

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

BUDGET SECTION

Thursday, December 15, 2005
Senate Chamber, State Capitol
Bismarck, North Dakota

Representative Ken Svedjan, Chairman, called the meeting to order at 9:03 a.m.

Members present: Representatives Ken Svedjan, Larry Bellew, Rick Berg, Merle Boucher, Ron Carlisle, Al Carlson, Jeff Delzer, Pam Gullerson, Keith Kempenich, James Kerzman, Matthew M. Klein, Joe Kroeber, Bob Martinson, Ralph Metcalf, David Monson, Chet Pollert, Earl Rennerfeldt, Bob Skarphol, Mike Timm, Alon C. Wieland, Clark Williams; Senators John M. Andrist, Bill L. Bowman, Randel Christmann, Michael A. Every, Tom Fischer, Tony Grindberg, Ralph L. Kilzer, Aaron Krauter, Ed Kringstad, Elroy N. Lindaas, Tim Mathern, David O'Connell, Larry J. Robinson, Randy A. Schobinger, Bob Stenehjem, Harvey Tallackson

Members absent: Representatives Ole Aarsvold, Tom Brusegaard, Eliot Glassheim, Scot Kelsh, Blair Thoreson, Francis J. Wald; Senators Ray Holmberg, Russell T. Thane

Others present: Dick Dever, State Senator, Bismarck

Todd Porter, State Representative, Mandan

See Appendix A for additional persons present.

It was moved by Senator Tallackson, seconded by Senator O'Connell, and carried on a voice vote that the minutes of the September 7, 2005, meeting of the Budget Section be approved as distributed.

STATUS OF THE STATE GENERAL FUND

At the request of Chairman Svedjan, Ms. Pam Sharp, 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 the nonseasonally adjusted consumer price index in October 2005 was 4.3 percent, which is down .4 percent for the month and up 1.1 percent compared to October 2004. She said personal income rose at a seasonally adjusted annual rate of 2.6 percent during the third quarter of 2005, which was lower than the 3.4 percent average annual growth rate for 2004. She said crop prices averaged 1.7 percent lower during the third quarter of 2005 compared to the third quarter of 2004. Ms. Sharp said North Dakota's unemployment rate in

October 2005 was 3.5 percent, which was down slightly from the September 2005 rate of 3.6 percent and unchanged from October 2004. She said North Dakota's unemployment rate was considerably lower than the national rate of 5 percent in October 2005. Ms. Sharp said average oil production increased from 99,900 barrels per day in August 2005 to an estimated 101,400 barrels per day in September 2005. She said the average price per barrel of oil has decreased from the September 2005 average of approximately \$60 per barrel to approximately \$54 per day in early December 2005. She said the oil rig count is 36, which is 17 more rigs than were operating one year ago. Ms. Sharp said Economy.com, Inc., reports that personal income in North Dakota grew at a rate of 2 percent during 2004 and is expected to grow by 7.2 percent in 2005, 5.2 percent in 2006, and 3.7 percent in 2007.

Ms. Sharp presented the following information on the status of the state general fund for the 2005-07 biennium based on revenue collections through November 2005:

Unobligated general fund balance - July 1, 2005	\$68,563,347
Add	
General fund collections through November 30, 2005	435,189,123
Forecasted general fund revenue for the remainder of the 2005-07 biennium (based on the 2005 legislative forecast)	1,562,639,154
Total estimated general fund revenue for the 2005-07 biennium	\$2,066,391,624
Less	
2005-07 biennium general fund appropriations	1,989,452,623
Estimated general fund balance - June 30, 2007 (\$66,643,470 more than the 2005 legislative estimate of \$10,295,531)	\$76,939,001¹

¹The estimated ending balance does not include potential deficiency appropriations. As of November 30, 2005, the Office of Management and Budget is aware of \$1,496,405 of deficiency appropriations requests that will be presented to the 2007 Legislative Assembly--Division of Emergency Services state match relating to the 1997 Grand Forks flood (\$1,203,217) and the Division of Emergency Services state match relating to the 2005 severe winter snowstorm (\$293,188).

Ms. Sharp said another potential deficiency request that will be presented to the 2007 Legislative Assembly is up to \$3 million for the Department of Human Services sex offender program at the State Hospital due to the need for additional beds in the program.

In response to a question from Senator Robinson, Ms. Sharp said the Department of Corrections and Rehabilitation may also request a deficiency payment for the 2005-07 biennium; however, it is too early in the biennium to know if this will occur.

In response to a question from Representative Kroeber, Ms. Sharp said some agencies are experiencing increased energy costs; however, the Office of Management and Budget has instructed the agencies to absorb the increased energy costs within their 2005-07 biennium appropriation.

Ms. Sharp said total revenues and transfers for the first five months of the 2005-07 biennium were approximately \$63 million more than estimated in the March 2005 legislative forecast. She said the variance was due to increases in sales tax (\$11.8 million), individual income tax (\$14.6 million), corporate income tax (\$19.7 million), oil and gas gross production tax (\$14.5 million), and oil extraction tax (\$3 million).

In response to a question from Representative Svedjan, Ms. Sharp said there is approximately \$99.5 million in the budget stabilization fund and the interest earned on that fund is deposited into the general fund because the amount in the budget stabilization fund is the maximum balance allowed by law in the fund. She said as of November 30, 2005, \$30 million has been transferred from the permanent oil tax trust fund to the general fund.

In response to a question from Representative Svedjan, the legislative budget analyst and auditor said the July 1, 2005, beginning balance in the permanent oil tax trust fund was approximately \$50.4 million. Therefore, after the \$30 million transfer to the state general fund, the balance in the permanent oil tax trust fund as of December 15, 2005, would be approximately \$20.4 million.

BUDGET DATA AND APPROPRIATIONS BILL FORMAT

At the request of Chairman Svedjan, the Legislative Council staff presented a memorandum entitled [*Budget Data and Appropriations Bill Information*](#). The memorandum provided information regarding the statutory provisions related to budget data, 2005-07 biennium appropriations bill format, and 2005 legislation relating to budget information. The Legislative Council staff said North Dakota Century Code (NDCC) Chapter 54-44.1 provides that the Office of Management and Budget is responsible for developing financial policies and plans for budget recommendations to the Legislative Assembly and preparing detailed documents in accordance with the statutory requirements. Sections within Chapter 54-44.1 that relate to budget data include:

1. **Section 54-44.1-04** - Identifies the deadline for budget estimates to be filed with the Office of the Budget. This section requires agencies to submit budget estimates for the next biennial budget to the Office of the

Budget by July 15 of each year preceding the regular session of the Legislative Assembly.

