

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

BUDGET SECTION

Tuesday, October 8, 2002
Senate Chamber, State Capitol
Bismarck, North Dakota

Representative Ken Svedjan, Chairman, called the meeting to order at 9:00 a.m.

Members present: Representatives Ken Svedjan, Ole Aarsvold, Wesley R. Belter, LeRoy G. Bernstein, James Boehm, Merle Boucher, Rex R. Byerly, Ron Carlisle, Jeff Delzer, Eliot Glassheim, Pam Gulleon, Robert Huether, Keith Kempenich, James Kerzman, Kim Koppelman, Bob Martinson, David Monson, Bob Skarphol, Blair Thoreson, Mike Timm, Francis J. Wald, John M. Warner, Amy Warnke; Senators John M. Andrist, Bill Bowman, Randel Christmann, Joel C. Heitkamp, Ray Holmberg, Aaron Krauter, Ed Kringstad, Elroy N. Lindaas, Dave Nething, Larry J. Robinson, Randy A. Schobinger, Bob Stenehjem, Steven W. Tomac

Members absent: Representative Janet Wentz; Senators Tony Grindberg, Ken Solberg, Harvey Tallackson, Russell T. Thane

Others present: See attached appendix

It was moved by Senator Robinson, seconded by Representative Carlisle, and carried on a voice vote that the minutes of the August 22, 2002, meeting of the Budget Section be approved as distributed.

STATUS OF THE STATE GENERAL FUND

At the request of Chairman Svedjan, Ms. Pam Sharp, Deputy Director, Office of Management and Budget, presented a report on the status of the state general fund. A copy of the information presented is on file in the Legislative Council office. Ms. Sharp said North Dakota's unemployment rate for August 2002 was 3.0 percent as compared to 3.2 percent in July 2002.

Ms. Sharp presented the following information on the status of the state general fund, based on actual revenue collections through the month of September 2002 and the July 2002 revised revenue forecast for the remainder of the 2001-03 biennium:

Unobligated general fund balance - July 1, 2001	\$62,240,652
Add	
General fund collections through September 30, 2002	\$990,921,011
Forecasted general fund revenue for the remainder of the 2001-03 biennium (based on the July 2002 revised revenue forecast)	664,245,418
Total estimated general fund revenue for the 2001-03 biennium	\$1,717,407,081

Less	
2001-03 biennium general fund appropriations	\$1,746,983,713
1.05% allotment - July 2002	(18,343,329)
Department of Human Services - Inter-governmental transfer payment	3,478,509
2001-03 biennium adjusted general fund appropriations	\$1,732,118,893
Add	
Transfer from Bank of North Dakota required as of September 30, 2002	\$14,711,812
Estimated general fund balance - June 30, 2003 (\$11,994,694 less than the 2001 legislative estimate of \$11,994,694)	\$0

Ms. Sharp said 2001-03 biennium general fund revenues through September 30, 2002, are 1.4 percent or \$13.7 million more than estimated in the July 2002 preliminary revenue forecast. She discussed some of the revenue areas that exceeded the July 2002 preliminary forecast. She said sales tax is over the projected amount by \$3.8 million, individual income tax exceeds projections by \$2.9 million due to the strength of withholding taxes, insurance premium tax exceeds projections by \$900,000 due to an increase in insurance premiums, and gaming tax is \$1.4 million over the projected amount.

In response to a question from Representative Byerly, Ms. Sharp said this report does not take into account any general fund turnback because the Office of Management and Budget does not have an estimate at this time. However, because of the allotment that was put into place in the second half of the biennium, the Office of Management and Budget anticipates the amount of the turnback to be lower than usual.

TOBACCO SETTLEMENT PROCEEDS

Ms. Sharp presented information on the status of tobacco settlement proceeds received by North Dakota. A copy of the information presented is on file in the Legislative Council office. She said \$79.7 million has been received by the state of North Dakota as of October 8, 2002, as a result of the tobacco settlement and deposited in the tobacco settlement trust fund. She said the \$79.7 million was allocated among the community health trust fund, common schools trust fund, and water development trust fund, pursuant to North Dakota Century Code (NDCC) Section 54-27-25, as follows:

Tobacco settlement trust fund	
Community health trust fund (10%)	\$7,968,150
Common schools trust fund (45%)	35,856,673
Water development trust fund (45%)	35,856,673
Total transfers from the tobacco settlement trust fund	\$79,681,496
Community health trust fund	
Deposits	\$7,968,150
Expenditures	2,505,165
September 30, 2002, balance	\$5,462,985
Water development trust fund	
Deposits	\$35,856,673
Expenditures	11,203,215
September 30, 2002, balance	\$24,653,458

HOMELAND SECURITY COSTS

Ms. Sharp presented information on homeland security costs incurred by state agencies and institutions. A copy of the information presented is on file in the Legislative Council office. She said through October 3, 2002, state agencies and institutions have incurred or anticipate to incur a total of \$514,749 of state-funded costs for homeland security measures.

