of Chairman Dalrymple, Ms. Glatt presented proposed nonresident tuition rates for the 1998-99 academic year. A copy of the information presented is on file in the Legislative Council office. Ms. Glatt said nonresident students from states with which North Dakota does not have a reciprocity or unilateral tuition agreement are charged two and two-thirds times the resident tuition rate. Ms. Glatt presented the following proposed nonresident tuition rates for the 1998-99 academic year:

	1998-99 Nonresident Tuition Rates	Increase Over 1997-98 Nonresident Tuition Rates
University of North Dakota and North Dakota State University		
Undergraduate	\$6,306	\$336
Graduate	\$6,868	\$336
Law	\$7,428	\$336
Medicine	\$26,834	\$2,216
Minot State University		
Undergraduate	\$5,234	\$240
Graduate	\$6,868	\$336
Dickinson State Univer- sity, Mayville State University, and Valley City State University		
Undergraduate	\$4,892	\$202
Bismarck State College, UND-Lake Region, UND-Williston, State College of Science, and MSU-Bottineau		
Undergraduate	\$4,144	\$0

Representative Tollefson expressed concern that nonresident students do not pay the full cost of their education. Ms. Glatt said the average marginal cost per student in North Dakota, considering all higher education institutions, is \$4,072. She said the nonresident tuition at each institution exceeds that amount.

Senator Robinson said North Dakota should try to attract more nonresident students because of the positive economic impact they provide to the state. He said in addition, North Dakota gains several million dollars through the tuition reciprocity agreement with Minnesota.

In response to a question from Representative Timm, Ms. Glatt said that based upon the reciprocity agreement with Minnesota, students pay the higher of the two states' resident tuition rate. Representative Timm noted that the Minnesota reciprocity rate was less than the North Dakota resident rate for the University of North Dakota Medical School. Ms. Glatt said the University System office would examine the reasons for that and adjust tuition rates for the 1999-2000 academic year.

Representative Delzer asked which nonresident students receive a reduced tuition rate and which pay the full nonresident rate. Ms. Glatt said students from Minnesota pay less than the nonresident rate due to the reciprocity agreement with Minnesota. She said students from South Dakota, Montana, Saskatchewan, and Manitoba pay less than the regular nonresident rate due to unilateral tuition agreements with those states and provinces. She said all other nonresident students pay the full nonresident rate unless they are participating in the western undergraduate exchange program through the Western Interstate Commission for Higher Education.

Representative Tollefson asked what percentage of the total student population is nonresident students. Ms. Glatt said based on 1997 fall headcount enrollment, a total of 33,530 students were enrolled in North Dakota public higher education institutions, of which 10,603 or 31.6 percent were nonresidents. She said the number of nonresident students includes those from Minnesota and the contiguous states and provinces.

It was moved by Senator Mathern, seconded by Senator Lips, and carried on a roll call vote that pursuant to North Dakota Century Code Section 15-10-18, the Budget Section approve the nonresident tuition rates proposed by the North Dakota University System office. Representatives Dalrymple, Aarsvold, Bernstein, Boucher, Delzer, Gerntholz, Hausauer, Huether, Kunkel, Soukup, Svedjan, Timm, Tollefson, Wald, Wentz, and Wilkie and Senators Bowman, Holmberg, Krauter, Lips, Mathern, Naaden, Nalewaja, Nething, Redlin, Robinson, St. Aubyn, and Tallackson voted "aye." No negative votes were cast.

OTHER HIGHER EDUCATION ISSUES

Senator St. Aubyn asked about the status of negotiations between the University of North Dakota and the State Historical Society regarding demolition of the Old Science Building. He asked if the Historical Society can prohibit the university from demolishing the building and, if so, if the Historical Society will provide funds to preserve it. Mr. Isaak said the Board of Higher Education approved the demolition of the Old Science Building at the University of North Dakota but received a request from the Historical Society to postpone the demolition so that a study could be conducted to determine the historical significance of the building. He said the board agreed to delay the demolition so that the requested study could be conducted. He said since that time, the Board of Higher Education was notified that a hearing will be held to determine if the building should be placed on the National Register of Historic Places. He said such a listing would prohibit the demolition of the building without approval of the Historical Society.

Representative Dalrymple requested that the general counsel for the North Dakota University System comment on the actions of the Historical Society and the Board of Higher Education relating to the demolition of the Old Science Building.

Mr. Seaworth discussed the Board of Higher Education's intention to demolish the University of North Dakota Old Science Building.

