

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

BUDGET COMMITTEE ON GOVERNMENT ADMINISTRATION

Thursday, July 12, 2001
Roughrider Room, State Capitol
Bismarck, North Dakota

Senator Tim Mathern, Chairman, called the meeting to order at 9:00 a.m.

Members present: Senators Tim Mathern, John M. Andrist, David O'Connell; Representatives Larry Bellew, Curtis E. Brekke, Bruce Eckre, Rod Froelich, Kathy Hawken, Andrew G. Maragos, Lisa Meier, Laurel Thoreson, Elwood Thorpe

Members absent: Senators Dave Nething, Tom Trenbeath; Representatives Rex R. Byerly, Keith Kempenich, William E. Kretschmar, Dave Weiler

Others present: See attached appendix

Mr. Jim W. Smith, Legislative Budget Analyst and Auditor, reviewed the Legislative Council supplementary rules of operation and procedure.

Chairman Mathern announced that Representative Maragos would serve as vice chairman of the committee.

Chairman Mathern said the committee has been assigned budget tour responsibilities of the Veterans Home, the Southeast Human Service Center, the Division of Independent Study, and the Agronomy Seed Farm.

HIGHWAY FUNDING STUDY

The Legislative Council staff presented a background memorandum entitled *Highway Funding Study - Background Memorandum* relating to the committee's study, as directed in Section 5 of Senate Bill No. 2159, of highway construction and maintenance funding, including revenue sources and distribution formulas for the state, cities, and counties.

The Legislative Council staff reviewed previous highway funding studies and 2001 legislative action. The Legislative Council staff said the 2001 Legislative Assembly increased motor vehicle registration fees by \$7 for each vehicle. Through June 30, 2003, collections relating to \$2 of the \$7 will be deposited directly in the highway fund rather than the highway tax distribution fund, resulting in the state receiving an additional \$1 million of revenue during the 2001-03 biennium. Of the \$9,500,000 of additional revenue generated from the \$7 fee increase, \$7,021,000 will be deposited in the state highway fund, and the remaining \$2,479,000 will be distributed to cities and counties.

The Legislative Council staff said the 2001 Legislative Assembly approved Senate Bill No. 2112,

authorizing the Department of Transportation to borrow funds from the Bank of North Dakota to match federal emergency relief funds that may become available for highway projects. If funding is unavailable to repay the loan by the end of a biennium, the department is to request a deficiency appropriation from the highway fund to repay the loan and accumulated interest. The department estimates receiving \$32 million of federal emergency relief funds requiring \$8 million of state matching funds during the 2001-03 biennium.

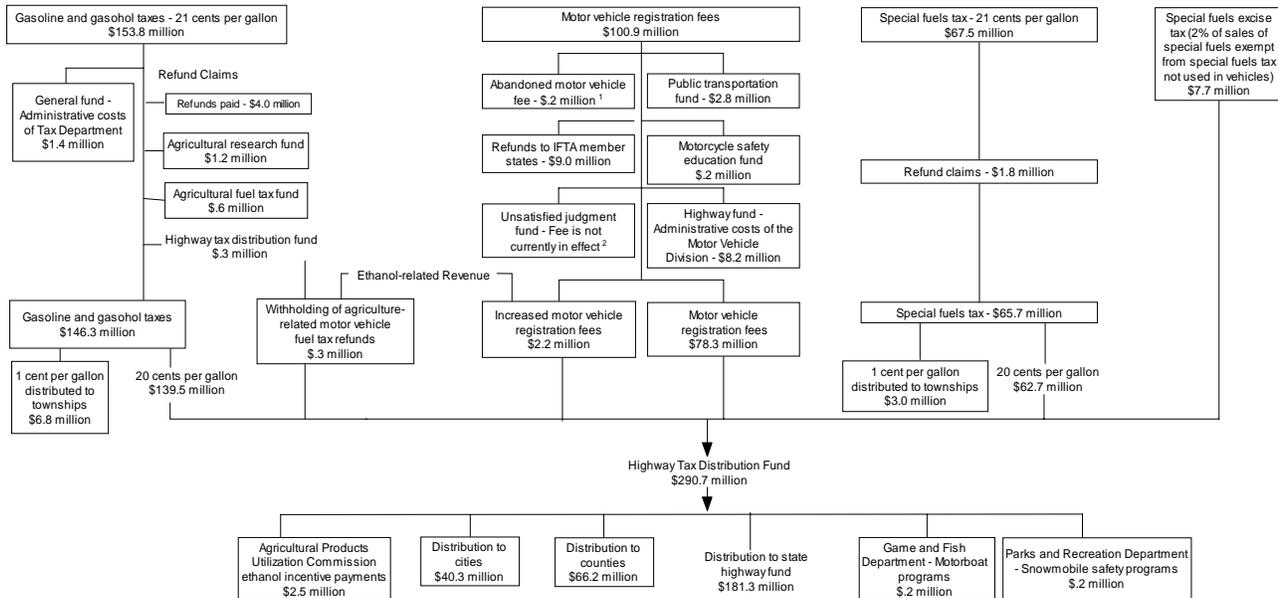
The Legislative Council staff said Governor Hoeven has organized an effort to develop a strategic transportation plan for North Dakota involving state, county, city, and private sector representatives during this interim. The Legislative Council staff said the plan is anticipated to be available by fall 2002.

