

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

BUDGET SECTION

Wednesday, June 25, 2014
Senate Chamber, State Capitol
Bismarck, North Dakota

Representative Chet Pollert, Chairman, called the meeting to order at 10:00 a.m.

Members present: Representatives Chet Pollert, Larry Bellew, Tracy Boe, Mike D. Brandenburg, Al Carlson, Jeff Delzer, Bill Devlin, Mark A. Dosch, Bette Grande, Ron Guggisberg, Rick Holman, Keith Kempenich, Gary Kreidt, Bob Martinson, Corey Mock, Jon Nelson, Kenton Onstad, Mark Sanford, Robert J. Skarphol, Roscoe Streyle, Blair Thoreson, Don Vigesaa, Clark Williams; Senators Bill L. Bowman, Ron Carlisle, Joan Heckaman, Ray Holmberg, Ralph Kilzer, Jerry Klein, Karen K. Krebsbach, Gary A. Lee, Tim Mathern, David O'Connell, Larry J. Robinson, Mac Schneider, Terry M. Wanzek, John M. Warner

Members absent: Representatives Eliot Glassheim, Kathy Hawken, David Monson, Alon Wieland; Senators Robert Erbele, Tony Grindberg, Rich Wardner

Others present: Donald Schaible, State Senator, Mott
Representative Jim Schmidt, member of the Legislative Management, was also in attendance.
See [Appendix A](#) for additional persons present.

It was moved by Senator Robinson, seconded by Senator O'Connell, and carried on a voice vote that the minutes of the March 12, 2014, meeting be approved as distributed.

COUNTY AND TOWNSHIP ROADS AND BRIDGES INFRASTRUCTURE NEEDS

Dr. Denver Tolliver, Director, Upper Great Plains Transportation Institute, presented a report ([Appendix B](#)) on county, township, and tribal roads and bridges infrastructure needs. He said that over the next 20 years, \$5,398.4 million is projected to be needed for unpaved road improvements, \$2,685 million for paved road improvements, and \$327 million for bridge improvements. He said the projected funding for the paved road investment needs is 17 percent more than the previous projection due primarily to higher construction costs.

Dr. Tolliver said for fiscal years 2015 and 2016, \$548 million is projected to be needed for unpaved road improvements and \$377 million for paved road improvements. He said the institute estimates \$70 million is needed each biennium for the next five bienniums for bridge improvements.

In response to a question from Representative Kempenich, Dr. Tolliver said standardizing criteria for a road's life cycle is challenging because of different maintenance practices from county to county, the different aggregates used on roads, and the quality of the aggregates used.

In response to a question from Representative Kempenich, Mr. Tim Horner, Program Director, Upper Great Plains Transportation Institute, said prediction formula guides distributed by the American Association of State Highway and Transportation Officials (AASHTO) assist in determining the appropriate pavement thickness to use on a road to get the longest useful life from the road.

In response to a question from Representative Delzer, Dr. Tolliver and Dr. Alan Dybing, Associate Research Fellow, Upper Great Plains Transportation Institute, said the report does not currently include scenarios reflecting a decrease in the estimated 2,300 truck trips per well used to calculate the projections in the report.

In response to a question from Representative Schmidt, Dr. Tolliver said the report analysis did not include estimated costs relating to wetland mitigation costs. Representative Schmidt expressed concern regarding the high prices paid by the Department of Transportation for purchasing wetland credits.

STATE WATER COMMISSION PROJECTS AND COST-SHARING

Mr. Todd Sando, State Engineer and Chief Engineer-Secretary, State Water Commission, provided information ([Appendix C](#)) regarding the status of major water projects, local cost-sharing requirements, and changes made to

the commission's priority projects list presented to the 63rd Legislative Assembly for the 2013-15 biennium pursuant to Section 14 of 2013 House Bill No. 1020. He said of the \$546,350,000 of funding identified for major water projects, the commission has acted on projects totaling \$303,965,543. He said the commission anticipates additional funding will be needed for the Southwest Pipeline Project, and \$3,295,000 has been provided to the Red River Valley Water Supply Project for a potential water intake project near Washburn or Bismarck to provide a water source from the Missouri River.

Mr. Sando said the commission has proposed changes to the commission's cost-share policy ([Appendix D](#)). He said the changes include providing local government cost-share grants of up to 60 percent of the water supply project construction costs or grants and loan funding of up to 80 percent of the water supply project construction costs for projects addressing a lack of water supply for domestic use or upgrading a water supply to primary Safe Drinking Water Act standards. In addition, he said, the proposed changes include special consideration for improvements in service areas where the anticipated cost per user each year divided by the average annual median income per user is in the top quartile of its peer group water systems as determined by the Chief Engineer. He said the top 25 percent could qualify for up to 80 percent for water supply project construction loans.

In response to a question from Senator Kilzer, Mr. Sando said 240 projects have already been submitted to the commission for the 2015-17 biennium, and the commission anticipates requesting an increase in funding for projects for the 2015-17 biennium.