Representative Dalrymple said the superintendent of the State Historical Society indicated to him that if it was not determined to be economically feasible to renovate and preserve the Old Science Building, the Historical Society would not prohibit its demolition.

Senator St. Aubyn, with the approval of Chairman Dalrymple, requested that the Legislative Council staff prepare a memorandum on the authority of the State Historical Society to prohibit the demolition of a

state-owned building, statutory requirements which must be met before a state agency can demolish a building, and federal requirements relating to the determination of historical significance and the demolition of historically significant buildings.

DEPARTMENT OF TRANSPORTATION AIRPLANE EVALUATION

At the request of Chairman Dalrymple, Mr. Marshall W. Moore, Director, Department of Transportation, presented a report, pursuant to Section 4 of 1997 Senate Bill No. 2012, on the department's evaluation of the continued use of a 1977 model Cessna airplane. A copy of the information presented is on file in the Legislative Council office. Mr. Moore said the department has determined that to provide long-term aircraft use to the Governor's office and other state officials, the department must lease a new aircraft. He said the short-term cost of the lease will be more than the cost of maintaining the 21-year-old Cessna, but the long-term needs for air service for state officials can only be properly met by replacing the aircraft. He said the department advertised a request for proposals for a two-year lease on a King Air 200 aircraft with an option to buy at any time during the contract. He said the department has determined that the lease proposed by Air Fleet Capitol, with monthly lease payments of \$66,650, will offer the highest long-term cost benefit to the state.

In response to questions from Representative Boucher, Mr. Moore said the monthly lease payments will be paid from the department's operating expenses line item. He said the department has not yet determined if it will request from the 1999 Legislative Assembly appropriation authority to purchase the aircraft during the 1999-2001 biennium.

Senator Mathern indicated that despite recent news stories to the contrary, he received no prior information regarding the department's airplane lease, nor did he give any approval of the airplane lease. Mr. Moore said he had not provided any information regarding the airplane lease to Senator Mathern or other legislators prior to his report to the Budget Section.

Senator Krauter asked what budgeted expenditures will not be made by the department to allow for the \$66,650 per month lease payment. Mr. Moore said the payments will be paid from the department's operating expenses line item, but the department has not identified specific expenditures which will not be made to allow for the lease payments.

Senator Bowman asked if the Department of Transportation has considered utilizing charter aircraft service. Mr. Moore said the department has considered charter aircraft service, but it is not a viable option because there are not enough charter air service providers to meet the demands of state officials.

Mr. Moore distributed information on new federal transportation legislation. A copy of the information is

on file in the Legislative Council office. Mr. Moore said average federal funding for North Dakota will increase approximately \$55 million per year, from \$116 million to \$171 million.

DEPARTMENT OF HUMAN SERVICES BLOCK GRANT ACCOUNTABILITY

At the request of Chairman Dalrymple, Ms. Yvonne Smith, Deputy Director, Department of Human Services, presented information on block grant accountability for human service centers, the State Hospital, and the Developmental Center, as required by Section 28 of 1997 House Bill No. 1012. A copy of the information presented is on file in the Legislative Council office. The information presented by Ms. Smith included the following:

- For the period from July 1, 1997, to April 30, 1998, employee turnover at the human service centers, State Hospital, and the Developmental Center averaged between 5.3 percent at the South Central Human Service Center and 12.9 percent at the Southeast Human Service Center.
- As of April 30, 1998, there were 111.88 vacant full-time equivalent (FTE) positions among the 1,947.55 FTE positions at the human service centers, State Hospital, and Developmental Center.
- General fund expenditures for the human service centers, State Hospital, and Developmental Center for the 1997-99 biennium are currently estimated to be \$1.6 million less than the amount budgeted. A portion of the general fund savings may be used for projects to provide alternatives to State Hospital placement.
- Human service centers have attempted to eliminate waiting lists for services and to reduce the time before a first appointment occurs. People are usually seen in less than three weeks from the date of first request.
- Block grant funding has allowed the human service centers, State Hospital, and Developmental Center the flexibility to manage resources in a way that maximizes their effectiveness in serving clients through contractual arrangements or the direct provision of services.
- A committee has been formed by the department to address the issues of needs assessment, definition of core services, and outcome evaluation.

Senator Krauter said that based on the number of vacant positions at the human service centers, State Hospital, and Developmental Center, the estimated general fund savings should be higher than \$1.6 million. Ms. Smith said some of the savings related to vacant positions will be used to contract for services and is not included in the estimated savings of \$1.6 million.