2. **Section 54-44.1-06** - Relates to the contents that the director of the budget must include in preparation of the budget data. This section requires the director of the budget to prepare certain budget data, including:
 - a. Summary statements of the financial condition of the state.
 - b. Statements regarding revenues available.
 - c. Statements of expenditures by budget unit.
 - d. Detailed comparative statements of expenditures and requests for appropriations.
 - e. An estimate of all money required to be raised for the payment of interest upon the funded debt of the state.
 - f. Summary statement of the unappropriated fund balance, estimated revenue, and recommended expenditures.
 - g. Drafts of proposed general and special appropriation acts embodying the budget data and recommendations of the Governor.
 - h. A list of each individual asset or service, excluding real estate with the value of at least \$50,000, acquired in the current biennium and anticipated in the next biennium.
 - i. Such other information as the director of the budget deems desirable.
3. **Section 54-44.1-06.1** - Identifies the contents of the **capital construction bill**. This section requires the Office of Management and Budget to prepare a capital construction budget and a capital construction bill and that the construction bill include only projects involving bonding.
4. **Section 54-44.1-07** - Relates to the presentation of the **budget data** to the Legislative Assembly. This section details the presentation of the budget data contained in Section 54-44.1-06 and how that information is presented to the Legislative Assembly. The drafts of acts required by Section 54-44.1-06(7) must be submitted within seven days after adjournment of the organizational session. The Legislative Council is to set the time and place at which the budget data is to be presented which currently is presented to the Legislative Assembly during the organizational session in December preceding the regular Legislative Assembly.
5. **Section 54-44.1-08** - Relates to the **contents of the budget report** and when it is submitted to the Legislative Assembly. This

section provides that the official budget report must be transmitted by the Governor to all legislators three days after the commencement of the regular session of the Legislative Assembly. The report includes budget data information required in Section 54-44.1-06.

The Legislative Council staff said pursuant to a motion approved during the December 2004 Budget Section meeting, the 2005 state agency appropriation bills contained three sections instead of only having an appropriation section. The three sections were:

1. Section 1 - Base level funding information - This section contained the amounts that represented the base level funding component for the agency by line item and funding source which **was not to exceed the agency's 2003-05 legislative appropriation** adjusted for one-time funding provided for the 2003-05 biennium.
2. Section 2 - Funding adjustments or enhancements information - This section contained the amounts identified as funding adjustments or enhancements to the base funding level for the agency by line item and funding source.
3. Section 3 - Appropriation - This section contained the 2005-07 **biennium appropriation amount** for the agency by line item and funding source, which was the sum of the amounts contained in Sections 1 and 2 of the bill.

The Legislative Council staff said there were several bills considered during the 2005 legislative session that related to or contained sections that related to budget information, including bills that required continuing appropriation information, bonding information, and financing or leasing arrangements be included in budget data, and a bill to establish a limitation on the general fund budget increases recommended by the Governor or approved by the Legislative Assembly.

2007-09 BIENNIUM BUDGET FORM CHANGES

Chairman Svedjan called on Ms. Sheila Peterson, Director, Fiscal Management Division, Office of Management and Budget, to present, pursuant to NDCC Section 54-44.1-07, any proposed changes to the 2007-09 biennium budget data. Ms. Peterson said the Office of Management and Budget does not have any proposed changes for the 2007-09 biennium budget data or appropriation bills format.

The legislative budget analyst and auditor said there is no action required by the Budget Section if there are no changes to be made to the budget data or appropriation bills format. He said the 2007 Legislative Assembly will use the same format for appropriation bills as was used during the

2005 legislative session or three sections in each appropriations bill.

2005 CENTERS OF EXCELLENCE APPLICATIONS Legislative Council

At the request of Chairman Svedjan, Mr. Allen H. Knudson, Assistant Legislative Budget Analyst and Auditor, Legislative Council, presented a memorandum entitled [*Summary of 2005 Centers of Excellence Applications*](#), a copy of which is attached as Appendix B.

Chairman Svedjan said the role of the Budget Section is to approve or reject the applications for centers of excellence funding awards and the Budget Section may not modify the projects.

Centers of Excellence Commission

Chairman Svedjan called on Mr. Mark Nisbet, Chairman, Centers of Excellence Commission, Fargo, to present information regarding the funding award recommendations for centers of excellence. Mr. Nisbet said the commission received a total of 12 applications for centers of excellence projects totaling \$40 million. He said the commission recommended the following four projects for funding awards totaling \$8.95 million:

1. Bismarck State College Energy Center of Excellence - \$3,000,000.
2. Lake Region State College Dakota Center of Optimized Agriculture - \$450,000.
3. University of North Dakota National Center for Hydrogen Technology - \$2,500,000.
4. North Dakota State University Center for Advanced Electronics Design and Manufacturing - \$3,000,000.

Mr. Nisbet said although the remaining eight applications were not rejected, they were returned to the institutions for additional work. He said the Centers of Excellence Commission forwarded its four recommended projects to the Emergency Commission for consideration. He said after requesting additional information from the four institutions, the Emergency Commission favorably recommended and forwarded all four requests to the Budget Section for its consideration and approval.

In response to a question from Representative Svedjan, Mr. Nisbet said the Centers of Excellence Commission reduced the funding awards for the four recommended projects from the amounts originally requested because the commission has limited funds to award.

In response to a question from Senator Mathern, Mr. Nisbet said the institutions were informed of the funding reductions made to their projects by the Centers of Excellence Commission and were given the choice to either withdraw the project or to continue the project at the reduced funding level.

In response to a question from Representative Timm, Mr. Nisbet said the required 2-to-1 match has

been met for all four projects recommended by the Centers of Excellence Commission and the Department of Commerce is responsible for the accountability to ensure that the matching funds are received.

In response to a question from Representative Boucher, Mr. Shane Goettle, Commissioner, Department of Commerce, said accountability is included in the centers of excellence legislation and reports to the Legislative Assembly are a requirement. He said he is willing to present related information to the Budget Section as requested.

In response to a question from Representative Timm, Mr. Nisbet said the eight remaining applications for centers of excellence projects will be reconsidered by the Centers of Excellence Commission in January 2006.

In response to a question from Representative Delzer, Mr. Nisbet said the Centers of Excellence Commission has restricted the institutions to a one-time funding request for each centers of excellence project for the 2005-07 biennium.

In response to questions from Representative Carlson, Mr. Nisbet said the Centers of Excellence Commission saw a high demand by the private business sector for the centers of excellence projects recommended by the commission and he believes that private businesses will be significantly involved with the projects despite the large amount of federal funds included in the funding for the projects.