The Legislative Council staff reviewed Article X, Section 11, of the Constitution of North Dakota that provides that revenue from gasoline and other motor fuel excise and license taxation, motor vehicle registration and license taxes, except aviation-related tax collections, are to be used solely for construction, reconstruction, repair, and maintenance of public highways. The Legislative Council staff said these "dedicated" revenue sources (motor vehicle fuel taxes and motor vehicle registration fees) provide the majority of funds for state highway purposes. These funds are deposited in the state highway tax distribution fund and distributed in the following proportions to the state, counties, and cities.

| | |
|----------|------|
| State | 63% |
| Counties | 23% |
| Cities | 14% |
| Total | 100% |

In addition, the Legislative Council staff said other revenues are deposited directly in the state highway fund and are not considered "dedicated" for highway purposes. These revenues are estimated to total \$34.4 million for the 2001-03 biennium and include truck regulatory fees, driver's license fees, interest earned on the highway fund, and other miscellaneous revenues. Legislative Council staff presented the following chart illustrating the sources, transfers, and uses of state highway funding for the 2001-03 biennium:

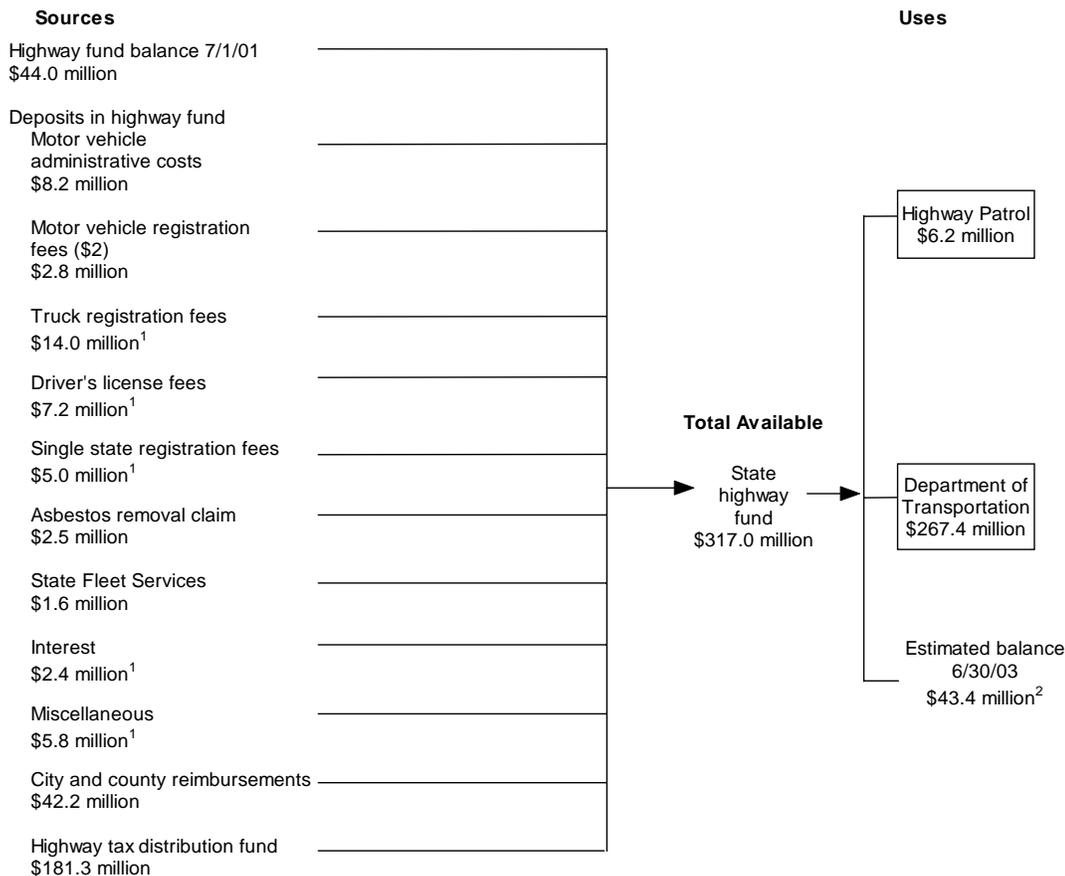
**HIGHWAY TAX DISTRIBUTION FUND
Sources and Uses of Funds
2001-03 Biennium**