PRELIMINARY OUTLOOK - NORTH DAKOTA 2003-05 GENERAL FUND BUDGET

At the request of Chairman Svedjan, Mr. Allen H. Knudson, Assistant Legislative Budget Analyst and Auditor, Legislative Council, presented a memorandum entitled *Preliminary Outlook - North Dakota 2003-05 General Fund Budget October 2002 Update*. The memorandum is an update of the July 16, 2002, preliminary outlook regarding North Dakota's 2003-05 biennium general fund budget and related information. Mr. Knudson said the information is very preliminary and is subject to many factors yet to be determined.

Mr. Knudson said the potential June 30, 2005, general fund deficit range is \$67.5 million to \$184 million. He said the potential deficit may be reduced by up to \$21.7 million depending on reductions that may result from the Governor's 95 percent budget request guidelines. However, he also said if the proposed initiated measure providing an individual income tax credit for persons 21 to 29 years old as well as student loan reimbursements is approved at the November 2002 general election, individual income tax revenues may be \$22 million less and funds available for transfer from the Bank of North Dakota may be reduced by up to \$33 million.

In response to a question from Representative Svedjan, Mr. Knudson said the total cost of the initiated measure is projected to be \$55 million and the \$55 million could add to the potential deficit range of \$67.5 million to \$184 million.

INFORMATION TECHNOLOGY DEPARTMENT ANNUAL REPORT

Chairman Svedjan called on Mr. Mike Ressler, Director of Operations, Information Technology Department, who reported, pursuant to NDCC Section 54-59-19, on the department's 2001-02 annual report. A copy of the report is on file in the Legislative Council office. Mr. Ressler said the annual report is composed of four sections. Those sections are:

- Section 1 - An executive summary that describes and quantifies benefits the state is realizing from investments in information technology.
- Section 2 - Information on the state's information technology planning process.
- Section 3 - A status report on the costs and benefits of large information technology projects, including a summary of each project completed in the last 12 months and an update of ongoing large information technology projects.
- Section 4 - Information on the department's performance, including a rate comparison and an update on the department's performance measures.

Regarding Section 3 of the annual report, Mr. Ressler said seven of the 14 projects were completed on or under budget, resulting in total savings of \$1.8 million, and for the remaining projects, the total cost overrun was approximately \$176,000. He said credit for the cost-savings needs to go to project management in state government, an initiative that was emphasized in the past two years.

In Section 4 of the annual report, Mr. Ressler said eight agencies contribute 76 percent of the department's revenue. He said the Information Technology Department provides 74 services and approximately 73 percent of the department's revenue is generated by 16 of the 74 services. He said the department monitors what other entities are charging for similar services in an effort to maintain quality services at a fair price. The following is a summary of rate comparisons for the top 16 revenue-generating services:

Service	North Dakota Information Technology Department Rates	South Dakota Bureau of Information Technology Rates	Montana Information Technology Services Division Rates
Systems analyst/programmer	Systems analyst - \$55.60 per hour Programmer - \$51.60 per hour	Software developer - \$46.00 per hour	Agencies hire their own developers as employees or they contract for the service from local providers.
Central computer central processing unit (CPU) rate	Batch CPU - \$.70 per second CICS CPU - \$.70 per second ADABAS CPU - \$.75 per second TSO CPU - \$.70 per second	Batch CPU - \$.28 per second CICS CPU - \$.34 per second	Batch CPU - \$1.12 per second CICS CPU - \$.23 per second ADABAS CPU - \$.61 per second TSO CPU - \$1.38 per second
Network access	Device fee - \$28.40 per device per month DSL service - Actual cost (ranges from \$40-\$120) ATM T-1 service - \$840 per month	Device fee - \$21 per device per month User fee - \$54 per user per month DSL service - \$125 per month Frame relay T-1 service - \$495 per month	Device fee - \$72.60 per device per month DSL service - \$360 per month ATM T-1 service - \$1,140 per month
Telephone service	Telephone circuit - \$21 per device per month Speaker function - \$2 per month Display function - \$1 per month Voice mail (unlimited) - \$3 per month	Telephone circuit - \$13 per device per month Speaker function - Actual cost Display function - Actual cost Voice mail - Actual cost	Telephone circuit - \$9 per device per month Speaker function - \$11 per month Display function - \$7 per month Voice mail (three-minute limit) - \$5 per month Voice mail (six-minute limit) - \$8 per month Voice mail (eight-minute limit) - \$10 per month
Long distance	In state - \$.06 per minute Out of state - \$.06 per minute 800 service - \$.10 per minute	In state - \$.07 per minute Out of state - \$.08 per minute 800 service - \$.14 per minute	In state - \$.135 per minute Out of state - \$.135 per minute 800 service - \$.10 per minute