Bismarck State College

At the request of Chairman Svedjan, Dr. Donna Thigpen, President, Bismarck State College, presented information regarding Bismarck State College's request for funding for an Energy Center of Excellence. Dr. Thigpen said the funding requested for the Energy Center of Excellence will be used to construct a facility at Bismarck State College to provide the capacity and infrastructure for a highly trained and productive energy industry workforce. She said training available from Bismarck State College is expected to allow energy companies to construct new or expand their current power plants and increase their workforce. She said the center is expected to allow Bismarck State College and North Dakota to be the leader in national and international energy training and to expand the use of fly ash. She said the center will be directly linked to the creation of 728 new jobs with an average salary for most of the jobs of \$57,000 per year. She said matching funds of \$8,745,000 have been acquired through a capital campaign for the center and the energy industry is contributing nearly \$4 million. She said the only match that may be considered in kind is the contribution of flexcrete and fly ash that will be used in the building construction.

In response to a question from Representative Skarphol, Dr. Thigpen said the job training that will be provided by the new center is different than current

job training offered by Bismarck State College because the new jobs will require different and higher levels of skills.

Dr. Thigpen introduced Mr. Mike Hummel, President and General Manager, BNI Coal, Ltd., Bismarck, and Mr. Paul Sukut, Deputy General Manager, Basin Electric Power Cooperative, Bismarck, as two of the private sector partners for the Bismarck State College Energy Center of Excellence. Mr. Hummel said the Energy Center of Excellence would be national in scope. Mr. Sukut said Basin Electric Power Cooperative views the Energy Center of Excellence as an investment and that new technologies in the energy field require a differently trained workforce.

Representative Berg said the Bismarck State College Energy Center of Excellence should be viewed as an investment by the state to provide properly trained employees to the private sector.

Representative Skarphol said he does not believe that the Energy Center of Excellence will provide a new kind of training that cannot already be provided by Bismarck State College by modifying existing programs and he does not support the project.

Representative Boucher said he believes it is very important to construct the Energy Center of Excellence to support the energy industry and take advantage of the resources that are available in North Dakota.

Senator Christmann said he believes the Energy Center of Excellence is an important project for the state of North Dakota because the energy industry is changing and adequate training is necessary to have qualified employees in the energy industry.

Representative Carlson said he is unsure whether the Bismarck State College Energy Center of Excellence meets the criteria intended by the Legislative Assembly for a center of excellence.

In response to a question from Representative Skarphol, Ms. Sharp said the University System budget only includes general fund money and since the centers of excellence funds are not from the general fund, they will not be included in the budgeting process. The legislative budget analyst and auditor said funds for the centers of excellence projects are borrowed from the Bank of North Dakota and repaid using funds from the permanent oil tax trust fund.

Lake Region State College

Chairman Svedjan called on Dr. Sharon L. Etemad, President, Lake Region State College, to present information regarding the Lake Region State College Dakota Center of Optimized Agriculture. Dr. Etemad said the funding requested for the center of excellence will be used for personnel and related expenses to develop technology-optimized products to improve North Dakota agriculture. She said the college and private sector research is expected to promote the development of new products, provide a

platform for new businesses, and create jobs. She said jobs are expected to be created to design software components, integrate hardware components, design and manufacture equipment, and to provide consulting and education services. She said technology-related components and equipment will be developed for use in agriculture and the center will be directly linked to the creation of 13.5 new jobs and indirectly linked to an additional 19 jobs, primarily related to information technology, engineering, and marketing.

Dr. Paul D. Gunderson, Grant Writer, Lake Region State College, said the Lake Region State College Dakota Center of Optimized Agriculture is an initiative that is driven by the private sector. He said the center will be testing technologies and its initial focus will be on products that are synthetically produced.

In response to a question from Representative Skarphol, Dr. Etemad said the project has over \$1 million of in-kind match and the value of the match has been reviewed.

University of North Dakota

At the request of Chairman Svedjan, Dr. Gerald Groenewold, Director, Energy and Environmental Research Center, University of North Dakota, presented information regarding the University of North Dakota National Center for Hydrogen Technology. Dr. Groenewold said funding has been requested to construct a facility at the University of North Dakota to conduct research on and demonstrate the usability of hydrogen as an energy source. He said by developing hydrogen technologies, the energy and agricultural sectors have an opportunity for significant job growth as new technologies are commercialized to produce hydrogen. He said 50 new private sector-equivalent and highly technical jobs are expected to be created at the Energy and Environmental Research Center with an additional 50 private sector jobs. He said the center's focus is on producing new technologies for the marketplace. He said the total matching funds for the hydrogen center is approximately \$23 million, of which approximately \$13 million is from the private sector.

In response to a question from Representative Timm, Dr. Groenewold said the current facilities at the Energy and Environmental Research Center cannot be used for hydrogen research because there is no additional space available at the center and hydrogen research requires a specialized facility which the center does not currently have.

In response to a question from Representative Timm, Dr. Groenewold said the state of North Dakota would own the building for the hydrogen center; however, the state would not be liable for any of the building's expenses.

In response to a question from Representative Delzer, Dr. Groenewold said the private sector would be able to sustain the hydrogen center in the event

the Energy and Environmental Research Center would lose its hydrogen-related grants from the federal government.

North Dakota State University

Chairman Svedjan called on Dr. Philip Boudjouk, Vice President for Research, Creative Activities, and Technology Transfer, North Dakota State University, to present information regarding the North Dakota State University Center for Advanced Electronics Design and Manufacturing. Dr. Boudjouk said the funding requested for the Center for Advanced Electronics Design and Manufacturing would be used for personnel and related expenses to research the development of highly marketable products involving advanced electronics. He said the center of excellence design and development activities are expected to allow for business expansion for advanced electronics design and manufacturing and result in new products being developed. He said jobs are expected to be created relating to expansion of product lines, new manufacturing contracts, and commercialization of new technologies and products and the center is expected to involve advanced manufacturing and value-added agriculture industry clusters and the marketing of related products.

In response to a question from Representative Carlson, Dr. Boudjouk said North Dakota State University considers the private sector in-kind match of \$3 million as "hard cash" because the match is new funds that will be spent by the private sector in addition to their normal operations.

Committee Consideration of Centers of Excellence Funding Award Recommendations

Representative Berg said even though the four centers of excellence projects that the Budget Section is considering might not be in agreement with legislative intent regarding centers of excellence, they do meet all the criteria established in the legislation.

Representative Delzer said he hopes that in the future, centers of excellence projects do not include funding for construction of new buildings.