In response to a question from Representative Schmidt, Mr. Sando said the state did not have a formal cost-share policy established for rural areas. He said the commission created a proposal for a rural water supply cost-share plan in which the state would provide up to 60 percent for all rural area water supply expansions and up to 50 percent for all rural area water supply improvements. In addition, he said, the commission may provide rural water districts a loan of up to 20 percent of the projects costs in addition to the 60 percent grant. He said the commission may provide up to 75 percent for expansion projects remaining this year.

In response to a question from Representative Skarphol, Mr. Sando said he is not aware of any projects being delayed for a construction season due to a delay in project approval by the commission.

Representative Schmidt expressed concern regarding the new cost-share proposal. He said even with the 20 percent loan provided by the commission, many rural areas still have to apply for other loan sources to generate adequate funding for projects.

DEPARTMENT OF TRANSPORTATION NEW LICENSE PLATE DESIGN

Mr. Grant Levi, Director, Department of Transportation, presented information ([Appendix E](#)) regarding approval of the department's recommendation for a new license plate design pursuant to Section 8 of 2013 Senate Bill No. 2012. He said the new plate design features include flat plate technology, the slogan "Legendary" which is used by the Division of Tourism, pictures of a buffalo and the North Dakota landscape, and the words "Peace Garden State" as required by North Dakota Century Code Section 39-04-12.

In response to a question from Senator Holmberg, Mr. Levi said the the license plate number and letter sequence have been switched from the current license plate design to allow easier recognition by law enforcement.

It was moved by Representative Nelson, seconded by Representative Mock, and carried on a roll call vote that the Budget Section approve the Department of Transportation's new license plate design pursuant to Section 8 of 2013 Senate Bill No. 2012. Representatives Pollert, Bellew, Carlson, Delzer, Devlin, Dosch, Grande, Guggisberg, Holman, Kempenich, Kreidt, Martinson, Mock, Nelson, Onstad, Sanford, Streytle, Thoreson, Vigesaa, and Williams and Senators Bowman, Heckaman, Holmberg, Kilzer, Klein, Krebsbach, Lee, Mathern, Robinson, Schneider, Wanzek, and Warner voted "aye." Representative Boe voted "nay."

AGENCY REQUESTS APPROVED BY THE EMERGENCY COMMISSION

Chairman Pollert directed the Budget Section to consider agency requests ([Appendix F](#)), which have been authorized by the Emergency Commission and forwarded to the Budget Section pursuant to Chapter 54-16. Ms. Sheila Peterson, Director, Fiscal Management Division, Office of Management and Budget, provided information regarding the following requests that have been authorized by the Emergency Commission and require consideration by the Budget Section:

- **Attorney General's office (Request #1838)** - Request is to increase federal funds spending authority by \$346,364 for operating expenses (\$46,744) and capital assets (\$299,620) related to drug testing equipment.

- **Department of Agriculture (Request #1839)** - Request is to increase federal funds spending authority by \$400,000 in the grants line item. The funding is for the United States Department of Agriculture specialty crop block grant program, which promotes specialty crops in the state.
- **Attorney General's office (Request #1840)** - Request is for \$84,000 from the state contingencies appropriation for the litigation fees line item for expenses associated with legal cases and litigation related to section line litigation (\$35,000) and tobacco policy enforcement litigation (\$49,000).
- **Aeronautics Commission (Request #1841)** - Request is to transfer \$300,000 from the grants line item to the operating expenses line item to update the commission's economic impact aviation study.
- **State Water Commission (Request #1845)** - Request is to authorize 5 new full-time equivalent (FTE) positions within the Water Appropriations Division of the State Water Commission and to increase special funds spending authority from the resources trust fund by \$546,106 in the water and atmospheric resources line item to meet the demand for water permits and required permit inspections.

It was moved by Representative Delzer, seconded by Representative Kempenich, and carried on a roll call vote that the Budget Section approve the following requests, which have been approved by the Emergency Commission:

- **Attorney General's office (Request #1838)** - Request is to increase federal funds spending authority by \$346,364 for operating expenses (\$46,744) and capital assets (\$299,620) related to drug testing equipment.
- **Department of Agriculture (Request #1839)** - Request is to increase federal funds spending authority by \$400,000 in the grants line item. The funding is for the United States Department of Agriculture specialty crop block grant program, which promotes specialty crops in the state.
- **Attorney General's office (Request #1840)** - Request is for \$84,000 from the state contingencies appropriation for the litigation fees line item for expenses associated with legal cases and litigation related to section line litigation (\$35,000) and tobacco policy enforcement litigation (\$49,000).
- **Aeronautics Commission (Request #1841)** - Request is to transfer \$300,000 from the grants line item to the operating expenses line item to update the commission's economic impact aviation study.

Representatives Pollert, Bellew, Boe, Carlson, Delzer, Devlin, Dosch, Grande, Guggisberg, Holman, Kempenich, Kreidt, Martinson, Mock, Nelson, Onstad, Sanford, Streytle, Thoreson, Vigessaa, and Williams and Senators Bowman, Carlisle, Heckaman, Holmberg, Kilzer, Klein, Krebsbach, Lee, Mathern, Robinson, Schneider, Wanzek, and Warner voted "aye." No negative votes were cast.

The Budget Section further discussed the State Water Commission request (#1845).

In response to a question from Representative Grande, Ms. Peterson said the FTE positions were not requested during the 2013 legislative session. She said the number of water permit applications and inspections the commission has been experiencing is more than anticipated.