Mr. Ressler provided the following update on the department's performance measures:

Business Driver - Performance Measures	Baseline (2001)	Current Status (July 2002)	Target
Provide value to our customers			
Percentage of strategic initiatives completed	2000 - 35% 2001 - 50%	21.9% (with six months remaining)	65%
Percentage of completed strategic initiatives meeting objectives	Data not available	100% (with six months remaining)	2002 will establish baseline
Percentage of system availability	98.82%	98.89%	98.90%
Percentage of Information Technology Department projects completed on time within scope and budget	Data not available	76% on time 83% on budget	To be determined
Statewide direction and leadership			
Number of coordinated statewide initiatives	6	8	Maintain/increase
Information Technology Department's compliance with legislative mandates	100%	100%	100%
Information technology percentage of overall state budget	4.64%	4.64%	Monitor
Percentage of large information technology projects completed successfully	100%	100%	100%
Number of web-enabled applications available to citizens	19	33	Increase
Customer relationships and satisfaction			
Percentage of reported problems resolved within support center (unassigned)	72%	66.2%	75%
Percentage of reported and assigned problems responded to within one hour	74%	87.5%	90%

Business Driver - Performance Measures	Baseline (2001)	Current Status (July 2002)	Target
Median time working hours required to resolve reported and assigned problems	2.53	1.98	2.25
Percentage of statewide information technology budgets directed to the Information Technology Department	1999-2001 biennium - 25% 2001-03 biennium - 31%	31%	Monitor
Customer satisfaction indexes (percentages satisfied or very satisfied) relating to:			
Cost	90%	85.3%	92%
Timeliness	96.3%	94.9%	97%
Quality	96.5%	94.6%	97%
Knowledge	97.6%	95.9%	98%
Professionalism and courtesy	100%	98.6%	100%
Learning and growth			
Voluntary employee turnover rate	4%	2.4%	Maintain 4%-6%
Average training hours and dollars spent per employee	\$2,000 per FTE	\$2,700 per FTE	\$2,000 per FTE
Employee satisfaction index	1.96	1.98	2

In response to a question from Representative Timm, Mr. Ressler said the remaining 27 percent of Information Technology Department's revenue comes from the other services provided to the agencies.

In response to a question from Senator Krauter, Mr. Curtis L. Wolfe, Chief Information Officer, said the Information Technology Department is a strong supporter of telecommuting. Mr. Wolfe said the department's motivation for encouraging telecommuting is to be able to keep good people on staff. He said evolutions in video technology will be the answer to the current agency requirement that employees work out of the Bismarck office two days a week. He also said the Information Technology Department is working on solving the security issues related to working out of the home.

AGENCY REQUESTS AUTHORIZED BY THE EMERGENCY COMMISSION

Chairman Svedjan directed the committee to 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. The information relating to the requests was sent to Budget Section members prior to the meeting and is on file in the Legislative Council office. Committee members requested that Emergency Commission Requests #1412 and #1415 be handled separately.

It was moved by Senator Heitkamp, seconded by Senator Robinson, and carried on a voice vote that the Budget Section approve the following requests that 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:

- **Department of Corrections and Rehabilitation (Request #1410) - To increase spending authority by \$125,000 to accept federal funds from the United States**

Department of Justice, Office of Justice, Victim of Crime Act (VOCA), for crime victim services line item to pass through to local agencies that assist crime victims.

- **Public Service Commission (Request #1416) - To increase other funds spending authority for the operating line item by \$69,000 from the Public Service Commission's valuation fund to pay expenses related to the analysis, research, and hearing for a telecommunications utility's request for proposed fee schedule for interconnection, unbundled network elements, and resale.**
- **Adjutant General (Request #1417) - To increase spending authority by \$5 million to accept federal funds from the National Guard Bureau for Army Guard contracts line item for maintenance and repair projects at federally supported assets located at the Camp Grafton Training Facility, Devils Lake, and the Raymond Bohn Armory Complex, Bismarck.**
- **Department of Commerce (Request #1419) - To increase spending authority by \$117,595 to accept federal funds from the United States Department of Health and Human Services (state commission administration and professional development assistance training) for salary line item (\$45,720); operating line item (\$63,875); equipment line item (\$8,000); and one FTE position for the North Dakota State Commission on National and Community Service, created by Executive Order 2002-02.3 (revised July 19, 2002) and as authorized by the federal National and Community Services Act of 1990, to develop and communicate a statewide**

vision to encourage citizen engagement in service to youth and community.