It was moved by Representative Martinson, seconded by Representative Carlisle, and carried on a roll call vote that pursuant to NDCC Section 15-69-02, the Budget Section approve the following center of excellence funding award request which has been recommended by the Centers of Excellence Commission and considered by the Emergency Commission:

- **Centers of Excellence Commission (Request #1566) - Bismarck State College Career and Technology Institute - \$3,000,000.**

Representatives Svedjan, Bellew, Berg, Boucher, Carlisle, Carlson, Delzer, Guleson, Kerzman, Klein, Kroeber, Martinson, Metcalf, Monson, Pollert,

Rennerfeldt, Timm, Wieland, and Williams and Senators Andrist, Bowman, Christmann, Every, Fischer, Grindberg, Kilzer, Krauter, Kringstad, Lindaas, Mathern, O'Connell, Robinson, Schobinger, Stenehjem, and Tallackson voted "aye." Representatives Kempenich and Skarphol voted "nay."

It was moved by Senator Every, seconded by Representative Metcalf, and carried on a roll call vote that pursuant to NDCC Section 15-69-02, the Budget Section approve the following center of excellence funding award request which has been recommended by the Centers of Excellence Commission and considered by the Emergency Commission:

- **Centers of Excellence Commission (Request #1567) - Lake Region State College Dakota Center of Optimized Agriculture - \$450,000.**

Representatives Svedjan, Bellew, Berg, Boucher, Carlisle, Gulleeson, Kempenich, Kerzman, Klein, Kroeber, Martinson, Metcalf, Monson, Pollert, Rennerfeldt, Timm, Wieland, and Williams and Senators Andrist, Bowman, Every, Fischer, Kilzer, Krauter, Kringstad, Lindaas, Mathern, O'Connell, Robinson, Schobinger, Stenehjem, and Tallackson voted "aye." Representatives Carlson, Delzer, and Skarphol and Senators Christmann and Grindberg voted "nay."

It was moved by Senator Mathern, seconded by Senator O'Connell, and carried on a roll call vote that pursuant to NDCC Section 15-69-02, the Budget Section approve the following center of excellence funding award request which has been recommended by the Centers of Excellence Commission and considered by the Emergency Commission:

- **Centers of Excellence Commission (Request #1568) - University of North Dakota National Center for Hydrogen Technology - \$2,500,000.**

Representatives Svedjan, Bellew, Berg, Boucher, Carlisle, Carlson, Gulleeson, Kerzman, Klein, Kroeber, Martinson, Metcalf, Pollert, Rennerfeldt, Wieland, and Williams and Senators Andrist, Bowman, Christmann, Every, Fischer, Grindberg, Kilzer, Krauter, Kringstad, Lindaas, Mathern, O'Connell, Robinson, Schobinger, Stenehjem, and Tallackson voted "aye." Representatives Delzer, Kempenich, Monson, Skarphol, and Timm voted "nay."

It was moved by Senator Robinson, seconded by Senator Mathern, and carried on a roll call vote that pursuant to NDCC Section 15-69-02, the Budget Section approve the following center of excellence funding award request which has been recommended by the Centers of Excellence Commission and considered by the Emergency Commission:

- **Centers of Excellence Commission (Request #1569) - North Dakota State**

University Center for Advanced Electronics Design and Manufacturing - \$3,000,000.

Representatives Svedjan, Bellew, Berg, Boucher, Carlisle, Carlson, Delzer, Gulleeson, Kempenich, Kerzman, Klein, Kroeber, Martinson, Metcalf, Pollert, Rennerfeldt, Timm, Wieland, and Williams and Senators Andrist, Bowman, Christmann, Every, Fischer, Grindberg, Kilzer, Krauter, Kringstad, Lindaas, Mathern, O'Connell, Robinson, Schobinger, Stenehjem, and Tallackson voted "aye." Representatives Monson and Skarphol voted "nay."

It was moved by Representative Berg and seconded by Representative Klein that in the future Budget Section approval of a center of excellence funding award recommendation is contingent upon the Centers of Excellence Commission showing that in making the recommendation the commission required that:

1. **The center of excellence will create new, high-value, private sector jobs;**
2. **The majority of the 2-to-1 matching funds is provided by a private sector partner that has a commercial objective; and**
3. **Building construction is allowed only if the building project leads to the commercialization of products or is directly linked to the creation of new, high-value, private sector jobs.**

It was further moved that the Budget Section agrees with the assertion that job creation and economic growth for the state of North Dakota is the primary benefit of the centers of excellence program and disagrees with the assertion that excellence in education and training fostering a highly skilled workforce is a primary benefit of the program.

Senator Mathern said he has concerns regarding the motion because it seems to set different criteria for centers of excellence than was set by the 2005 Legislative Assembly.

Representative Berg said the intent of his motion is to provide the Centers of Excellence Commission with more focus for the future centers of excellence proposals it will be recommending to the Emergency Commission and Budget Section.

Representative Gulleeson said she has concerns regarding this motion because she does not want to set new criteria for the second round of centers of excellence applications.

Representative Boucher said he would prefer the motion be read into the minutes instead of voted on as a motion because he feels the motion relates to policy and it is not a duty of the Budget Section to set legislative policy. He said he would cast a negative vote for the motion if it was voted on; however, he would be in support of having the motion reflected in the minutes of the meeting.

Senator Robinson said he does not believe it is appropriate for the Budget Section to change the

rules for the centers of excellence applications at this time. He said it would be more appropriate for the 2007 Legislative Assembly to consider making changes to the centers of excellence criteria during the next legislative session.

Representative Carlson said he supports the motion because he believes it was the intent of the 2005 Legislative Assembly that the funding awards for centers of excellence projects not be used to construct buildings, even though it was not explicitly stated in the legislation.

Senator Grindberg said the Legislative Assembly must allow for the higher education institutions to be entrepreneurial and allow them to bring proposals forward for centers of excellence, even if it requires the construction of a new building.

Representative Martinson said although there are things about centers of excellence that he opposes, he is not in favor of the motion because he believes it is unfair to expect the remaining applicants for centers of excellence funding awards to follow a different set of guidelines.

Representative Delzer said the Budget Section should not be a "minilegislature." He said he can support this motion because it does not change the legislation passed by the 2005 Legislative Assembly. He said he hopes that the 2007 Legislative Assembly will change the criteria for centers of excellence to include the requirement that funding cannot be awarded for projects that include the construction of new buildings.

Senator Stenehjem said he will support the motion because he believes even though the four centers of excellence projects followed the criteria set in legislation, they did not necessarily follow the intent of the 2005 Legislative Assembly.

Representative Skarphol said although he voted against all four centers of excellence projects brought before the Budget Section, he is opposed to this motion because it would create a whole new set of guidelines for the remaining centers of excellence projects to follow.