DEPARTMENT OF HUMAN SERVICES COMPUTER SYSTEMS

At the request of Chairman Dalrymple, Mr. Roger Hertz, Director, Information Management Division, Department of Human Services, presented information on the status of the department's major technology projects. A copy of the information presented is on file in the Legislative Council office. Mr. Hertz said the department's major technology projects are:

1. The training, education, employment, and management (TEEM) project.
2. The medical/temporary assistance for needy families (TANF) project.
3. The child care project.
4. The State Hospital project.
5. The child support enforcement system project.

The information presented by Mr. Hertz included the following:

- The conversion of existing cases into the TEEM system is continuing and should be completed during the first quarter of 1999.
- The department's simplified food stamp program has received federal approval.
- The department has decided to replace the IBM OS/2 operating system used for the TEEM system with Windows NT at an estimated cost of \$217,000, \$141,050 of federal funds and \$75,950 from the state general fund.
- The appropriation for the State Hospital project is \$1.8 million. The department has signed a contract for development of the system at a cost of \$1.5 million. The balance of the appropriation will be used mainly for personal computers and printers for use with the system.
- The department will be penalized for not having a certified child support enforcement system by October 1998. Penalties under the existing federal law for not being certified are the loss of all federal TANF and child support enforcement program funds. Under proposed federal legislation, North Dakota's penalty would be \$160,000, or four percent of the \$4 million annual allocation of federal child support enforcement administrative funds. If the department's child support enforcement system is certified by October 1999, 20 percent of the penalty will be forgiven, reducing the penalty to \$128,000. The department is confident that the system will be certified prior to the October 1999 deadline.

In response to a question from Representative Delzer, Mr. Hertz said the \$217,000 estimated cost of converting the existing OS/2 operating system to Windows NT includes \$47,000 for consulting services by IBM. He said the consulting services include an analysis of the current programs operating on OS/2 and the conversion of those programs to Windows NT format.

Senator Robinson asked if the department's computer system is prepared for year 2000 processing. Mr. Hertz said the Department of Human Services has been working with the Information Services Division to make the necessary changes for year 2000 processing and that the department is on schedule with the year 2000 project.

Senator Solberg expressed concern that the October 1999 deadline for the child support enforcement system will not be met. Mr. Hertz said the department is confident that the October 1999 deadline will be met because the department's executive director has determined that the project is a priority. He said additional resources have been committed to the project by the Department of Human Services and by the Information Services Division. Senator Solberg expressed concern about the cost of the child support enforcement project. Mr. Hertz said approximately \$3 million has been spent on the project to date, and an additional \$1.2 million will be spent to complete the project.

Senator Krauter said the department's report did not include enough financial information relating to the department's computer projects. He said the only project that included specific cost information was the State Hospital project. He suggested that in future reports to the Budget Section the department include financial information relating to each of the computer projects.

CHILDREN'S SERVICES COORDINATING COMMITTEE REPORT ON ADMINISTRATIVE COSTS

At the request of Chairman Dalrymple, Lt. Governor Rosemarie Myrdal presented information on administrative costs of regional and tribal children's services coordinating committees. A copy of the information presented is on file in the Legislative Council office. Section 6 of 1997 Senate Bill No. 2014 provides legislative intent that because of the relatively high administrative expenses compared to income of some regional and tribal children's services coordinating committees, the state Children's Services Coordinating Committee should conduct an analysis and develop a plan to reduce administrative costs by consolidation of regional and tribal committees. This section provides that the committee shall present its report and recommendations to the Budget Section by October 1, 1998. Lt. Governor Myrdal said the state Children's Services Coordinating Committee has determined that it is not feasible to consolidate the local committees.

In response to a question from Representative Dalrymple, Lt. Governor Myrdal said that after June 30, 1998, the state Children's Services Coordinating Committee will receive reports from the regional and tribal children's services coordinating committees on actual administrative costs during the first year of the biennium. She said the state Children's Services Coordinating Committee will analyze

that information and present a report and its recommendations to the Budget Section at its October meeting.

AGENCY REQUESTS AUTHORIZED BY THE EMERGENCY COMMISSION

Chairman Dalrymple requested that the committee consider agency requests which have been authorized by the Emergency Commission and forwarded to the Budget Section pursuant to NDCC Sections 54-16-04, 54-16-04.1, and 54-16-04.2. Information relating to the requests was distributed to Budget Section members prior to the meeting and is on file in the Legislative Council office.

Representative Delzer requested that Emergency Commission Request No. 1125, relating to the Department of Human Services, be considered separately.