- **Department of Parks and Recreation (Request #1420) - To increase other funds spending authority by \$150,000 for operating line item (\$135,000) and extraordinary repairs line item (\$15,000) for expenses related to park operations, moving, and geothermal lighting.**
- **Division of Emergency Management (Request #1422) - To increase spending authority by \$265,000 to accept federal funds from the Federal Emergency Management Agency (FEMA) for grants line item for predisaster mitigation program to conduct local and regional mitigation planning activities to meet the requirements of the Disaster Management Act of 2000.**
- **Division of Emergency Management (Request #1423) - To increase spending authority by \$1,955,000 to accept federal funds from FEMA (\$1,725,000) and to accept other funds (\$230,000), from the proceeds of loan from the Bank of North Dakota (borrowed in accordance with the provisions of NDCC Section 37-17.1-23) for salaries line item (\$65,400); operating line item (\$21,110); and for grants line item (\$1,868,490) for expenses related to the spring 2002 flooding disaster declaration.**

In response to a question from Representative Gulleason, Ms. Sheila Peterson, Director of Fiscal Management Division, Office of Management and Budget, said the Department of Human Services request is for all federal dollars; there is no state match required. Ms. Peterson said these are new federal funds available based on an increased caseload and because of some federal program changes that allow additional benefits. She also said this request would not do anything to reduce the deficiency appropriation required for the Department of Human Services.

In response to a question from Representative Delzer, Ms. Peterson said the Department of Human Services request is for additional federal dollars in the temporary assistance for needy families (TANF) program over and above the appropriation in the 2001-03 biennium.

In response to a question from Representative Delzer, Ms. Brenda Weisz, Chief Financial Officer, Department of Human Services, said the estimated carryover TANF balance at the end of the 2001-03 biennium is about \$7.2 million because of the receipt of a performance bonus of \$1.3 million.

In response to a question from Representative Delzer, Ms. Weisz said the 2001-03 budget for the low-income home energy assistance program (LIHEAP) is \$13.8 million and the \$7 million requested would be in addition to that amount.

In response to a question from Senator Schobinger, Ms. Peterson said other funds from the agency's child support collections are the portion of child support payments the state retains when the state has collected child support payments for a family receiving TANF. The state retains a portion of the child support payments because the family has received financial assistance from the state.

It was moved by Representative Glasheim, seconded by Representative Carlisle, and carried on a voice vote that pursuant to NDCC Section 54-16-04.1, the Budget Section approve the following request which has been authorized by the Emergency Commission:

- **Department of Human Services (Request #1415) - To increase spending authority by \$18,839,639 to accept federal funds (\$18,172,779) from the United States Department of Health and Human Services (\$10,598,175) and the United States Department of Agriculture (\$7,574,604) and other funds from the agency's child support collections (\$666,860) for grants - assistance payments line item (\$18,839,639) to be used for temporary assistance for needy families (TANF) (\$3,130,404); for child care assistance (\$1,053,433); for low-income home energy assistance program (LIHEAP) (\$7,081,198); and for food stamp - electronic benefit transfer (\$7,574,604); resulting from increased caseload and because of changes to federal regulations that will provide funding for additional benefits being available to recipients.**

In response to a question from Representative Byerly, Ms. Peterson said the Mill and Elevator Association request to increase spending authority will not impact the transfer of \$6 million to the general fund.

In response to a question from Representative Byerly, Mr. Vance Taylor, General Manager, Mill and Elevator Association, said the total projected profits for the 2001-03 biennium are \$4.5 million. Mr. Taylor said the \$6 million contribution to the general fund is unrelated to the Mill and Elevator's profits because the transfer will occur during the biennium regardless of the profits.

In response to a question from Senator Bowman, Mr. Taylor said the additional spending authority requested is needed because of the additional insurance costs due to the events of September 11, 2001, additional interest expense due to high-priced wheat, and additional variable expenses at the Mill and Elevator Association as a result of producing more product volume. He said although the Mill and Elevator spent more, the actual cost per unit is much lower than it would have been if less product was produced.