Representative Berg withdrew his motion and requested that the following statement be included in the minutes:

"Representative Berg said in the future, Budget Section approval of a center of excellence funding award recommendation should be contingent upon the Centers of Excellence Commission showing that in making the recommendation the commission required that:

1. The center of excellence will create new, high-value, private sector jobs;
2. The majority of the 2-to-1 matching funds is provided by a private sector partner that has a commercial objective; and
3. Building construction is allowed only if the building project leads to the

commercialization of products or is directly linked to the creation of new, high-value, private sector jobs.

Representative Berg further said that the Budget Section should agree with the assertion that job creation and economic growth for the state of North Dakota is the primary benefit of the centers of excellence program and disagree with the assertion that excellence in education and training fostering a highly skilled workforce is a primary benefit of the program."

MILL AND ELEVATOR ASSOCIATION ANNUAL REPORT

Chairman Svedjan called on Mr. Vance Taylor, General Manager, Mill and Elevator, to present, pursuant to Section 35 of 2005 Senate Bill No. 2014, an annual report of the Mill and Elevator, including the current role and mission of the Mill and Elevator Association, short- and long-term plans, and a description of the efforts by the Mill and Elevator Association to inform legislators about the role, mission, and operations of the mill. A copy of the information presented is on file in the Legislative Council office.

Mr. Taylor said the mission of the North Dakota Mill is to promote and provide support to North Dakota agriculture, commerce, and industry; to provide superior quality, consistency, and service to its customers; to grow the business and provide a profit to the owners, which are the citizens of North Dakota; and to conduct business with the highest integrity so that the employees, customers, suppliers, and owners are proud to be associated with the North Dakota Mill. He said the Mill and Elevator has six strategic issues:

1. Promote and support North Dakota agriculture, commerce, and industry.
2. Increase the earning potential of the North Dakota Mill.
3. Focus on its customers.
4. Develop and grow the Mill and Elevator employees.
5. Improve technology.
6. Expand internal and external communications.

Mr. Taylor said the Mill and Elevator produces 2.9 million pounds of flour per day and the completion of an expansion project will increase the mill's production to 3.4 million pounds of flour per day which will make the North Dakota Mill the largest single-site flour mill in the country. He said the mill processes 65,000 bushels of wheat per day, has an elevator capacity of 4.3 million bushels, and has 9 million pounds of flour storage. Mr. Taylor said the mill's profits have increased each fiscal year from 2001 through 2005 as follows:

Fiscal Year	2005	2004	2003	2002	2001
Profits	\$5,806,157	\$5,636,472	\$2,003,461	\$1,924,595	\$330,085

Mr. Taylor said the significant increase in the Mill and Elevator profits from fiscal years 2003 to 2004 was due to the completion of a renovation project. He said total profits for the Mill and Elevator from 1971 to 2005 were approximately \$92.3 million and the mill has transferred \$52.5 million to the state general fund during that same time.

Mr. Taylor said the total planned capital expenditures for fiscal year 2006 is approximately \$8.7 million, including \$6.3 million for the C and K mill expansion project and \$850,000 for the Buhler packaging system. He said capital spending for the Mill and Elevator for fiscal years 2001 through 2005 was:

Fiscal Year	Total Capital Spending	Major Project
2001	\$20,083,884	Renovation and expansion project (\$19,500,000)
2002	\$684,195	Organic wheat blending system (\$240,000)
2003	\$1,392,377	Plant electrical generator (\$540,000)
2004	\$1,094,471	K-mill capacitors (\$95,585); bulk flour plant pump room (\$82,610)
2005	\$2,262,589	Whole wheat mill project (\$1,700,000)

In response to a question from Senator Krauter, Mr. Taylor said for the first six months of fiscal year 2006, the profits for the Mill and Elevator are ahead of the projections and profits for fiscal year 2006 will most likely be approximately the same as they were for fiscal year 2005.

The committee recessed for lunch at 12:52 p.m. and reconvened at 1:35 p.m.

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, 54-16-04.2, and 54-16-09. 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.

Senator Krauter requested Department of Emergency Services Requests #1560 and #1562 be discussed separately.

At the request of Chairman Svedjan, Ms. Peterson presented information regarding Department of Emergency Services Request #1560 to increase federal funds spending authority of \$3 million to accept federal funds from the federal Department of Homeland Security. Ms. Peterson said the Department of Emergency Services, through the

Division of Homeland Security, has been involved in a number of initiatives following the destruction caused by Hurricanes Katrina and Rita. She said the department has identified the following areas of concern--the sheltering plans for evacuees coming to North Dakota, public information and the dissemination of that information to the citizens of North Dakota, and assistance to the requesting states of Mississippi and Louisiana. She said the funds will be used for a temporary public information officer position, staff overtime, development and exercising of a sheltering plan related to large-scale evacuations, providing assistance to requesting states under the Emergency Management Assistance Compact, and providing grants to assisting state agencies and other entities.

Senator Krauter requested the Budget Section receive a report at its next meeting detailing the use of the \$3 million of federal funds received by the Department of Emergency Services under Emergency Commission Request #1560.

It was moved by Senator Mathern, seconded by Representative Metcalf, and carried on a roll call 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 Emergency Services (Request #1560) - To increase special funds spending authority by \$3 million to accept federal funds from the federal Department of Homeland Security for the salaries and wages line item (\$80,000), operating line item (\$420,000), and the grants line item (\$2.5 million) for a temporary public information officer position, staff overtime, development and exercising of a sheltering plan related to large-scale evacuations, providing assistance to requesting states under the Emergency Management Assistance Compact, and providing grants to assisting state agencies and other entities.**

Representatives Svedjan, Bellew, Boucher, Carlisle, Delzer, Gullerson, Kempenich, Kerzman, Klein, Kroeber, Martinson, Metcalf, Monson, Pollert, Skarphol, Timm, and Wieland and Senators Andrist, Bowman, Christmann, Every, Fischer, Grindberg, Kilzer, Krauter, Lindaas, Mathern, O'Connell, Robinson, Schobinger, and Stenehjem voted "aye." No negative votes were cast.

Ms. Peterson said Emergency Commission Request #1562 is to increase federal (\$1,945,783) and other (\$293,188) funds spending authority by a total of \$2,238,971 for the Department of Emergency Services for disaster costs associated with the October 2005 snowstorm. Ms. Peterson said the request includes the authority for the department to obtain a loan of \$293,188 from the Bank of North Dakota, pursuant to NDCC Section 37-17.1-23, to pay

the estimated state share of the disaster recovery costs and that repayment of the loan will be requested as a deficiency appropriation from the 2007 Legislative Assembly.