¹ The abandoned motor vehicle fee of \$2 on each initial North Dakota vehicle title is imposed only if the balance in the abandoned motor vehicle fund is \$100,000 or less. The fee is suspended when the fund balance is \$250,000 or more.

² An additional \$1 fee is imposed on motor vehicle registrations for a period of one year if the balance in the unsatisfied judgment fund is less than \$300,000. The fee is suspended for the following year if the balance in the fund is \$300,000 or more on July 1.

**STATE HIGHWAY FUND
Sources and Uses of Funds
2001-03 Biennium**



¹ "Nondedicated" highway revenues total \$34.4 million.

² Although the June 30, 2003, balance is estimated to be \$43.4 million, highway project commitments for the 2003 construction season will be paid from this amount.

The Legislative Council staff said the federal Transportation Equity Act for the 21st century (TEA21) is effective through federal fiscal year 2003. The

Legislative Council staff presented the following schedule showing federal funding available to North Dakota for highway construction projects and required matching funds:

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| ESTIMATED HIGHWAY CONSTRUCTION FUNDS (Amounts Shown in Millions) | | | | | | | | | | | | |
|---|----------------|-------------|-----------------|--------------|---------------|------------|-------------|---------------|-------------|--------------|------------|---------|
| Federal Fiscal Year | State Projects | | County Projects | | City Projects | | | Total | | | | |
| | Federal Share | State Share | Federal Funds | County Share | Federal Share | City Share | State Share | Federal Share | State Share | County Share | City Share | Total |
| 1997 | \$70.2 | \$13.2 | \$11.1 | \$2.8 | \$19.8 | \$3.7 | \$1.2 | \$101.1 | \$14.4 | \$2.8 | \$3.7 | \$122.0 |
| 1998 | \$93.3 | \$17.5 | \$17.4 | \$4.4 | \$19.6 | \$3.7 | \$1.2 | \$130.3 | \$18.7 | \$4.4 | \$3.7 | \$157.1 |
| 1999 | \$103.7 | \$19.5 | \$22.1 | \$5.5 | \$24.4 | \$4.6 | \$1.5 | \$150.2 | \$21.0 | \$5.5 | \$4.6 | \$181.3 |
| 2000 | \$110.4 | \$20.7 | \$19.3 | \$4.8 | \$28.8 | \$5.4 | \$1.8 | \$158.5 | \$22.5 | \$4.8 | \$5.4 | \$191.2 |
| 2001 | \$124.4 | \$23.3 | \$16.5 | \$4.1 | \$26.8 | \$5.0 | \$1.7 | \$167.7 | \$25.0 | \$4.1 | \$5.0 | \$201.8 |
| 2002 estimate | \$128.0 | \$24.0 | \$17.5 | \$4.4 | \$26.5 | \$5.0 | \$1.6 | \$172.0 | \$25.6 | \$4.4 | \$5.0 | \$207.0 |
| 2003 estimate | \$128.2 | \$24.0 | \$17.7 | \$4.4 | \$26.2 | \$4.9 | \$1.6 | \$172.1 | \$25.6 | \$4.4 | \$4.9 | \$207.0 |

The Legislative Council staff presented the following schedule providing motor vehicle fuel tax

rates and collections and motor vehicle registration fee collections since 1992:

| Fiscal Year | Motor Vehicle Fuel Tax Rate (Per Gallon) ¹ | Motor Vehicle Fuel Tax Collections ² | Motor Vehicle Registration Fee Collections ³ |
|----------------|---|---|---|
| 1992 | 17¢ | \$70,498,438 | \$30,086,585 |
| 1993 | 17¢ | \$72,490,271 | \$32,466,529 |
| 1994 | 18¢ | \$77,189,636 | \$30,227,902 |
| 1995 | 18¢ | \$80,762,335 | \$32,440,251 |
| 1996 | 20¢ | \$88,966,659 | \$31,975,720 |
| 1997 | 20¢ | \$97,846,402 | \$32,420,082 |
| 1998 | 20¢ | \$98,131,468 | \$32,287,883 |
| 1999 | 21¢ | \$96,651,826 | \$32,833,217 |
| 2000 | 21¢ | \$103,765,429 | \$35,596,790 |
| 2001 estimates | 21¢ | \$103,328,967 | \$34,319,904 |

¹ The 1993 Legislative Assembly increased the motor vehicle fuel tax from 17¢ to 18¢ per gallon for the period December 1, 1993, through December 31, 1995. The 1995 Legislative Assembly increased the rate to 20¢ for the period January 1, 1996, through December 31, 1997. In 1997 the Legislative Assembly provided for a 20¢ rate through December 31, 1999. The 1999 Legislative Assembly established the current rate of 21¢, effective July 1, 1999.