In response to a question from Senator Andrist, Mr. Taylor said the additional expenses due to the increase in volume will also result in additional profit.

In response to a question from Representative Wald, Mr. Taylor said overtime is part of the business of running a flour mill. He said the mill runs seven days a week and therefore requires a certain amount of overtime from the employees. He said standard time is 40 hours a week and anything over eight hours a day during the week and on Saturdays is overtime at a rate of time and a half. The overtime rate on Sundays is double time, and when holidays are worked, the pay rate is triple time.

In response to a question from Representative Warnke, Mr. Taylor said a good portion of the expenses have already been incurred; therefore, if the request is not approved, drastic measures will need to be taken at the Mill and Elevator Association in order to stay within the original budget.

In response to a question from Representative Timm, Mr. Taylor said the reason demurrage is up this year is because of the increase in volume.

Senator Andrist requested that a copy of the revised 2001-03 Mill and Elevator Association budget showing projected revenues and expenses be mailed to the committee members.

In response to a question from Representative Kempenich, Mr. Taylor said the projected \$4.5 million profit is a net profit after all expenses. He said the Mill and Elevator Association's budget for the 2003-05 biennium would take into account the \$3.5 million spending increase this biennium.

In response to a question from Representative Skarphol, Mr. Taylor said the Mill and Elevator Association will transfer the \$6 million to the general fund by the end of the biennium. He said the estimated profit for the biennium of \$4.5 million reflects the increase in spending of \$3.5 million.

In response to a question from Representative Byerly, the legislative budget analyst and auditor said Section 9 of Senate Bill No. 2015 states the Industrial Commission shall transfer to the general fund the sum of \$6 million from the Mill and Elevator Association. It also states that the money must be transferred in amounts and at such times as requested by the director of the Office of Management and Budget during the biennium. The legislative budget analyst and auditor said Section 9 of Senate Bill No. 2015 does not tie the transfer directly to Mill and Elevator profits.

It was moved by Senator Nething, seconded by Representative Boucher, and carried on a voice vote that pursuant to NDCC Section 54-16-04.2, the Budget Section approve the following request which has been authorized by the Emergency Commission:

- **Mill and Elevator Association (Request #1412) - To increase special funds spending authority by \$3,500,000 for salary**

line item (\$300,000) and for operating line item (\$3,200,000) for insurance premium (\$1,100,000); overtime (\$300,000); repairs and utilities (\$1,150,000); demurrage (\$150,000); laboratory supplies and fumigations (\$300,000); and interest expense (\$500,000) because of higher than anticipated expenses resulting from the aftermath of September 11 events and the Mill and Elevator Association's record production and shipment volumes.

STATUS OF THE RISK MANAGEMENT WORKERS' COMPENSATION PROGRAM

Chairman Svedjan called on Mr. Brent J. Edison, Executive Director and CEO, Workers Compensation Bureau, who reported, pursuant to NDCC Section 65-04-03.1, on the status of the risk management workers' compensation program. A copy of the information presented is on file in the Legislative Council office. Mr. Edison reported good progress and excellent results concerning 2001 House Bill No. 1015, which established a single workers' compensation account for all state entities. He said this bill expires on July 1, 2003. He said the estimated savings for the period of July 1, 2001, to June 30, 2002, has been \$1.469 million. He said the Workers Compensation Bureau will be proposing legislation to continue the program.

STATUS OF THE WORKERS COMPENSATION BUREAU BUILDING

Mr. Edison reported, pursuant to Section 5 of 2001 House Bill No. 1024, on the progress of construction and proposed rental space of the Workers Compensation Bureau building. A copy of the information presented is on file in the Legislative Council office. He said the building project is on time and on budget. He said the space for the Workers Compensation Bureau should be completed on May 1, 2003, and the space available for the other tenants completed on June 1, 2003. He said the project is about 52 percent complete.

Mr. Edison said by constructing the new building, the Workers Compensation Bureau will no longer have to pay rent and related costs, which amount to nearly \$500,000 per year. He said the money to construct this new building is not being taken away from the policyholders. He said the Workers Compensation Bureau is diversifying its portfolio and this building will be an asset of the bureau's investment portfolio.

EXTRATERRITORIAL WORKERS' COMPENSATION INSURANCE

Mr. Edison reported, pursuant to NDCC Section 65-08.1-02, on the provision of extraterritorial workers' compensation insurance. A copy of the information

presented is on file in the Legislative Council office. He said North Dakota businesses face unique challenges when performing work outside North Dakota. He said despite the fact that the Workers Compensation Bureau provides benefits for North Dakota employees who are injured while temporarily and incidentally operating outside North Dakota, the North Dakota employer could be found to be in noncompliance. Therefore, without a separate policy in the other state to cover the injured North Dakota employee, the North Dakota employer may have to pay penalties in the other state.