Representatives Delzer and Carlson expressed concerns regarding the use of these funds for FTE positions which is resulting in fewer funds being available for water projects. Representative Delzer said the request should be considered by the 2015 Legislative Assembly.

It was moved by Representative Kempenich, seconded by Senator Carlisle that the Budget Section delay action on the request until the next Budget Section meeting in September 2014.

Representative Kempenich later, with the consent of the second, withdrew the motion.

In response to a question from Senator Bowman, Ms. Peterson said temporary rather than permanent positions were considered, but the positions are highly specialized and temporary positions would be more difficult to recruit and fill.

It was moved by Senator Klein, seconded by Senator Robinson, and carried on a roll call vote that the Budget Section approve the following request, which has been approved by the Emergency Commission:

- **State Water Commission (Request #1845)** - Request is to authorize 5 new FTE positions within the Water Appropriations Division of the State Water Commission and to increase special funds

spending authority from the resources trust fund by \$546,106 in the water and atmospheric resources line item to meet the demand for water permits and required permit inspections.

Representatives Boe, Carlson, Guggisberg, Holman, Kempenich, Mock, Nelson, Onstad, Sanford, and Williams and Senators Bowman, Carlisle, Heckaman, Holmberg, Kilzer, Klein, Krebsbach, Lee, Mathern, Robinson, Schneider, and Warner voted "aye." Representatives Pollert, Bellew, Delzer, Devlin, Dosch, Grande, Kreidt, Martinson, Streyle, Thoreson, and Vigesaa and Senator Wanzek voted "nay."

UNIVERSITY OF NORTH DAKOTA SCHOOL OF MEDICINE AND HEALTH SCIENCES RENOVATION PROJECT AND NORTH DAKOTA STATE COLLEGE OF SCIENCE FOOTBALL COMPLEX RENOVATION PROJECT

Pursuant to Section 15-10-12.1, Ms. Alice Brekke, Vice President for Finance and Operations, University of North Dakota, presented information ([Appendix G](#)) regarding a request for Budget Section approval to increase the University of North Dakota (UND) School of Medicine and Health Sciences renovation project spending authority by \$600,000, of which \$300,000 is from tuition income and \$300,000 from grant income. She said the funds will be used to provide more laboratories, group associated support, and office spaces.

Pursuant to Section 48-01.2-25, Dr. John Richman, President, North Dakota State College of Science, presented information ([Appendix H](#)) regarding a request for Budget Section approval to increase the North Dakota State College of Science football complex renovation project authorization by \$150,000 from \$1,350,000 to \$1,500,000. He said the additional funds would be raised by the college. He said the increased cost is due to higher construction costs and construction delays as a result of extending the time allowed for project bids.

It was moved by Representative Martinson, seconded by Senator Mathern, and carried on a roll call vote that the Budget Section approve the UND request pursuant to Section 15-10-12.1 to increase spending authority of the UND School of Medicine and Health Sciences renovation project by \$600,000, of which \$300,000 be provided from tuition income and \$300,000 provided from grant income and that the Budget Section approve the North Dakota State College of Science request pursuant to Section 48-01.2-25 to increase spending authority of the North Dakota State College of Science football complex renovation project by \$150,000, from \$1,350,000 to \$1,500,000. Representatives Pollert, Boe, Carlson, Devlin, Grande, Guggisberg, Holman, Kempenich, Kreidt, Martinson, Mock, Nelson, Onstad, Sanford, Thoreson, Vigesaa, and Williams and Senators Bowman, Carlisle, Heckaman, Holmberg, Kilzer, Klein, Krebsbach, Lee, Mathern, Robinson, Schneider, Wanzek, and Warner voted "aye." Representatives Bellew, Delzer, Dosch, and Streyle voted "nay."

UNIVERSITY OF NORTH DAKOTA LAW SCHOOL RENOVATION AND ADDITION PROJECT

Pursuant to Section 48-01.2-25, Ms. Brekke presented information ([Appendix I](#)) regarding a request for Budget Section approval to increase the UND Law School renovation and addition project spending authority by \$2,507,448 from \$11,400,000 to \$13,907,448. She said the \$2,507,448 of additional funds will be provided from private funds. She said the bids have been received, and the project will also require the use of available contingency funds of \$508,828. She said the project authorization being requested is now a total of \$14,413,276.

In response to a question from Representative Kempenich, Ms. Kathryn Rand, Dean, University of North Dakota School of Law, said the priority of the project was to maintain classroom space and student space. She said some aesthetics changes were made to keep the project within budget, but increases in construction costs have resulted in the need to raise additional funds.

It was moved by Representative Martinson, seconded by Senator Krebsbach, and carried on a roll call vote that the Budget Section approve the UND request pursuant to Section 48-01.2-25 to increase spending authority for the UND Law School renovation and addition project by \$3,013,276, from \$11,400,000 to \$14,413,276. Representatives Pollert, Boe, Carlson, Grande, Guggisberg, Holman, Martinson, Mock, Nelson, Onstad, Sanford, Thoreson, and Williams and Senators Bowman, Carlisle, Heckaman, Holmberg, Kilzer, Klein, Krebsbach, Lee, Mathern, Robinson, Schneider, Wanzek, and Warner voted "aye." Representatives Bellew, Delzer, Devlin, Dosch, Kempenich, Kreidt, Streyle, and Vigesaa voted "nay."