² Motor vehicle fuel tax collections include revenues from gasoline taxes, special fuels (diesel) taxes, the special fuels 2 percent excise tax, and gasohol taxes.

³ Motor vehicle registration fees remained the same from 1991 through 1999. The 1999 Legislative Assembly increased the motor vehicle registration fees by \$1 per year on motor vehicles, except for pickups 20 years or older and farm trucks which were not increased.

The Legislative Council staff presented the following proposed study plan for the highway funding study:

1. Receive testimony from representatives of the Department of Transportation regarding highway funding, programs, and allocations to counties and cities and a progress report on the development of the strategic transportation plan.
2. Receive testimony from representatives of counties regarding the sources and uses of highway funding at the county level.
3. Receive testimony from representatives of cities regarding the sources and uses of street and road funding at the city level.
4. Receive testimony from other interested persons regarding North Dakota highway funding.
5. Consider alternative funding methods for financing North Dakota's highway system.
6. Develop recommendations and prepare any legislation necessary to implement the recommendations.
7. Prepare a final report for submission to the Legislative Council.

Mr. David Sprynczynatyk, Director, Department of Transportation, commented on the highway funding study. Mr. Sprynczynatyk reviewed the challenges for preserving North Dakota's transportation system. He said North Dakota's highway system is comprised of 86,616 miles, 7,378 miles on the state highway system, 18,949 miles on the county highway system, 3,823 on the urban system, and 56,466 miles of other roads. He said the cost of highway improvements continues to increase. He said the 1994 cost of interstate concrete recycling two lanes in one direction

was \$837,000 per mile. In 2000, he said, the cost was \$1.3 million per mile.

Mr. Sprynczynatyk indicated the department's first priority is to maintain the state highway system and, secondly, to match all federal aid available to the state. A copy of the report is on file in the Legislative Council office.

Representative Froelich asked for the types of revenues that comprise the \$5.8 million of miscellaneous income to the highway fund. Mr. Sprynczynatyk said he would provide the information to the committee at a future meeting.

Mr. Terry Traynor, Assistant Director, North Dakota Association of Counties, commented on the committee's highway funding study. Mr. Traynor said counties are responsible for almost 7,000 bridges and maintain over 5,000 miles of paved highways, approximately 5,000 miles of major gravel roads, and close to 17,000 miles of other graveled roads. He said counties having unorganized townships are also responsible for graveled township roads, minimum maintenance roads, and graded trails.

Mr. Traynor reviewed the sources of funding for county roads as follows:

| | |
|---------------------|------|
| State highway fund | 43% |
| Property tax levies | 27% |
| Federal aid | 23% |
| Other local sources | 7% |
| Total | 100% |

Mr. Traynor said an urban street and county road funding needs assessment completed in 2000 identified \$72 million of county investment in North Dakota's highway system. He said the assessment indicated the need for an additional \$23 million of funding to adequately maintain the rural road system in the state. He said a recent study of county roads

and city streets estimated the effective replacement schedule for county bridges at 122 years, two and one-half times the recommended 50-year replacement cycle. A copy of the report is on file in the Legislative Council office.

Ms. Connie Sprynczynatyk, Executive Director, North Dakota League of Cities, commented on the committee's highway funding study. Ms. Sprynczynatyk said North Dakota's 361 incorporated cities use state, federal, and local funds to maintain and improve streets. She commented on the need for additional funds for street improvements in North Dakota's cities. A copy of the testimony is on file in the Legislative Council office.

RACING COMMISSION STUDY

The Legislative Council staff presented a background memorandum entitled *Racing Commission - Background Memorandum* relating to the committee's study of the Racing Commission, including its authority to schedule, promote, support, and regulate live or simulcast racing in North Dakota. The study is also to address the effectiveness of the commission's authority to both promote and regulate racing and whether its authority is appropriate for the commission and its members.