It was moved by Senator Krauter, seconded by Senator Robinson, and carried on a roll call vote that pursuant to NDCC Sections 54-16-04.1 and 54-16-04.2, the Budget Section approve the following request which has been authorized by the Emergency Commission:

- **Department of Emergency Services (Request #1562) - To increase special funds spending authority by \$2,238,971 relating to Robert T. Stafford Disaster Relief and Emergency Assistance Act funding (\$1,945,783) and state disaster loan proceeds (\$293,188) for the salaries and wages line item (\$75,000), operating line item (\$150,000), and the grants line item (\$2,013,971) for disaster costs associated with the snow disaster in October 2005. The request includes the authority for the department to obtain a \$293,188 loan from the Bank of North Dakota, pursuant to NDCC Section 37-17.1-23, to pay the estimated state share of the disaster recovery costs. Repayment of the loan will be requested as a deficiency appropriation from the 2007 Legislative Assembly.**

Representatives Svedjan, Bellew, Boucher, Carlisle, Delzer, Gulleeson, Kempenich, Kerzman, Klein, Kroeber, Martinson, Metcalf, Pollert, Skarphol, Timm, and Wieland and Senators Bowman, Christmann, Every, Fischer, Grindberg, Kilzer, Krauter, Lindaas, Mathern, O'Connell, Robinson, Schobinger, and Stenehjem voted "aye." No negative votes were cast.

It was moved by Senator Robinson, seconded by Representative Carlisle, and carried on a roll call vote that the Budget Section approve the following requests that have been forwarded to the Budget Section, pursuant to NDCC Sections 54-16-04, 54-16-04.1, 54-16-04.2, and 54-16-09:

- **Office of Management and Budget (Request #1556) - To increase the operating line item and federal funds spending authority by \$100,000 to accept funds from the Department of Homeland Security for training and equipment costs relating to the continuum of government and continuity of operations programs.**
- **State Historical Society (Request #1557) - To accept federal passthrough funds from the Department of Transportation related to a transportation enhancement grant and to increase the capital assets line item by \$180,000 for costs related to the expansion and renovation of the**

Chateau de Mores visitor center in Medora.

- **Department of Corrections and Rehabilitation (Request #1558) - To make a line item transfer of \$1.5 million from the department's equity pool line item contained in 2005 Senate Bill No. 2015 for employee salary equity adjustments to the Juvenile Community Services line item (\$66,145), the Field Services line item (\$3,543), the Prisons Division line item (\$1,254,071), and the Youth Correctional Center line item (\$176,241) to allow the payment of equity funds from the applicable line items.**
- **Department of Emergency Services (Request #1559) - To increase the salaries and wages line item by \$249,825 to accept federal funds from the pre-disaster mitigation grant program to provide administration and support for grants awarded to the city of Fargo and Barnes County.**
- **Adjutant General (Request #1563) - To increase special funds spending authority by \$1.6 million to accept federal funds from the National Guard Bureau for the Army Guard contracts line item and for approval of 28 full-time equivalent (FTE) positions to expand the deployment of security forces at Fraine Barracks in Bismarck and Camp Grafton in Devils Lake.**
- **Adjutant General (Request #1564) - To increase special funds spending authority by \$860,000 to accept federal funds from the National Guard Bureau for the Air Guard contracts line item to fund 30 temporary security positions at the North Dakota Air National Guard located at Hector Field in Fargo from January 2006 through September 2006.**
- **Department of Agriculture (Request #1565) - To transfer \$131,000 from the state contingency fund and approval to increase spending authority and the Board of Animal Health line item to reimburse livestock producers for vaccination and disposal costs associated with the anthrax outbreak during summer 2005.**

Representatives Svedjan, Bellew, Boucher, Carlisle, Delzer, Gulleeson, Kempenich, Kerzman, Klein, Kroeber, Martinson, Metcalf, Monson, Pollert, Skarphol, Timm, and Wieland and Senators Andrist, Bowman, Christmann, Every, Fischer, Grindberg, Kilzer, Krauter, Lindaas, Mathern, O'Connell, Robinson, Schobinger, and Stenehjem voted "aye." No negative votes were cast.

DEPARTMENT OF HUMAN SERVICES

Federal Medical Assistance Percentage

Chairman Svedjan called on Ms. Brenda Weisz, Chief Financial Officer, Department of Human Services, to present information regarding the estimated \$8.8 million reduction in general fund matching requirement for North Dakota's federal medical assistance percentage for fiscal year 2007. A copy of the information presented is on file in the Legislative Council office. Ms. Weisz said during the 2005 legislative session, the *Federal Funds Information for States* had calculated the preliminary federal medical assistance percentage for federal fiscal year 2007 at 62.37 percent. However, she said, in September 2005 the *Federal Funds Information for States* calculated the final federal medical assistance percentage for federal fiscal year 2007 at 64.72 percent. She said this increase in the federal medical assistance percentage is estimated to reduce the general fund matching requirements for the Department of Human Services by approximately \$8.8 million, which will be used to assist in maintaining the current level of services in the Medicaid program. She said the department will continue to monitor the Medicaid budget and if changes to programs and services are needed, the department will seek input from service providers, report to the Legislative Council, and determine the appropriate action in order to stay within the funding level appropriated by the 2005 Legislative Assembly.

In response to questions from Representative Svedjan, Ms. Weisz said the Department of Human Services anticipates using the entire \$8.8 million from the general fund that is no longer needed for the federal medical assistance percentage match for the Medicaid program because utilization of services within the Medicaid program have increased.

Medicaid Management Information System

At the request of Chairman Svedjan, Ms. Maggie Anderson, Director, Medical Services, Department of Human Services, presented information regarding the status of the Medicaid management information system. A copy of the information presented is on file in the Legislative Council office. Ms. Anderson said during the 2003-05 biennium, the Department of Human Services hired Fox Systems, Inc., as a consultant to assist with the preparation of several documents for the eventual procurement of a new Medicaid management information system. She said based on an analysis of the costs, benefits, and risks, the department recommended a turnkey solution over a fiscal agent solution. She said the 2005 Legislative Assembly appropriated \$29.2 million, including \$3.7 million from the general fund, to design, develop, and implement the replacement Medicaid system. She said the department released a request for proposal on June 1, 2005, which was due on September 1, 2005, and the final offers were due on

December 5, 2005. She said the cost proposals, including the best and final offers, have come in higher than anticipated due in part to significant changes taking place within the areas of health care and Medicaid technology. She said the newer technology will enable the Medicaid systems to be more effective and efficient and is intended to reduce long-term replacement costs; however, it has increased the initial development costs. She said based on the best and final offers received from the vendors, the Information Technology Department's estimated cost for staff, hardware and software, and Department of Human Services project office/support costs, the overall projected cost of the Medicaid system project is \$57.3 million, of which \$5.7 million is from the general fund. She said the difference between the amount appropriated and the most recent estimate for the project is \$28.1 million, of which \$2 million is from the general fund.