Mr. Edison said one solution to this problem is reciprocity agreements between states. He said the Workers Compensation Bureau has negotiated reciprocity agreements with seven states, including Montana and South Dakota. However, attempts to enter into a reciprocity agreement with the state of Minnesota have not been successful.

Mr. Edison said the solution to the problem in Minnesota is the legislation the Legislative Assembly adopted in 1993 contained in NDCC Chapter 65-08.1. He said Chapter 65-08.1 allows the Workers Compensation Bureau to create a workers' compensation stock insurance company for the purpose of offering extraterritorial or other states' insurance. He said Section 65-08.1-02 states the casualty insurance organization may be established only upon the director's determination that the organization is needed to provide sufficient workers' compensation coverage for the employees and employers of this state and upon the approval of the Budget Section.

In response to a question from Representative Byerly, Mr. Edison said this insurance organization is limited in scope and limited only to North Dakota employers insured by workers' compensation.

In response to a question from Senator Krauter, Mr. Steve Novak, Vice President, Consulting Practice, Hays Companies, said the Minnesota Department of Labor and Industry and Department of Commerce view this as a positive solution because it resolves their regulatory issues, along with their desire to maintain Minnesota benefits for anyone who is injured inside the state of Minnesota.

In response to a question from Representative Kerzman, Mr. Novak said this insurance coverage will be marketed to employers who have had claims in the past and employers who have operations that are conducive to contacts with other states. He said this option would be less expensive for the employers to purchase than from private providers.

In response to a question from Representative Skarphol, Mr. Edison said there are a variety of reasons why the timing of this approval is important. He said time is needed to get the process started in Minnesota before the election in November 2002 because some of the officials the Workers Compensation Bureau has been working with in Minnesota may be replaced after the election. He said the other

reason timing is important is because of the potential exposure for North Dakota employers now. He said there are 2,000 employers that have significant potential exposure in Minnesota.

It was moved by Representative Bernstein, seconded by Representative Byerly, and carried on a roll call vote that, pursuant to NDCC Section 65-08.1-02, the Budget Section approve the request for the Workers Compensation Bureau to establish a casualty insurance organization to provide extraterritorial workers' compensation insurance coverage. Representatives Svedjan, Bernstein, Boehm, Byerly, Glasheim, Gullerson, Huether, Koppelman, Monson, Thoreson, Timm, Wald, and Warnke and Senators Andrist, Bowman, Christmann, Heitkamp, Holmberg, Krauter, Kringstad, Nething, Robinson, and Tomac voted "aye." Representatives Aarsvold, Belter, Boucher, Carlisle, Delzer, Kempenich, Kerzman, Martinson, Skarphol, and Warner and Senators Lindaas, Schobinger, and Stenehjem voted "nay."

The committee recessed for lunch from 12:00 noon to 1:00 p.m.

PERFORMANCE MEASURES AND STATUS OF THE DEPARTMENT OF COMMERCE

Chairman Svedjan called on Mr. Lee Peterson, Commissioner, Department of Commerce, who reported on the performance measures and the status of the Department of Commerce, pursuant to Section 7 of 2001 Senate Bill No. 2019. A copy of the information presented is on file in the Legislative Council office.

Mr. Peterson reported on performance measures within the department by presenting statistics relative to the accomplishments of each division within the agency. He reported statistics for the four divisions of the Department of Commerce for the first year of the 2001-03 biennium. The four divisions he reported on are the Community Services Division, Economic Development and Finance Division, Tourism Division, and Workforce Development Division.

Mr. Peterson reported on the status of the Department of Commerce. He said the department had its first anniversary and there has been significant progress in the department and its divisions in just one year. He said despite a national recession, North Dakota has experienced gains in the number of people working in off-farm jobs, growth in sales tax revenue, increases in personal income, growth in tourism, and the growth of existing businesses and the startup of many new businesses.

Mr. Peterson said the Department of Commerce has unveiled the North Dakota Economic Development Foundation's strategic plan to accelerate the creation of good-quality jobs in North Dakota. The six goals of the plan are:

1. Develop a unified front for economic development based on collaboration, accountability, and trust.
2. Strengthen partnerships among the state's higher education system, economic development organizations, and private businesses.
3. Create quality jobs to retain North Dakota's current workforce and attract new high-skilled labor.
4. Create a strong marketing image to build on the state's numerous strengths, including workforce, education, and quality of place.
5. Accelerate job growth in diversified industry targets to provide opportunities for the state's long-term economic future.
6. Strengthen North Dakota's business climate to increase global competitiveness.