The Legislative Council staff reviewed the 2001 legislative action relating to the Racing Commission and the history of the Racing Commission. The Legislative Council staff said the Racing Commission was established and parimutuel horse racing authorized by the 1987 Legislative Assembly in Senate Bill No. 2319. Initially, the Racing Commission was established in the office of the Secretary of State. Members of the commission were the Secretary of State and four other members appointed by the Governor.

The Legislative Council staff said the 1989 Legislative Assembly approved House Bill No. 1184, which transferred the Racing Commission from the Secretary of State's office to the office of Attorney General. The Secretary of State was removed as chairman of the commission and one other member was added appointed by the Governor. This bill also established the breeders' fund and purse fund. The bill provided that one-half of 1 percent of the parimutuel pool and other wagering pools for each day of racing be deposited in the breeders' fund, one-half of 1 percent be deposited in the purse fund, and depending on the total of the pool, either 3 or 4 percent be deposited in the general fund. The bill also authorized offtrack wagering on races held at licensed racecourses either in state or out of state.

The 1991 Legislative Assembly approved House Bill No. 1260 that replaced the offtrack wagering statute enacted by the 1989 Legislative Assembly with a similar statute providing for simulcast wagering for in-state or out-of-state races. This bill also created the promotion fund and provided that unclaimed

tickets and breakage from each live race and simulcast program be deposited in the promotion fund. The bill also provided that the moneys in the breeders' fund, purse fund, and promotion fund may be spent by the commission pursuant to a continuing appropriation. In addition, the bill reduced the percentage of the pools deposited in the general fund from 3 or 4 percent to 2 or 3 percent.

The 1991 Legislative Assembly approved Senate Bill No. 2354 providing that of the Governor's five appointees, one must be nominated by the state chapter or affiliate of the American Quarter Horse Racing Association, one by the state chapter or affiliate of the United States Trotting Association, one nominated by the state chapter or affiliate of the International Arabian Horse Association, and one nominated by the state chapter or affiliate of the North Dakota Thoroughbred Association.

The 1993 Legislative Assembly approved Senate Bill No. 2155 authorizing simulcast dog racing in the state.

The 1995 Legislative Assembly approved House Bill No. 1365 providing that for each live race or simulcast wagering pool, excluding win, place, and show pools, one-half of 1 percent of the pool must be deposited in the promotion fund. The percentage deposited in the general fund from these pools was reduced from 3 to 2.5 percent.

The 2001 Legislative Assembly approved Senate Bill No. 2381 authorizing parimutuel wagering to be conducted through account wagering and that an account wager may be made on an account only through a licensed simulcast services provider authorized to operate the simulcast parimutuel wagering system under the certificate system.

The Legislative Council staff reviewed the history of funding provided for the Racing Commission summarized as follows:

| Biennium | General Fund | Estimated Income | Total |
|-----------|--------------|------------------|-----------|
| 1993-95 | \$222,421 | | \$222,421 |
| 1995-97 | \$211,300 | | \$211,300 |
| 1997-99 | \$219,744 | | \$219,744 |
| 1999-2001 | \$222,067 | | \$222,067 |
| 2001-03 | \$150,000 | \$150,000 | \$300,000 |

During the 1989-91 and 1991-93 bienniums, funding for the Racing Commission was included in the various line items of the Attorney General's appropriation and not specifically identified in the appropriations bill.

The Legislative Council staff reviewed the taxes and fees associated with racing in North Dakota. The Legislative Council staff said that for each live race or simulcast program on win, place, and show parimutuel pools, taxes are levied as follows:

- One-half of 1 percent is deposited in the breeders' fund;

- One-half of 1 percent is deposited in the purse fund; and
- 2 percent is deposited in the general fund.

For each live race or simulcast program for daily double, quinella, exacta, trifecta, or other wager

combining two or more horses for winning payoffs in a pool:

- One-half of 1 percent is deposited in the breeders' fund;
- One-half of 1 percent is deposited in the purse fund;
- One-half of 1 percent is deposited in the promotion fund; and
- 2.5 percent is deposited in the general fund.

Unclaimed tickets and breakage from each live race or simulcast program are deposited in the promotion fund.