It was moved by Senator Lips, seconded by Representative Soukup, and carried on a roll call vote that the Budget Section approve the following requests which have been authorized by the Emergency Commission and forwarded to the Budget Section pursuant to North Dakota Century Code Sections 54-16-04, 54-16-04.1, and 54-16-04.2:

- Office of Management and Budget - Facility Management Division (Request #1121) - To increase other funds spending authority and the facility management line item by \$48,000 of other funds available from the Office of Intergovernmental Assistance to install a natural gas boiler system in the Liberty Memorial Building.
- Dickinson Research Extension Center (Request #1122) - To increase other funds spending authority and the operating expenses line item by \$150,000 of additional crop and livestock income for increased costs relating to equipment rentals and state fleet vehicle usage.
- North Dakota State University (Request #1123) - To increase other funds spending authority by \$1 million of local funds anticipated to be collected for the skills and technology training center.
- Water Commission (Request #1124) - To increase other funds spending authority and the operating expenses line item by \$50,000 of federal funds for travel expenses relating to providing flood assistance to eastern North Dakota.
- Department of Corrections and Rehabilitation - Juvenile Services Division - Youth Correctional Center (Request #1126) - To increase other funds spending authority and the operating expenses line item by \$12,000 of federal funds for drug and alcohol use prevention and awareness programs.
- Department of Corrections and Rehabilitation - Juvenile Services Division - Community Services (Request #1127) - To increase other funds spending authority by \$450,000 (\$50,000 for salaries and wages, \$200,000 for operating expenses, and \$200,000 for grants) of federal funds for temporary and overtime salaries, salary equity adjustments, the relocation of two community offices, computer support services, staff training, and grants to local entities.
- Department of Corrections and Rehabilitation - Juvenile Services Division - Community Services (Request #1128) - To increase other funds spending authority and the grants line item by \$1,567,900 of federal funds for community programs for juvenile offenders.
- Department of Corrections and Rehabilitation - Juvenile Services Division - Youth Correctional Center (Request #1129) - To increase other funds spending authority and the salaries and wages line item by \$23,436 of federal funds for employment skills training for juveniles and the employment of adult supervisors for juvenile workers.
- State Library (Request #1131) - To increase other funds spending authority by \$185,000 (\$115,000 for grants, \$20,000 for equipment, and \$50,000 for operating expenses) of federal funds for technology grants to school and public libraries and the purchase of computers, equipment, software, and reference materials.
- Highway Patrol (Request #1132) - To increase other funds spending authority and the field operations line item by \$11,000 of federal funds to remodel two weigh/inspection stations.
- Bismarck State College (Request #1133) - To increase other funds spending authority by \$250,668 (\$100,000 for equipment and \$150,668 for capital improvements) of additional tuition income for instructional equipment and various capital projects.
- Job Service North Dakota (Request #1134) - To increase other funds spending authority by \$862,000 (\$231,414 for salaries and wages, \$153,786 for operating expenses, and \$476,800 for grants) of federal funds to provide services to dislocated farmers, ranchers, and their families.
- Attorney General (Request #1137) - To increase other funds spending authority by \$107,333 (\$30,000 for salaries and wages, \$60,000 for operating expenses, and

\$17,333 for equipment) from the fire and tornado fund, the Federal Emergency Management Agency, and an insurance company relating to flood damage to the agency's Grand Forks office.

- **Department of Human Services (Request #1138) - To transfer \$713,055 from operating expenses to capital improvements under the field services subdivision for capital improvements at the State Hospital.**
- **Public Service Commission (Request #1140) - To increase other funds spending authority by \$51,000 of federal funds for the elimination of safety hazards at an abandoned coal mine in Morton County.**

Representatives Dalrymple, Aarsvold, Bernstein, Boucher, Delzer, Gerntholz, Hausauer, Huether, Kunkel, Oban, Soukup, Svedjan, Wald, Wentz, and Wilkie and Senators Bowman, Holmberg, Krauter, Lips, Mathern, Nething, Robinson, Solberg, and St. Aubyn voted "aye." No negative votes were cast.

At the request of Chairman Dalrymple, Mr. Hertz discussed the department's request to transfer approximately \$10 million of spending authority of the economic assistance subdivision to the management and councils subdivision to consolidate the department's information management services.

In response to a question from Representative Delzer, Mr. Hertz said the department's 1999-2001 biennium budget request will include the consolidation of the department's information management services costs. He said this will allow the department to better coordinate and track information management services and costs.