In response to a question from Representative Glassheim, Mr. Peterson said the total number of jobs in North Dakota is about 330,000 jobs. He said although the job growth for North Dakota is limited for the year 2001, North Dakota is doing extremely well compared to the rest of the nation, especially considering the national recession.

In response to a question from Representative Glassheim, Mr. Peterson said the department's strategic plan contains the North Dakota Economic Development Foundation benchmarks by which the department may be measured. He also said a state agency should not be held accountable for the economic performance of an entire state.

STATUS OF ACTUAL MEDICAL ASSISTANCE EXPENDITURES

Chairman Svedjan called on Mr. David Zentner, Director of Medical Services, Department of Human Services, who reported, pursuant to Section 20 of 2001 House Bill No. 1012, on the status of actual medical assistance expenditures to date compared to projections and whether the actual expenditures for the biennium are anticipated to exceed funding appropriated. A copy of the information presented is on file in the Legislative Council office. Mr. Zentner said as of September 30, 2002, the Department of Human Services has spent \$407.3 million and based on projections completed in late September, the total amount anticipated to be spent by the end of the biennium is \$676.3 million, of which \$183.7 million is from the general fund. This projection reflects general fund spending of \$16.3 million more than the legislative appropriation. The projection includes the Governor's requested general fund allotment reduction.

Mr. Zentner said the number of eligible Medicaid recipients continues to increase. He said the number of eligible recipients has increased by 337 in September and has increased by about 5,000 for the biennium. He said the number of persons receiving services also continues to increase from an average of 33,980 individuals during the first four months of

the biennium to an average of 37,135 individuals during the four months ending September 2002. He said the department has also noted increases in expensive medical cases.

In response to a question from Representative Svedjan, Mr. Zentner said there have been several efforts in Congress, including Senate Bill 812, that could provide substantial fiscal relief to states. However, he said, it is still unknown if the relief will be granted and if relief is provided, the amount of relief North Dakota can expect for the 2001-03 biennium.

WORKFORCE TRAINING FUNDS

Chairman Svedjan called on Mr. Eddie Dunn, Vice Chancellor, Strategic Planning, North Dakota University System, who reported, pursuant to Section 5 of Senate Bill No. 2020, on the workforce training funds raised in each region during the 2002 fiscal year. A copy of the information presented is on file in the Legislative Council office. Mr. Dunn said the state is divided into four regions. He summarized the funds raised in each region as follows:

Region	Regional Funds Raised in Fiscal Year 2002	Regional Funds Anticipated to Be Raised in Fiscal Year 2003
Northwest	\$40,150	\$20,000
Northeast	59,500	65,000
Southwest	0	0
Southeast	292,421	100,000
Total	\$392,071	\$185,000

Mr. Dunn said the Southwest Region has not raised any money in the first year and anticipates raising no money in the second year of the biennium because the Southwest Region had already raised a total of \$291,000 and the increases in the amount of money the region has generated from fees for training has been enough that the region does not see a need to go back and raise additional contributions from the local businesses or the economic development groups. He said the Southwest Region is right where it wants to be in that it is generating enough fees so that more local funds do not need to be raised.

LEGISLATIVE HEARINGS FOR FEDERAL BLOCK GRANTS

At the request of Chairman Svedjan, the Legislative Council staff presented a memorandum entitled *Federal Block Grants - Legislative Hearings*. The memorandum states that of the 14 block grant programs listed in the *2001 Catalog of Federal Domestic Assistance*, only the community services block grant requires a public hearing held by the Legislative Assembly. 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 2003 legislative session. The required public hearing will be held as part of the appropriations hearing for the

Department of Commerce during the 2003 legislative session.

At the request of Chairman Svedjan, the Legislative Council staff presented a resolution draft [33010.0100] authorizing the Budget Section to hold any public hearings required during the period from the adjournment of the 58th Legislative Assembly through September 30, 2005.

It was moved by Senator Nething, seconded by Representative Wald, and carried on a voice vote that the resolution draft providing Budget Section authority to hold public legislative hearings required for the receipt of federal block grant funds during the period from the recess or adjournment of the 58th Legislative Assembly through September 30, 2005, be approved and recommended to the Legislative Council.