The Legislative Council staff presented the following schedule showing the income, expenditures, and balances of the breeders' fund, purse fund, and promotion fund:

| | Breeders' Fund | Purse Fund | Promotion Fund | Total |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|
| 1993-95 | | | | |
| Revenues | \$63,093 | \$59,534 | \$126,412 | \$249,039 |
| Expenditures | \$76,196 | \$68,811 | \$69,603 | \$214,610 |
| 1995-97 | | | | |
| Revenues | \$58,683 | \$56,605 | \$183,326 | \$298,614 |
| Expenditures | \$110,621 | \$48,490 | \$116,759 | \$275,870 |
| 1997-99 | | | | |
| Revenues | \$136,088 | \$136,485 | \$331,237 | \$603,810 |
| Expenditures | \$72,197 | \$64,500 | \$220,938 | \$357,635 |
| 1999-2001 (to date) | | | | |
| Revenues | \$1,389,700 | \$1,389,960 | \$2,544,113 | \$5,323,773 |
| Expenditures | \$239,446 | \$259,640 | \$331,704 | \$830,790 |
| May 31, 2001, fund balance | \$1,230,364 | \$1,222,197 | \$2,489,142 | \$4,941,703 |

The Legislative Council staff presented the following schedule showing general fund revenues generated from racing activities since 1993:

| Biennium | General Fund Revenues |
|--|-----------------------|
| 1993-95 | \$331,373 |
| 1995-97 | \$235,521 |
| 1997-99 | \$614,566 |
| 1999-2001 (through May 2001) | \$6,367,719 |
| 2001-03 projection (general fund forecast) | \$270,000 |

The Legislative Council staff presented the following proposed study plan for the Racing Commission study:

1. Receive testimony from representatives of the Attorney General's office and the Racing Commission regarding the duties and responsibilities of the Racing Commission, the effectiveness of the commission, and the appropriateness of the commission's authority.
2. Receive testimony from other interested persons regarding the effectiveness of the Racing Commission and the appropriateness of its authority.
3. Review the appropriateness of the commission's authority, its effectiveness, and funding allocations.

4. Develop committee recommendations and prepare any legislation necessary to implement the recommendations.
5. Prepare a final report for submission to the Legislative Council.

Mr. Paul J. Bowlinger, Director, Racing Commission, commented on the committee's study of the Racing Commission. Mr. Bowlinger reviewed horse racing in North Dakota. He said live horse races are held at Belcourt and Bottineau. He said the Racing Commission regulates all horse racing activities in North Dakota. He said North Dakota breeders have registered over 1,800 horses.

Mr. Bowlinger commented on simulcast racing, which is wagering on races held at licensed race-tracks at another location. Of the total amounts bet, he said, approximately 80 percent is returned to the bettors, 5 percent is provided to the track, 5 percent to the simulcast site, 5 percent to the signal carrier, and 5 percent to the state.

Mr. Bowlinger said North Dakota differs from most states with established horse racing. He said other states initially had live racing and expanded to simulcast sites; however, in North Dakota, he said, simulcast sites were initiated in order to generate revenues to develop live horse racing in the state.

Senator Mathern asked for the status of the development of a large horse racing complex in North Dakota. Mr. Bowlinger said the commission, in

November 2000, committed \$1 million of the \$1.6 million in the promotion fund to assist in the construction of a racetrack. In addition, the commission committed \$500,000 (\$100,000 per year for five years) to the facility, when complete, for operating costs. He said Fargo and Mandan submitted proposals for a track, and the commission in December 2000 chose Fargo. He said Fargo needed to meet certain criteria before the commission would release the funding. In June 2001, he said, the commission learned that Fargo had not met its earlier representations associated with the development of a track, and therefore, the commission reconsidered its approval of the Fargo track. He said the commission will meet again soon to determine its plan for a track in North Dakota.

Representative Froelich asked whether the commission requires that a feasibility study be completed in order to be considered for the development of a racetrack. Mr. Bowlinger said that feasibility studies are required, and the commission mandates an operating budget be shown for each proposed track.

Representative Froelich asked for the commission's criteria regarding the length of a track. Mr. Bowlinger said the commission gives preference to a track that would be three-fourths of a mile (six furlongs) in length.

Mr. Kris M. Moen, North Dakota Thoroughbred Association, Mayville, commented on the committee's study of the Racing Commission. Mr. Moen expressed concern regarding the 2001 Legislative Assembly's use of the moneys in the promotion fund, breeders' fund, and purse fund for operating costs of the Racing Commission. He said these moneys were earlier designated by the Legislative Assembly for the purposes of the funds, not for administrative costs of the commission. He encouraged the committee to consider recommending the restoration of these funds.

VETERANS HOME STUDY

The Legislative Council staff presented a background memorandum entitled *Veterans Home - Background Memorandum* relating to the committee's study of the management structure and oversight of the Veterans Home and the selection process for the commandant or administrator of the home. The study may also include a review of the expenditures by the Veterans Home from the general fund. The Legislative Council staff said the 2001 Legislative Assembly also provided that the State Auditor conduct a performance audit of the Veterans Home during the 2001-03 biennium.