STATE AGENCY UNCLAIMED PROPERTY

Ms. Linda Fisher, Administrator, Unclaimed Property Division, Department of Trust Lands, presented a report ([Appendix J](#)) on state agencies that have not submitted a claim for unclaimed property belonging to those agencies. She said 11 agencies have unclaimed property with a total value of \$11,601.

It was moved by Representative Delzer, seconded by Senator Carlisle, and carried on a roll call vote that pursuant to Section 47-30.1-24.1 the Budget Section approve the list provided by the Board of University and School Lands of the following state agencies relinquishing their rights to recover unclaimed property:

- North Dakota Job Service.
- Department of Banking and Finance.
- University of North Dakota.
- Insurance Department.
- North Dakota State University.
- Parks and Recreation Department.
- State Hospital.
- Indian Affairs Commission.
- Minot State University.
- North Dakota State Disbursement Unit.
- Workforce Safety and Insurance.

Representatives Pollert, Bellew, Boe, Carlson, Delzer, Devlin, Dosch, Grande, Guggisberg, Holman, Kempenich, Kreidt, Martinson, Mock, Nelson, Onstad, Sanford, Streyle, Thoreson, Vigesaa, and Williams and Senators Bowman, Carlisle, Heckaman, Holmberg, Kilzer, Klein, Krebsbach, Lee, Mathern, Robinson, Schneider, Wanzek, and Warner voted "aye." No negative votes were cast.

The Budget Section recessed for lunch at 12:50 p.m. and reconvened at 1:35 p.m.

NORTH DAKOTA UNIVERSITY SYSTEM INFORMATION TECHNOLOGY DATA BREACH

Dr. Lisa Feldner, Vice Chancellor for Information Technology and Institutional Research, North Dakota University System, presented information regarding an update on the information technology data breach. She said viruses were used to access usernames and passwords to gain unauthorized access to a University System server. She said a forensic analysis concluded with 99 percent assurance that none of the data accessed was used. She said credit counseling was provided to users affected by the data breach. She said changes made to prevent another data breach include:

- Equipment upgrades.
- Reengineering desktop support.
- Mandatory security screening for all employees.
- Workplace review to identify potential changes to prevent a data breach.

LEGACY AND BUDGET STABILIZATION FUND ADVISORY BOARD REPORT

Representative Kempenich, Chairman, Legacy and Budget Stabilization Fund Advisory Board, presented a status report ([Appendix K](#)) regarding the investment of funds in the legacy fund and budget stabilization fund pursuant to Section 21-10-11. He said the market value of the budget stabilization fund as of April 30, 2014, was \$590.9 million, and the market value of the legacy fund as of April 30, 2014, was \$2,009 million. He said the assets of the legacy fund have been held in 100 percent fixed income-type investments. He said the advisory board revised the investment policy and recommended the following asset allocation mix for the legacy fund:

- Broad US equity - 30 percent;
- Broad international equity - 20 percent;
- Fixed income - 35 percent;
- Core real estate - 5 percent; and
- Diversified real assets - 10 percent.

Representative Kempenich said the transition to the new asset allocation mix is to be completed in January 2015.

2013-15 BIENNIUM REPORT ON COMPLIANCE WITH LEGISLATIVE INTENT

Chairman Pollert called on the Legislative Budget Analyst and Auditor to present the [2013-15 Biennium Report on Compliance With Legislative Intent](#) and the [analysis](#) of major state trust funds. The Legislative Budget Analyst and Auditor said the information is available on the legislative website, and the printed report is available upon request. The Legislative Budget Analyst and Auditor reviewed a copy ([Appendix L](#)) of a "Fiscal Update" email providing selected key items in the report and links to the full reports.

STATUS OF THE GENERAL FUND

Ms. Pam Sharp, Director, Office of Management and Budget, presented a report ([Appendix M](#)) on the status of the general fund.

Ms. Sharp presented the following information on the status of the general fund as of May 31, 2014, for the 2013-15 biennium:

| | | |
|---|-------------------|----------------------------|
| Unobligated general fund balance - July 1, 2013 | | \$1,396,059,186 |
| Balance obligated for unspent emergency appropriation authority | | 165,874,199 |
| Balance obligated for authorized carryover from the 2011-13 biennium | | 89,503,462 |
| Total beginning general fund balance - July 1, 2013 | | \$1,651,436,847 |
| Add | | |
| General fund collections through May 2014 | \$2,701,867,812 | |
| Forecasted general fund revenue for the remainder of the 2013-15 biennium | 2,977,097,397 | |
| Total revenues | | 5,678,965,209 |
| Total available | | \$7,330,402,056 |
| Less | | |
| Legislative appropriations - One time | (\$2,433,567,701) | |
| Legislative appropriations - Ongoing | (4,429,019,653) | |
| Authorized carryover from the 2011-13 biennium | (89,503,462) | |
| 2013-15 emergency appropriations utilized in the 2011-13 biennium | 163,812,041 | |
| Total appropriations | | (6,788,278,775) |
| Estimated ending general fund balance - June 30, 2015 | | \$542,123,281 ¹ |

¹Pursuant to Section 54-27.2-02, any end-of-biennium balance in excess of \$65 million must be transferred to the budget stabilization fund, up to a maximum of 9.5 percent of general fund appropriations.