Ms. Anderson said the need to replace the existing Medicaid management information system has not changed and the claims processing system is antiquated, difficult and expensive to maintain, and not efficient. She said postponement of the Medicaid system replacement may result in the loss of the 90 percent federal match the department has secured for project replacement costs, providers and clients would be negatively impacted, and there is no guarantee that the cost of the system will decrease if the project is postponed. She said the Department of Human Services and the Information Technology Department have carefully researched and analyzed all viable options and continue to believe that the turnkey solution is the best alternative for North Dakota from a fiscal and operational perspective.

In response to a question from Senator Bowman, Ms. Anderson said the Medicaid system project is estimated to take 24 months to complete and the Department of Human Services anticipates to begin on the project in April 2006.

At the request of Chairman Svedjan, Mr. Curtis L. Wolfe, Chief Information Officer, Information Technology Department, presented information regarding the Medicaid management information system. Mr. Wolfe said pursuant to NDCC Section 54-59-05, the Information Technology Department has the authority to borrow up to 7.5 percent of its biennial appropriation for the purchase of software, equipment, or implementation services. He said the department's 2005-07 biennium appropriation is approximately \$108.9 million and therefore it has the authority to borrow up to \$8.17 million during the 2005-07 biennium. He said the department received authorization from the 2005 Legislative Assembly to borrow approximately \$6 million in the 2005-07 biennium for a mainframe migration project which results in approximately \$2.1 million available for the department to borrow for the Medicaid management information system project. He said the Information Technology Department is requesting

Budget Section authority for the department to borrow approximately \$2.1 million to be used to match federal funds available for the Medicaid system project which would result in an additional \$21 million of federal funds for the project due to the 90 percent federal match.

Mr. Wolfe said he estimates the Information Technology Department will need to use 21.5 FTE positions to complete the implementation of the Medicaid management information system and the department anticipates requesting 10 additional permanent FTE positions from the 2007 Legislative Assembly for the ongoing maintenance of the Medicaid system. He said it would cost approximately \$1.45 million to migrate the current Medicaid management information system off the mainframe if the state decides to keep the current system instead of replacing it. He said if the state decides to rebid the Medicaid system, it runs the risk of not having any companies bid on the project and at most he believes there would only be the possibility of two bidders.

Representative Svedjan said he believes the Department of Human Services has four options for the Medicaid management information system project:

1. Use the borrowing authority of the Information Technology Department, pursuant to NDCC Section 54-59-05, to borrow approximately \$2.1 million for the Department of Human Services to use to match additional federal funds for the project.
2. Rebid the Medicaid management information system project.
3. Find the \$2.1 million within the existing appropriation of the Department of Human Services.
4. Bid the project as a fiscal agent solution instead of a turnkey solution.

Representative Svedjan said he has concerns regarding the Information Technology Department's authority to borrow funds for a project within another agency.

He called on Mr. John D. Olsrud, Director, Legislative Council, who said the Information Technology Department has the authority, pursuant to NDCC Section 54-59-05, to borrow up to 7.5 percent of its biennial appropriation to fund projects to carry out Chapter 54-59, which presumably would cover purchases of hardware and software for the Information Technology Department, but it is questionable whether the Information Technology Department can borrow funds under this section for another agency's project. He said if the Budget Section were to approve the borrowing it may want make the approval subject to a review of the borrowing by the Attorney General.

After consulting with Mr. Wolfe, Ms. Weisz said they believe it would be possible to include the Information Technology Department in the contract for the Medicaid management information system so the project would be part of the Information Technology Department and meeting the requirements of Section 54-59-05. Representative Delzer said agency efforts to "work around" legislation is what requires the Legislative Assembly to place numerous restrictions in legislation.

It was moved by Representative Delzer, seconded by Senator Fischer, and carried on a voice vote that the Budget Section support the Department of Human Services continuing contract negotiations with the vendor for the Medicaid management information system and that the Department of Human Services return to the Budget Section during its March 2006 meeting, or sooner if necessary, to provide a report on negotiation status and to request Budget Section consideration of any approvals necessary to proceed with the project.

In response to a question from Representative Boucher, Mr. Wolfe said he does not see any problems with waiting until a March 2006 meeting of the Budget Section to receive additional authority for the Medicaid management information system project and Ms. Carol K. Olson, Executive Director, Department of Human Services, said the department is also satisfied with the committee's motion.

INFORMATION TECHNOLOGY DEPARTMENT - ANNUAL REPORT

At the request of Chairman Svedjan, Mr. Mike Ressler, Deputy Chief Information Officer, Information Technology Department, distributed a copy of the department's annual report on information technology projects, services, plans, and benefits, pursuant to NDCC Section 54-59-19. A copy of the information presented is on file in the Legislative Council office. He said the annual report includes an executive summary, executive highlights, information on the department's strategic planning and performance, and information on the department's performance.

Mr. Ressler said the department tracks and monitors the cost and revenue for each service to ensure that service is not subsidizing another service. He said the federal government does not allow the department to charge rates that generate revenues in excess of costs; therefore, the department monitors its cash balances and adjusts rates accordingly. He said the department also 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 services that generate a majority of the department's total revenue:

Service	North Dakota Information Technology Department Rates	South Dakota Bureau of Information Technology Rates	Montana Information Technology Services Division Rates	Wisconsin Division of Enterprise Technology Rates
Central computer central processing unit (CPU) rates	Batch CPU - \$.93 per second CICS CPU - \$.93 per second ADABAS CPU - \$.98 per second TSO CPU - \$.93 per second	Batch CPU - \$1.28 per second CICS CPU - \$1.28 per second ADABAS CPU - \$1.28 per second TSO CPU - \$1.28 per second	Batch CPU - \$1.90 per second CICS CPU - \$.55 per second ADABAS CPU - \$1.08 per second TSO CPU - \$2.32 per second	Batch CPU - \$.93 per second CICS CPU - \$1.23 per second ADABAS CPU - \$1.23 per second TSO CPU - \$1.23 per second
Network fees	Device fee - \$29 per device per month DSL service - Actual cost (ranges from \$40 to \$120) ATM T-1 service - \$840 per month	Device fee - \$48 per device per month DSL service - N/A ATM T-1 service - N/A Access fee - \$50 per device per month	Device fee - \$72.60 per device per month DSL service - \$250 per month ATM T-1 service - \$650 per month	Device fee - \$55 per device per month DSL service - \$665 per month ATM T-1 service - \$1,067 per month

TELEPHONE FEES	
North Dakota Information Technology Department rates	Telephone line - \$21 per device per month Speaker function - \$2 per month Display function - \$3 per month Voice mail (unlimited) - \$3 per month
South Dakota Bureau of Information Technology rates	Telephone line - \$10 per device per month* Speaker function - Actual cost Display function - Actual cost Voice mail (unlimited) - \$6 per month
Montana Information Technology Services Division rates	Telephone line - \$26 per device per month Speaker function - \$7 per month Display function - \$10 per month Voice mail (three-minute limit) - \$5 per month Voice mail (six-minute limit) - \$8 per month Voice mail (ten-minute limit) - \$10 per month
Wisconsin Division of Enterprise Technology	Telephone line - N/A Speaker function - Actual cost Display function - Actual cost Voice mail (unlimited) - \$6 per month

*The customers buy their own telephone device.