The Legislative Council staff reviewed the statutory provisions relating to the management structure and oversight of the Veterans Home and the selection process for the commandant. The Legislative Council staff said the Veterans Home is under the supervision

and governance of a subcommittee of the Administrative Committee on Veterans Affairs. The Administrative Committee on Veterans Affairs consists of three ex officio nonvoting members and 15 voting members. The adjutant general, the center director of the Veterans Administration, and the executive director of Job Service North Dakota are the ex officio members. The Governor appoints the 15 other members, three of which are nominated by the American Legion, three by the Veterans of Foreign Wars, three by the Disabled American Veterans, three by the Veterans of World War II, Korea, and Vietnam (AMVETS), and three by the Vietnam Veterans of America.

The Legislative Council staff said the Administrative Committee on Veterans Affairs appoints the commandant of the Veterans Home. The commandant must be a North Dakota resident and must qualify as a veteran. The commandant is appointed for two-year terms, beginning on July 1 of each odd-numbered year. The commandant of the Veterans Home is responsible for appointing all other officers needed to operate the home, subject to legislative appropriations.

The Legislative Council staff presented the following schedule showing appropriations and FTE positions for the Veterans Home:

| Biennium | FTE | General Fund | Estimated Income | Total |
|-----------|-------|--------------|------------------|-------------|
| 1997-99 | 82.71 | \$2,038,504 | \$5,370,495 | \$7,408,999 |
| 1999-2001 | 84.61 | \$2,272,926 | \$6,150,712 | \$8,423,638 |
| 2001-03 | 87.01 | \$3,332,074 | \$6,099,935 | \$9,432,009 |

The Legislative Council staff said sources of funds for the Veterans Home include the general fund, medical assistance funding, federal Veterans Administration funding, rent collections from residents, interest income, income from permanent lands distributed by the state Land Department, meal income, and miscellaneous income.

Except for general fund moneys and federal funds, all other moneys received by the Veterans Home are deposited in the Veterans Home operating fund in the state treasury. When expenditures are made, the Veterans Home may determine whether the expenditure is charged to the general fund, federal funds, or its operating fund.

The Legislative Council staff presented the following proposed study plan for the Veterans Home study:

1. Receive information from the Administrative Committee on Veterans Affairs and the Veterans Home regarding the management structure and oversight of the Veterans Home and the selection process for the commandant.
2. Receive status reports from the State Auditor's office on the performance audit of the Veterans Home, including findings and recommendations.

3. Conduct a tour of the Veterans Home.
4. Receive testimony from interested persons regarding the management, structure, and oversight of the Veterans Home and the selection process of the commandant.
5. Review the expenditures by funding source of the Veterans Home for the 1999-2001 biennium and monitor expenditures during the 2001-03 biennium.
6. Review the process used to determine whether expenditures are charged to the general fund or the Veterans Home operating fund.
7. Develop committee recommendations and prepare necessary legislation to implement committee recommendations.
8. Prepare a final report for submission to the Legislative Council.

Mr. Ken Anderson, Commandant, Veterans Home, invited the committee to tour the Veterans Home.

Mr. Tom Moe, Chairman, Administrative Committee on Veterans Affairs, commented on the committee's study. Mr. Moe said the Administrative Committee on Veterans Affairs is planning to place a greater emphasis on its oversight and supervision of the Veterans Home. He said the subcommittee assigned to the Veterans Home will be meeting monthly rather than quarterly. He expressed concern regarding the lack of compensation for members of the Administrative Committee. He said the committee is planning to review other states' organizational structures and oversight of veterans' homes to consider as options for changing North Dakota's structure.

Representative Maragos asked the State Auditor's office to comment on its plan for conducting the performance audit of the Veterans Home. Mr. Gordy Smith, State Auditor's office, said the audit should begin in late August or early September and conclude by January 2002.

Representative Maragos said that in previous legislative sessions, the Legislative Assembly has considered establishing a second Veterans Home in western North Dakota. He asked the Administrative Committee on Veterans Affairs to provide information to the committee at a future meeting on the status of basic and skilled nursing care needs of veterans in North Dakota.

Senator Andrist said he is concerned that the Veterans Home does not have a board of directors overseeing its operations like other nursing homes in the state. He believes there is a need to have a small board of directors with more direct oversight of the home. He suggested the committee consider recommending changes to the Century Code to provide more specific qualifications for the commandant.