Ms. Sharp presented information ([Appendix N](#)) on general fund revenue collections for May 2014 and the 2013-15 biennium to date. She said general fund revenues collected for the biennium to date are \$202.1 million, or 8.1 percent more than the May 2013 legislative forecast.

ECONOMIC INDICATORS

Ms. Sharp presented information ([Appendix O](#)) on the key economic indicators, including consumer prices, money markets, personal income, commodity prices, unemployment, energy prices and production, and interest rates.

IRREGULARITIES IN THE FISCAL PRACTICES OF THE STATE

Pursuant to Section 54-14-03.1, Ms. Sharp presented information ([Appendix P](#)) on irregularities in the fiscal practices of the state. She presented the following fiscal irregularities for the period January 2014 through April 2014:

| Agency | Fiscal Irregularity | Amount |
|----------------------------|---|---------|
| Aeronautics Commission | Additional pay to fill in for open (FTE) position | \$2,500 |
| State Department of Health | Additional pay to fill in for open (FTE) position | \$1,203 |
| Tax Commissioner | Temporary workload adjustment | \$500 |
| Department of Commerce | Settlement agreement | \$1,531 |

TOBACCO SETTLEMENT PROCEEDS

Ms. Sharp presented information ([Appendix Q](#)) on the status of tobacco settlement proceeds received by North Dakota. She said total payments received to date are \$433.3 million, and the next payment is anticipated to be received in April 2015. She said the April 2014 payment totaled \$34 million, of which \$22.8 million was deposited in the tobacco settlement trust fund and \$11.2 million was deposited in the tobacco prevention and control trust fund. A summary of the recent collections is listed below.

| Period | Tobacco Settlement Trust Fund (Amounts Shown in Millions) | Tobacco Prevention and Control Trust Fund (Amounts Shown in Millions) | Total (Amounts Shown In Millions) |
|------------|--|--|--------------------------------------|
| April 2012 | \$20.1 | \$11.4 | \$31.5 |
| April 2013 | 20.1 | 11.4 | 31.5 |
| April 2014 | 22.8 | 11.2 | 34.0 |
| Total | \$63.0 | \$34.0 | \$97.0 |

STATE BOARD OF HIGHER EDUCATION - SEMIANNUAL PROJECT VARIANCE REPORTS

Ms. Sharp presented semiannual project variance reports ([Appendix R](#)) on State Board of Higher Education projects pursuant to Section 15-10-47. She said the reports included project variances as of December 31, 2013.

STATE AGENCY APPLICATIONS FOR FEDERAL GRANTS

Ms. Sharp presented information ([Appendix S](#)) on state agencies that applied for federal grants estimated to be \$25,000 or more pursuant to Section 54-27-27. She said for the period June 2013 through June 25, 2014, the following agencies have applied for a federal grant estimated to be \$25,000 or more:

| Agency | Time Period of Grant | Amount |
|----------------------------------|---------------------------------|------------------|
| Department of Public Instruction | 5 years | \$1,900,000/year |
| Department of Public Instruction | 5 years | \$750,000/year |
| Department of Public Instruction | October 2014 through March 2016 | \$250,000 |

Ms. Sharp said for the period June 2013 through June 25, 2014, the following agency was awarded a federal grant estimated to be \$25,000 or more:

| Agency | Time Period of Grant | Amount |
|---------------------------------|--|----------|
| Department of Veterans' Affairs | October 15, 2013, through September 30, 2014 | \$50,000 |

Representative Carlson asked that the Department of Public Instruction provide additional detail on its grant application for the next Budget Section meeting. Chairman Pollert asked that it be added to the next Budget Section meeting agenda.

MISSOURI RIVER CORRECTIONAL CENTER LAND USE STUDY

Ms. Sharp presented a report on options for the possible relocation of the Missouri River Correctional Center (MRCC) and the results of the MRCC land use study pursuant to Section 4 of 2013 Senate Bill No. 2015. She said the Office of Management and Budget (OMB) contracted with BWBR Architects, Inc., to conduct the study. She said OMB supports the results of the study.

Mr. Mark Ludgatis, Principle AIA, BWBR, Architects, Inc., and Mr. Dave Leighly, Senior Project Architect/Code Specialist AIA, LEED AP, BWBR, Architects, Inc., presented information ([Appendix T](#)) regarding the results of its MRCC land use study pursuant to Section 4 of Senate Bill No. 2015. Mr. Leighly said the objective of the study was to develop options for the feasibility and desirability of relocating the MRCC to a site adjacent to the Youth Correctional Center (YCC) in Mandan and to determine whether consolidation of the MRCC and YCC facilities would result in operational efficiencies for the Department of Corrections and Rehabilitation (DOCR). He said the land use study was to review options to develop all or a portion of the current MRCC site into a public park. In addition, he said, the study was to identify if the MRCC should be moved due to recent flooding issues and if its current site would be better-suited as a public day park.