LONG DISTANCE	
North Dakota Information Technology Department rates	In state - \$.05 per minute Out of state - \$.05 per minute 800 service - \$.07 per minute
South Dakota Bureau of Information Technology rates	In state - \$.09 per minute Out of state - \$.10 per minute 800 service - \$.10 per minute
Montana Information Technology Services Division rates	In state - \$.105 per minute Out of state - \$.105 per minute 800 service - \$.10 per minute
Wisconsin Division of Enterprise Technology	In state - \$.03 per minute Out of state - \$.03 per minute 800 service - \$.047 per minute
Minnesota Department of Administration	In state - \$.059 per minute Out of state - \$.047 per minute 800 service - \$.047 per minute
Nebraska Division of Communications	state - \$.07 per minute Out of state - \$.07 per minute 800 service - \$.07 per minute
Oklahoma Office of State Finance	In state - \$.09 per minute Out of state - \$.09 per minute 800 service - \$.11 per minute

SOFTWARE DEVELOPMENT		
	Location	Billing Rate Per Hour of Service
Information Technology Department	Bismarck, North Dakota	\$54 - \$58
CIBER	Vancouver, Washington	\$40 - \$100
Objects Worldwide	Fairfax, Virginia	\$45 - \$65
Moten Tate	Orlando, Florida	\$50 - \$95
Bpro, Inc.	Pierre, South Dakota	\$55 - \$85
Compuware Corporation	Plymouth, Minnesota	\$55 - \$125
Tier Technologies	Albuquerque, New Mexico	\$60 - \$120
Nexus Innovations	Bismarck, North Dakota	\$65 - \$130
Eide Bailly LLP	Bismarck, North Dakota	\$65 - \$140
Internet Design & Consulting	Bismarck, North Dakota	\$70 - \$75
Vision Technology	Bismarck, North Dakota	\$70 - \$75
Everest Consultants, Inc.	Beaverton, Oregon	\$70 - \$150
Strategic Business Engineering	Fargo, North Dakota	\$75 - \$95
Applied Engineering, Inc.	Bismarck, North Dakota	\$75 - \$100
StrataCom	Fargo, North Dakota	\$75 - \$125
Enterprise Solutions, Inc.	Bismarck, North Dakota	\$75 - \$140
Intertech Software	St. Paul, Minnesota	\$105 - \$150
Maximus	Rancho Cordova, California	\$145 - \$185

DEPARTMENT OF EMERGENCY SERVICES - STATUS REPORT

At the request of Chairman Svedjan, Mr. Russ Timmreck, Director, Division of State Radio, Department of Emergency Services, presented information on the status of the reorganization of the Division of Emergency Management into the Department of Emergency Services. A copy of the information presented is on file in the Legislative Council office. Mr. Timmreck said the Division of Emergency Management has been restructured to the Department of Emergency Services, pursuant to 2005 House Bill No. 1016, and the reorganization has been going well. He said a draft organizational chart has been completed which contains three elements that are mutually supportive and answer to the Adjutant General. He said an advisory committee has been formed which is comprised of 11 stakeholder members and is governed by an approved charter. He said the strategic planning model being used for the reorganization consists of the following components:

1. Mission.
2. Vision.
3. Business operational base.
4. Strengths, weaknesses, opportunities, and threats.
5. Goals.
6. Objectives (action plans).
7. Systems.
8. Processes.
9. Communications infrastructure.
10. Values.

Mr. Timmreck said the 11 members of the Department of Emergency Services Advisory Committee are:

Member Name	Organization
Chief Joel Boespflug	Bismarck Fire Department
Major General Michael Haugen	Adjutant General's office
Mr. Mark Johnson	North Dakota Association of Counties
Colonel Bryan Klipfel	Highway Patrol
Mr. Dean Lampe	North Dakota Emergency Medical Services Association
Mr. Mike Ressler	Information Technology Department
Chief Charles Rummell	Dickinson Police Department
Ms. Mary Senger	Burleigh County Emergency Management
Mr. Dan Smith	INFRAGARD
Ms. Connie Sprynczynatyk	North Dakota League of Cities
Mr. Tim Wiedrich	State Department of Health

STATUS OF JOB INSURANCE TRUST FUND

At the request of Chairman Svedjan, Ms. Maren Daley, Executive Director, Job Service North Dakota, reported on the status of the job insurance trust fund, pursuant to NDCC Section 52-02-17. A copy of the information presented is on file in the Legislative Council office. Ms. Daley said the 1999 Legislative Assembly set reserve goals for the unemployment insurance trust fund based in part on a national economic model. She said the Legislative Assembly established a seven-year timeframe in which to build the fund to the target level. She said the trust fund balance of December 31, 2004, was approximately \$61.9 million and the target for reserve adequacy is \$77.3 million. She said trust fund projections indicate the fund will reach the target level in late 2005 or early 2006. She said strong employment, low unemployment, and lower levels of unemployment insurance claims in 2004 and 2005 contributed to the trust fund growth and the anticipated early achievement of the target rate.

BUDGET TOUR REPORTS

The following reports on budget tours conducted by the Higher Education Committee were distributed to the committee:

- Wednesday, October 5, 2005 - Williston State College and Williston Research Extension Center.
- Thursday, November 10, 2005 - Bismarck State College.

The following reports on budget tours conducted by the Budget Committee on Government Services were distributed to the committee:

- Thursday, September 22, 2005 - James River Correctional Center.
- Wednesday, October 21, 2005 - Missouri River Correctional Center, State Penitentiary, and Roughrider Industries.
- Wednesday, November 30, 2005 - Youth Correctional Center.

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

Chairman Svedjan said the next Budget Section meeting is anticipated to be March 8, 2006.

Chairman Svedjan said the presentation by the Legislative Council staff of a bill draft relating to the powers and duties of the Budget Section will be delayed until the March 8, 2006, meeting.

It was moved by Senator Robinson, seconded by Senator Fischer, 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 4:05 p.m.

Stephanie A. Johnson
Fiscal Analyst

Jim W. Smith
Legislative Budget Analyst and Auditor

[ATTACH:2](#)