Mr. Gerald Balzer, Secretary, Administrative Committee on Veterans Affairs, commented on the committee's study. Mr. Balzer said the Administrative

Committee on Veterans Affairs meets four times each year. He said previously, one member of the committee served as chairman, seven members served on the subcommittee on the Department of Veterans Affairs, and seven members served on the subcommittee on the Veterans Home. He said the committee has changed its structure by having eight members serve on the subcommittee on the Veterans Home and six on the subcommittee on the Department of Veterans Affairs. He said the chairman of the Administrative Committee will be temporarily serving on the subcommittee on the Veterans Home.

COMMITTEE DISCUSSION

Representative Thorpe suggested the committee's study of highway funding should also review the fluctuation of retail gasoline prices across the state.

The legislative budget analyst and auditor said this would be an expansion of the committee's study and would need to be approved by the Legislative Council chairman.

It was moved by Representative Maragos, seconded by Representative Hawken, and carried on a roll call vote that the Legislative Council chairman be asked to expand the committee's highway funding study to include a review of the fluctuation in retail gasoline prices across the state and that the committee proceed with its study of highway funding as follows:

1. **Receive testimony from representatives of the Department of Transportation regarding highway funding, programs, and allocations to counties and cities and a progress report on the development of the strategic transportation plan.**
2. **Receive testimony from representatives of counties regarding the sources and uses of highway funding at the county level.**
3. **Receive testimony from representatives of cities regarding the sources and uses of street and road funding at the city level.**
4. **Receive testimony from other interested persons regarding North Dakota highway funding.**
5. **Consider alternative funding methods for financing North Dakota's highway system.**
6. **Develop recommendations and prepare any legislation necessary to implement the recommendations.**
7. **Prepare a final report for submission to the Legislative Council.**

Senators Mathern, Andrist, and O'Connell and Representatives Bellew, Brekke, Eckre, Froelich, Hawken, Maragos, Meier, Thoreson, and Thorpe voted "aye." No negative votes were cast.

It was moved by Representative Froelich, seconded by Senator O'Connell, and carried on a roll call vote that the committee proceed with its study of the Racing Commission as follows:

1. Receive testimony from representatives of the Attorney General's office and the Racing Commission regarding the duties and responsibilities of the Racing Commission, the effectiveness of the commission, and the appropriateness of the commission's authority.
2. Receive testimony from other interested persons regarding the effectiveness of the Racing Commission and the appropriateness of its authority.
3. Review the appropriateness of the commission's authority, its effectiveness, and funding allocations.
4. Develop committee recommendations and prepare any legislation necessary to implement the recommendations.
5. Prepare a final report for submission to the Legislative Council.
5. Review the expenditures by funding source of the Veterans Home for the 1999-2001 biennium and monitor expenditures during the 2001-03 biennium.
6. Review the process used to determine whether expenditures are charged to the general fund or the Veterans Home operating fund.
7. Develop committee recommendations and prepare necessary legislation to implement committee recommendations.
8. Prepare a final report for submission to the Legislative Council.

Senators Mathern, Andrist, and O'Connell and Representatives Bellew, Brekke, Eckre, Froelich, Hawken, Maragos, Meier, Thoreson, and Thorpe voted "aye." No negative votes were cast.

It was moved by Representative Eckre, seconded by Representative Meier, and carried on a roll call vote that the committee proceed with its study of the Veterans Home as follows:

1. Receive information from the Administrative Committee on Veterans Affairs and the Veterans Home regarding the management structure and oversight of the Veterans Home and the selection process for the commandant.
2. Receive status reports from the State Auditor's office on the performance audit of the Veterans Home, including findings and recommendations.
3. Conduct a tour of the Veterans Home.
4. Receive testimony from interested persons regarding the management, structure, and oversight of the Veterans Home and the selection process of the commandant.

Senators Mathern, Andrist, and O'Connell and Representatives Bellew, Brekke, Eckre, Froelich, Hawken, Maragos, Meier, Thoreson, and Thorpe voted "aye." No negative votes were cast.

Chairman Mathern announced the following tentative committee meeting dates for the remainder of the interim:

Wednesday, September 12, 2001 - Lisbon
 Monday, October 15, 2001 - Bismarck
 Monday, January 14, 2002 - Video conference
 Monday, April 15, 2002 - Bismarck
 Wednesday, June 19, 2002 - Fargo
 Monday, September 9, 2002 - Bismarck

It was moved by Senator O'Connell, seconded by Representative Maragos, and carried on a voice vote that the meeting be adjourned subject to the call of the chair. The meeting was adjourned at 12:15 p.m.

Allen H. Knudson
 Assistant Legislative Budget Analyst and Auditor

Jim W. Smith
 Legislative Budget Analyst and Auditor

ATTACH:1