Mr. Leighly said the results of the study concluded that it may be physically feasible to relocate the MRCC to a site adjacent to the YCC and maintain adequate sight and sound separation between the MRCC and YCC facilities, but relocating the MRCC facility to a site adjacent to the YCC would not be desirable because of the risk associated with maintaining strict physical separation of two distinct populations located in close proximity to each other. He said one incident between an adult offender and an at-risk youth could potentially be too costly to the DOCR and the state. He said the study also concluded that there are few opportunities to share services that would result in operational efficiencies or operational cost-savings that might offset the risk. He said that the study also found that the existing MRCC land is well-suited for a public day park, and there are opportunities for both full utilization of the site or partial utilization that would allow the MRCC facility to continue to occupy a portion of the site. He reviewed the land use options from the study, including:

| Missouri River Correctional Center Land Alternatives | Total Projected Cost for the Park Proposal During the 2015-17 Biennium |
|---|---|
| Relocate MRCC to existing YCC site near Mandan. Of the 900 available acres, 300 acres of existing cropland would continue to be rented, and 600 acres would be converted to a large, regional day use park. | \$11,030,000 |
| Relocate MRCC to existing YCC site near Mandan. Of the 900 available acres, 300 acres of existing cropland would continue to be rented, 520 acres would be converted to a large, regional day use park, and 80 acres adjacent to the existing MRCC site would remain undeveloped. | \$11,897,000 |
| Retain MRCC on the existing site. Of the 900 available acres, 300 acres of existing cropland would continue to be rented (and would act as a physical buffer between the MRCC and the day use park), 200 acres would be converted to a day use park, and the rest of the site would remain undeveloped. | \$7,110,000 |

Senator Carlisle expressed concern of the potential risk of the MRCC's current location in a residential area of south Bismarck.

STATE HISTORICAL SOCIETY PROJECT POOL LINE ITEM

Mr. David Skalsky, Assistant Director, State Historical Society, presented information ([Appendix U](#)) regarding the use of funds in the project pool line item pursuant to Section 4 of Senate Bill No. 2015. He presented the following schedule as of May 31, 2014, of expenditures from the pool:

| Description | Current Budget | Expended as of May 31, 2014 | Balance |
|-------------------------|-----------------------|------------------------------------|------------------|
| Technology coordinator | \$135,000 | \$37,371 | \$97,629 |
| Temporary salaries | 240,000 | 12,567 | 227,433 |
| Governor's gallery | 125,000 | 63,200 | 61,800 |
| Historic site repairs | 250,000 | 14,714 | 235,286 |
| Promotion and marketing | 30,000 | 10,476 | 19,524 |
| Information technology | 70,000 | 34,614 | 35,386 |
| Lawrence Welk homestead | 100,000 | 0 | 100,000 |
| Total | \$950,000 | \$172,942 | \$777,058 |

INDUSTRIAL COMMISSION ABANDONED OIL AND GAS WELL PLUGGING AND SITE RECLAMATION

Mr. Lynn Helms, Director, Industrial Commission, presented information ([Appendix V](#)) regarding the balance of the abandoned oil and gas well plugging and site reclamation fund and expenditures from the fund pursuant to Section 38-08-04.5. He said as of May 31, 2014, the balance of the abandoned oil and gas well plugging and site reclamation fund was \$7,873,246, and he anticipates the balance will be \$12,861,310 by the end of the 2013-15 biennium. Revenues and expenditures of the fund are as follows:

| Description | Actuals - July 2013 Through May 2014 | Estimates - June 2014 Through June 2015 |
|--------------------|---|--|
| Beginning balance | \$2,307,909 | \$7,873,246 |
| Revenue | 5,588,649 | \$5,678,451 |
| Expenditures | (23,312) | (690,387) |
| Ending balance | \$7,873,246 | \$12,861,310 |

Mr. Helms said that during the past 19 months, there have been 21 illegal dumping incidents, of which 13 cases remain open.

In response to a question from Representative Thoreson, Mr. Helms said property confiscated by the Industrial Commission is sold through a sheriff's auction.

TRIBAL OIL TAX AGREEMENT CHANGES

Chairman Pollert called on the Legislative Budget Analyst and Auditor to present the memorandum entitled [Three Affiliated Tribes - Oil and Gas Agreement and Oil Tax Allocations](#). House Bill No. 1198 (2013) removed a five-year exemption from the oil extraction tax related to new oil wells and increased the allocation of oil tax collections to the Three Affiliated Tribes. The result of the 2013 Legislative Assembly change to increase the allocation of oil and gas gross production tax collections to the Three Affiliated Tribes has increased the revenues for the Three Affiliated Tribes by an estimated \$24.7 million for the first six months of the biennium with a corresponding reduction to the state's share.

DEPARTMENT OF HUMAN SERVICES MEDICAID MANAGEMENT INFORMATION SYSTEM COMPUTER PROJECT AND MEDICAID EXPANSION

Ms. Jenny Witham, Director of Information Technology Services, Department of Human Services, presented information ([Appendix W](#)) regarding the status of the Medicaid management information system (MMIS) computer project. She said the department is conducting system integration testing (SIT), user acceptance testing (UAT), and multiple testing activities, including data conversion, end-to-end, performance, 508 ADA Compliance, interface, trading partner and electronic data exchange, and operational readiness testing. She said the department anticipates a July 2014 completion date for parallel testing of claims payment results for the new system compared to claims payment results for the legacy system. She said the department anticipates a September 2014 implementation date for the system.