It was moved by Senator Mathern, seconded by Senator Robinson, and carried on a roll call vote that the Budget Section approve the following request which has been authorized by the Emergency Commission and forwarded to the Budget Section, pursuant to North Dakota Century Code Section 54-16-04:

- **Department of Human Services (Request #1125) - To transfer spending authority of \$10,084,294 (\$623,822 for salaries and wages and \$9,460,472 for operating expenses) from the economic assistance subdivision to the management and councils subdivision to consolidate the department's information management services within the management and councils subdivision.**

Representatives Dalrymple, Aarsvold, Bernstein, Boucher, Gerntholz, Hausauer, Huether, Kunkel, Oban, Soukup, Svedjan, Wald, Wentz, and Wilkie and Senators Bowman, Holmberg, Lips, Mathern, Nething, Robinson, Solberg, and St. Aubyn voted "aye." Representative Delzer voted "nay."

CORRESPONDENCE FROM ETHANOL PLANTS

At the request of Chairman Dalrymple, the Legislative Council staff distributed correspondence regarding the Alchem, Ltd., ethanol plant, as required by Section 4 of 1997 Senate Bill No. 2019. This bill requires that any North Dakota ethanol plant receiving production incentives from the state file with the Budget Section a statement indicating whether the plant produced a profit during the preceding fiscal year, after deducting incentive payments received from the state. The Alchem, Ltd., plant was the only ethanol plant to receive production incentives from the state during calendar year 1997. The correspondence indicated that after deducting payments received from the state, the Alchem, Ltd., plant did not produce a profit. A copy of the correspondence is on file in the Legislative Council office.

BUDGET TOUR REPORTS

Senator David E. Nething, Chairman, Budget Committee on Government Finance, announced that presentation of the report on that committee's tour of the Youth Correctional Center will be postponed until after the committee's June meeting, which will include a tour of the State Penitentiary.

At the request of Chairman Dalrymple, Representative Bill Oban, Chairman, Budget Committee on Long-Term Care, presented a report on that committee's budget tours of the School for the Deaf, the Lake Region Human Service Center, and UND-Lake Region. A copy of the report is on file in the Legislative Council office.

It was moved by Senator Mathern, seconded by Senator Robinson, and carried on a voice vote that the Budget Section accept the Budget Committee on Long-Term Care report on budget tours of the School for the Deaf, the Lake Region Human Service Center, and UND-Lake Region.

At the request of Chairman Dalrymple, Representative Janet Wentz, Chairman, Budget Committee on Government Services, presented a report on that committee's budget tours of Minot State University - Bottineau, the Forest Service, the International Peace Garden, Minot State University, the State Fair, the North Central Human Service Center, and the North Central Research Center. A copy of the report is on file in the Legislative Council office.

At the request of Chairman Dalrymple, Senator Tim Mathern, Chairman, Budget Committee on Human Services, presented a report on that committee's budget tour of the Northeast Human Service Center. A copy of the report is on file in the Legislative Council office.

It was moved by Senator Robinson, seconded by Representative Delzer, and carried on a voice vote that the Budget Section accept the Budget Committee on Government Services report on budget tours of Minot State University - Bottineau, the Forest Service, the Peace Garden, Minot State

University, the State Fair, the North Central Human Service Center, and the North Central Research Center and the Budget Committee on Human Services report on the budget tour of the Northeast Human Service Center.

At the request of Chairman Dalrymple, Mr. Jim Smith, Assistant Legislative Budget Analyst and Auditor, Legislative Council, presented a report on the Welfare Reform Committee budget tours of UND-Williston, the Northwest Human Service Center, and the Williston Research Extension Center. A copy of the report is on file in the Legislative Council office.

It was moved by Senator Mathern, seconded by Senator Robinson, and carried on a voice vote that the Budget Section accept the Welfare Reform Committee report on budget tours of UND-Williston, the Northwest Human Service Center, and the Williston Research Extension Center.

PERFORMANCE BUDGETING REPORT

At the request of Chairman Dalrymple, Ms. Arvy Smith, Assistant Executive Budget Analyst, Office of Management and Budget, presented a report on actual to planned performance for the fiscal year ended June 30, 1997, for each of the agencies involved in the program-based performance budgeting pilot project. A copy of the report is on file in the Legislative Council office.

The meeting was adjourned subject to the call of the chair at 3:51 p.m.

Joe R. Morrisette
Senior Fiscal Analyst

Chester E. Nelson, Jr.
Legislative Budget Analyst and Auditor

ATTACH:4