ADMINISTRATIVE COMMITTEE ON VETERANS AFFAIRS - VETERANS HOME PERFORMANCE AUDIT

Chairman Svedjan called on Mr. Gerald Balzer, Chairman, Administrative Committee on Veterans Affairs, to report on the Veterans Home performance audit, including the committee action addressing the audit recommendations relating to the management of the Veterans Home. Mr. Balzer said the members of the Administrative Committee on Veterans Affairs agree with the auditors' findings in almost every recommendation and the committee outlines corrective action for each recommendation. He said the auditors did a very professional and thorough job and now it is up to the members of the administrative committee to bring the operation of the Veterans Home under control in a swift and decisive manner. He said he has worked with the auditors to establish a priority timeline for each of the recommendations and has assigned responsibility for each recommendation to a member of the administrative committee. He said he has prioritized the recommendations into four categories. The four categories are:

1. Recommendations that must be done in 30 days.
2. Recommendations that must be done between 31 to 90 days.
3. Recommendations that must be done between 91 to 150 days.
4. Recommendations that can be done in 151 days or longer.

Mr. Balzer said he has put together an action summary sheet for each recommendation. He said the action summary sheet identifies each recommendation, the priority given to the recommendation, the members of the committee who are responsible to complete the action item required for the recommendation, and management response to the recommendation. He said at the next Administrative Committee

on Veterans Affairs meeting, which is scheduled for October 25-26, 2002, each recommendation will be discussed to find out what the proposed recommended action is by the individual member and the committee will take action on each item.

In response to a question from Senator Andrist, Mr. Balzer said the issue with the current administration has been addressed; however, he is not sure yet what the recommendation is going to be.

REPORT ON FEDERAL FUNDS

At the request of Chairman Svedjan, the Legislative Council staff presented a report entitled *Analysis of Federal Funds for Bienniums Ending June 30, 2003, and June 30, 2005*. The report provided, for all state agencies and institutions receiving federal funds during the 2001-03 or 2003-05 biennium, the following information:

- For the 2001-03 biennium - Federal funds appropriated, federal funds estimated to be received, appropriated matching funds, required maintenance of effort, and estimated amount of indirect cost reimbursed.
- For the 2003-05 biennium - Federal funds estimated to be received, required matching funds, required maintenance of effort, and estimated amount of indirect cost reimbursed.

The report indicated that for the 2001-03 biennium, state agencies and institutions anticipate receiving \$1.963 billion of federal funds, approximately \$32 million more than the amount appropriated. For the 2003-05 biennium, state agencies and institutions anticipate receiving approximately \$1.935 billion of federal funds. Based on estimates, the 2003-05 biennium will require \$269,998,769 of general fund matching dollars, \$5,297,200 less than the 2001-03 biennium, if the estimated amounts are appropriated.

BUDGET TOUR REPORTS

Chairman Svedjan called on Representative Delzer to present a report on the budget tour conducted by the Budget Committee on Government Services on July 10-11, 2002. The committee conducted budget tours of the International Peace Garden, the North Central Human Service Center, and the State Fair Association.

It was moved by Representative Delzer, seconded by Representative Aarsvold, and carried on a voice vote that the Budget Section accept the reports on the July 10-11, 2002, budget tours conducted by the Budget Committee on Government Services.

Chairman Svedjan called on Representative Warnke to present a report on the budget tour conducted by the Budget Committee on Human Services on September 4-5, 2002. The committee conducted budget tours of the Lake Region Human Service Center, the School for the Deaf, Camp Grafton, and the Developmental Center.

It was moved by Representative Warnke, seconded by Representative Belter, and carried on a voice vote that the Budget Section accept the reports on the September 4-5, 2002, budget tours conducted by the Budget Committee on Human Services.

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

It was moved by Representative Skarphol, seconded by Senator Bowman, and carried on a voice vote that the chairman and the staff of the Legislative Council be requested to prepare a report and the resolution draft recommended by the committee and to present the report and recommended resolution draft to the Legislative Council.

Senator Bowman requested that at the next Budget Section meeting, a representative from the Workers Compensation Bureau report to the Budget Section on the creation of a workers' compensation insurance company for the purposes of offering extra-territorial or other states' insurance.

Senator Robinson requested that at the next Budget Section meeting, a representative from the Department of Human Services report to the Budget Section on what mental health services are available at each of the regional centers in the state.

It was moved by Senator Robinson, seconded by Representative Koppelman, and carried on a voice vote that the Budget Section meeting be adjourned subject to the call of the chair. Chairman Svedjan adjourned the meeting at 2:55 p.m.

Stephanie A. Johnson
Fiscal Analyst

Jim W. Smith
Legislative Budget Analyst and Auditor

ATTACH:1