In response to a question from Senator Bowman, Ms. Witham said the total project budget totals \$88.5 million.

Ms. Maggie D. Anderson, Executive Director, Department of Human Services, presented information regarding the status of Medicaid Expansion. She said as of June 1, 2014, Medicaid Expansion-related enrollment was approximately 9,500 individuals. She said new enrollments have been decreasing since the open enrollment period for the federal Marketplace ended on March 31, 2014.

In response to a question from Representative Carlson, Ms. Anderson said the federal government is paying 100 percent of Medicaid Expansion-related claims for the first three calendar years of the Expansion. She said the percentage will decrease to 90 percent by 2020.

In response to a question from Representative Delzer, Ms. Anderson said she would provide information ([Appendix X](#)) to the Budget Section explaining estate recovery relating to Medicaid Expansion.

DEPARTMENT OF COMMERCE CENTERS OF EXCELLENCE AND CENTERS OF RESEARCH EXCELLENCE

Ms. Jolynne Tschetter, Commercialization Manager, Office of Innovation and Entrepreneurship, Department of Commerce, provided information ([Appendix Y](#)) regarding the annual audit of centers of excellence recipients awarded funds pursuant to Section 15-69-05 and the centers of research excellence recipients awarded funds pursuant to Section 54-65-03. She said \$53.4 million of state centers of excellence funds and \$204 million in nonstate funds have generated a total economic impact of an estimated \$691 million.

Ms. Tschetter said each centers of excellence award is monitored for a period of 6 years to 10 years. Centers are reviewed after a period of at least three full fiscal years, and the review includes determining whether the centers are having the desired economic benefits. Centers of excellence and centers of research excellence participants and the Centers of Excellence Commission assessment include:

| Center of Excellence and Center of Research Excellence | Commission's Assessment |
|---|-------------------------|
| Lake Region State College - Dakota Precision Ag Center | Meets expectations |
| North Dakota State University (NDSU) - Center for Advanced Electronics Design and Manufacturing | Meets expectations |
| NDSU - Center for Agbiotechnology: Oilseed Development | Meets expectations |
| NDSU - Center for Surface Protection | Meets expectations |
| UND - Petroleum Research, Education, and Entrepreneurship Center | Meets expectations |
| UND - Unmanned Aircraft Systems (UAS) Research, Education, and Training Enhancement Grant: Predator Mission Aircrew Training System (PMATS) | Meets expectations |
| UND - UAS Center of Excellence | Meets expectations |
| Dickinson State University (DSU) Strom Center for Entrepreneurship and Rural Revitalization - Institute for Technology and Business | Needs improvement |
| NDSU - Center for Biopharmaceutical Research and Production | Needs improvement |
| NDSU - Center for Integrated Electronic Systems | Needs improvement |
| UND - Center of Excellence in Space Technology and Operations | Needs improvement |
| UND - SUNRISE BioProducts Center of Excellence for Chemicals, Polymers, and Composites | Needs improvement |
| UND Research Foundation - Center for Passive Therapeutics | Needs improvement |

| | |
|--|------------------------------------|
| UND Research Foundation - Center of Excellence in Life Sciences and Advanced Technology | Needs improvement |
| Bismarck State College (BSC) - National Energy Center of Excellence | Released from postaward monitoring |
| UND Energy and Environmental Research Center (EERC) - National Center for Hydrogen Technology | Released from postaward monitoring |
| Williston State College (WSC) - Petroleum Safety and Technology Center | Released from postaward monitoring |
| Valley City State University | Closed - Unspent funds returned |
| NDSU - Center for Sensors, Communication, and Control | No assessment until June 2014 |
| Dakota College at Bottineau (DCB) - Entrepreneurial Center for Horticulture | No assessment until June 2014 |
| UND - UAS Software Curriculum and Development | No assessment until June 2014 |
| UND - Grand Forks Air Force Base Realignment Business Transition Program | No assessment until June 2014 |
| NDSU - Research 1 Expansion | No assessment until June 2014 |
| UND Center for Innovation - Certificate Programs for Motion Video and Activity-Based Intelligence Analysis | No assessment until June 2014 |
| UND CFI - V2 Aerospace, Inc., Technical Assistance Request | No assessment until June 2015 |
| NDSU - Material and Nanotechnology Center | No assessment until June 2015 |
| UND - Limited Deployment Cooperative Airspace Project | No assessment until June 2015 |
| NDSU - ADS-B Miniaturization Program (LD-CAP) | No assessment until June 2015 |
| UND - Global Hawk Sensor Operator Part Task Trainer | No assessment until June 2015 |
| UND Center for Innovation - Joint Distributed Common Ground System | No assessment until June 2015 |
| UND - Airspace Integration Team - UAS National Test Site (Phase I, II, III) | No assessment until June 2015 |
| UND CFI - Enhanced Use Lease (EUL) for Grand Forks Air Base III | No assessment until June 2015 |
| NDSU - Center for Advanced Technology Development and Commercialization | No assessment until June 2016 |
| UND - Law Enforcement and Public Safety Agency Small UAS Course | No assessment until June 2016 |
| NDSU - Center for Life Sciences Research and Applications | No assessment until June 2016 |
| NDSU - Center for Technologically Innovative Process and Products | No assessment until June 2016 |
| UND - Center for Avian Therapeutics for Infectious Diseases | No assessment until June 2016 |

In response to a question from Representative Carlson, Ms. Tschetter said over 270 jobs were created at the centers with more of the jobs being created in the public sector than the private sector.

DEPARTMENT OF COMMERCE EXPERIMENTAL PROGRAM TO STIMULATE COMPETITIVE RESEARCH AND RESEARCH NORTH DAKOTA

Ms. Tschetter provided information ([Appendix Z](#)) regarding the Experimental Program to Stimulate Competitive Research and Research North Dakota, including the Research North Dakota venture investment program pursuant to Section 37 of 2013 Senate Bill No. 2018. She reviewed the number of applications and approved awards as follows:

| Program | Applications Received | Applications Approved | Awards Approved |
|-----------------|-----------------------|-----------------------|-----------------|
| Research ND | 4 | 2 | \$78,401 |
| Research ND BIO | 1 | 1 | \$1,000,000 |
| Venture grant | 7 | 6 | \$599,222 |

DEPARTMENT OF VETERANS' AFFAIRS - VETERANS EXPOSED TO AGENT ORANGE

Mr. Lonnie Wangen, Commissioner, Department of Veterans' Affairs, provided information ([Appendix AA](#)) regarding funds received to provide services to veterans exposed to Agent Orange, the grants provided, and the outcomes of the services provided pursuant to Section 2 of 2013 House Bill No. 1405. He said the department has spent \$29,447 of the \$50,000 appropriated in House Bill No. 1405 for the program for:

- Two billboard signs.
- Agent Orange literature and information packets.
- Travel expenses for townhall roundtable events.
- Agent Orange expert fees.

Mr. Wangen said the department has received approximately 200 calls from Vietnam veterans and their family members in response to placing the billboards. He said the department anticipates conducting a townhall roundtable event in each county by May 2015.

DICKINSON STATE UNIVERSITY - STATUS OF THE THEODORE ROOSEVELT PRESIDENTIAL LIBRARY PROJECT

Dr. D. C. Coston, President, Dickinson State University, presented information regarding the status of activities relating to the Theodore Roosevelt Presidential Library project. He said the City of Dickinson has committed \$3 million of nonstate funds for the required matching to access the state funding of up to \$6 million from the general fund pursuant to Senate Bill No. 2018. He said the City of Dickinson may commit an additional \$5 million for the project. He said Dickinson State University has created an entity for the project named the Theodore Roosevelt Library Foundation. He said the foundation anticipates receiving approval for nonprofit status from the Internal Revenue Service. He said current projections from the foundation anticipate the new center will have 125,000 to 150,000 visitors each year. He said the foundation anticipates creating a website enabling the general public to access the works of Theodore Roosevelt.

DEPARTMENT OF CAREER AND TECHNICAL EDUCATION PERFORMANCE MEASURES OF THE SCIENCE, TECHNOLOGY, ENGINEERING, AND MATHEMATICS PROGRAM

Mr. Wayne Kutzer, Director, Department of Career and Technical Education, presented information ([Appendix BB](#)) regarding performance measures of the science, technology, engineering, and mathematics (STEM) program pursuant to Section 3 of 2013 Senate Bill No. 2019. He said the department received funding for four initiatives which included:

| STEM Initiative | Funding |
|--|-----------|
| Engineering by Design (EbD) or Project Lead the Way (PLTW) curriculum adoption | \$300,000 |
| STEM matching grants | \$150,000 |
| North Dakota STEM Network | \$300,000 |
| STEM Infusion grant | \$200,000 |

Mr. Kutzer said 28 high schools with over 2,800 students have adopted the EbD or the PLTW STEM-based curriculum, and an additional three high schools will be adopting the curriculum during the next school year. He said three school districts have been provided a grant, up to the maximum grant amount of \$15,000, for the STEM matching grant initiative, and four additional school districts are currently in the process of receiving a grant. He said the North Dakota STEM Network has been established, and a contract was created with a management company called Praxis Strategy Group to handle the day-to-day business of the STEM Network. He said the STEM Infusion program has worked with 23 school districts and 1,650 students on many STEM-related projects with a focus on recruitment and engagement of students into STEM fields.

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

Representative Kempenich suggested the Budget Section receive a report at its September 2014 meeting from OMB regarding the preliminary general fund revenue forecast for the 2015-17 biennium and an update on key economic indicators.

Chairman Pollert announced the next Budget Section meeting is tentatively scheduled for Wednesday, September 24, 2014, beginning at 10:00 a.m.

No further business appearing, Chairman Pollert adjourned the meeting at 4:10 p.m.

Michael C. Johnson
Fiscal Analyst

Allen H. Knudson
Legislative Budget Analyst and Auditor

ATTACH:28