

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

BUDGET SECTION

Senate Chamber
State Capitol
Bismarck, North Dakota

Representative Jack Dalrymple, Chairman, called the meeting to order at 9:00 a.m.

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

Members absent: Representatives Pam Gulleson, Edward H. Lloyd, Ronald Nichols

Others present: See Appendix "A".

It was moved by Representative Wald, seconded by Senator Tallackson, and carried on a voice vote that the minutes of the March 12, 1997, meeting of the Budget Section be approved as mailed.

RULES OF OPERATION AND PROCEDURE

Copies of a Legislative Council memorandum on the supplementary rules of operation and procedure of the North Dakota Legislative Council were distributed to members of the Budget Section.

It was moved by Senator Lips, seconded by Representative Wald, and carried on a voice vote that the Budget Section adopt the supplementary rules of operation and procedure for the 1997-99 biennium.

STATUS OF THE GENERAL FUND

At the request of Chairman Dalrymple, Mr. Rod Backman, Director, Office of Management and Budget, presented a report on the status of the general fund. A copy of the information presented is on file in the Legislative Council office. Mr. Backman said although final information for the month of June 1997 was not available, preliminary information indicated that 1995-97 biennium general fund revenue, including estimated revenue for the month of June, will be approximately \$1,369,105,681, which is approximately \$7.7 million less than the March 1997 revenue forecast of \$1,376,792,781. Mr. Backman said unexpended general fund appropriation authority for the 1995-97 biennium will be approximately \$17.7 million, \$3.1 million more than previously estimated.

The 1997 Legislative Assembly passed House Bill No. 1015, which provides that any amount in the general fund in excess of \$65 million as of July 1, 1997, must be transferred to the budget stabilization fund. This bill also provides that any amount transferred to the budget stabilization fund must be transferred to the Bank of North Dakota. The 1997 Legislative Assembly estimated that the amount transferred would be approximately \$7.5 million. Mr. Backman said the amount currently estimated to be transferred to the budget stabilization fund and ultimately to the Bank of North Dakota pursuant to 1997 House Bill No. 1015 is approximately \$2.4 million, \$5.1 million less than previously estimated.

Mr. Backman presented information on damage resulting from North Dakota's 1997 disasters and on applications for federal disaster assistance. A copy of this information is on file in the Legislative Council office. He said the state cost of accessing federal disaster assistance funds is estimated to be \$30 million to \$43 million.

Mr. Backman distributed a report prepared by WEFA on the economic impact of the North Dakota flood and winter storm disasters. The report indicated that as a result of adverse winter weather and spring flooding, North Dakota wages and salaries, personal income, and gross state product will be reduced during the first three quarters of 1997, but after that time will rise above previously projected levels through the third quarter of 1998. After that, wages and salaries, personal income, and gross state product will remain at previously projected levels through 1999. The increase in these economic factors is primarily the result of increased construction to rebuild flood-damaged homes and commercial property in the Grand Forks area. He said the net result will be approximately \$10 million of additional general fund revenue for the 1997-99 biennium.

Senator Solberg asked if the state will receive federal disaster assistance in addition to the federal funds that have already been received. Mr. Backman said the state has already received \$50 million in assistance for the Grand Forks area and \$5 million for the rest of the state. He said these amounts are only an initial payment of federal disaster assistance and the state will receive additional federal funds.

Senator Mathern asked if the source of the estimated \$10 million increase in general fund revenue for the 1997-99 biennium has been identified by region. Mr. Backman said the \$10 million is a statewide estimate provided by WEFA.

Representative Byerly asked if WEFA provided any estimate of the costs to political subdivisions for obtaining federal disaster assistance. Mr. Backman said the \$30 million to \$43 million statewide cost includes costs to state government and political subdivisions.

FISCAL IRREGULARITIES

At the request of Chairman Dalrymple, Mr. Backman presented information pursuant to North Dakota Century Code Section 54-14-03.1, which requires reports from the Office of Management and Budget on irregularities in the fiscal practices of the state. Irregularities include the use of state funds to provide bonuses, cash incentive awards, and temporary salary adjustments for state employees. The Office of Management and Budget reviewed agency salary adjustments and noted irregularities and temporary salary adjustments provided to employees at the Office of Management and Budget, Secretary of State's office, the Department of Transportation, and the Workers Compensation Bureau. A copy of the information presented is on file in the Legislative Council office.

Senator Krauter said the temporary salary increases provided to 17 Workers Compensation Bureau employees were between \$130 and \$1,200 per month. He asked if, when reviewing agency salary adjustments, the Office of Management and Budget has ever identified another state agency that has provided such large temporary salary increases to so many employees. Mr. Backman said North Dakota Century Code Section 54-14-03.1 requires the Office of Management and Budget to report all irregularities that it becomes aware of. He said the Office of Management and Budget may not be aware of all temporary salary increases provided by state agencies. He said, however, he did not recall any other state agency providing temporary salary increases to that number of employees.

Representative Wald said the Legislative Assembly exempted the Workers Compensation Bureau from the requirements of the state's central personnel system to allow the Workers Compensation Bureau to operate like a private business. He said the bureau should not be criticized for operating as a private business and compensating its employees in that manner.

INFORMATION SERVICES DIVISION TECHNOLOGY PLANNING GUIDELINES

At the request of Chairman Dalrymple, Mr. Jim Heck, Director, Information Services Division, presented a report on guidelines developed by the Information Services Division for use by state agencies in preparing information technology plans, as required by 1997 House Bill No. 1034. A copy of the information presented is on file in the Legislative Council office. Mr. Heck said the guidelines are being developed based on legislative intent contained in Section 15 of House Bill No. 1034. He said the guidelines will be used by state agencies to develop information technology plans and will include five sections--the executive summary; project detail; a description of each of the agency's information technology systems; an inventory listing of the agency's hardware, software, and contracted services; and a comparison of the current information technology plan to previous plans.

Representative Byerly asked if North Dakota has ever conducted a study of what information is collected by state agencies and how that information is shared between agencies. Mr. Heck said the state has never conducted a comprehensive study of the data collected by state agencies. He said, however, the development of information technology plans will facilitate the sharing of data between state agencies. Representative Byerly asked if agencies will be required to provide a written definition of the data they collect when preparing their information technology plan. Mr. Heck said that such a requirement has not been included in the guidelines developed by the Information Services Division because such a requirement was not identified in the legislative intent contained in Section 15 of House Bill No. 1034. Representative Byerly said it is the intent of the Legislative Assembly to have state agencies develop information technology plans so that the state can make the most efficient use of technology.

Mr. Chester E. Nelson, Jr., Legislative Budget Analyst and Auditor, Legislative Council, said several elements of the guidelines being presented do not comply precisely with the legislative intent contained in Section 15 of House Bill No. 1034. He asked Mr. Heck to explain those areas where the guidelines deviate from legislative intent. Mr. Heck said the legislative intent specified that certain information on goals, objectives, and projected operational costs should be provided for a specified number of years. He said this information will be provided on a biennial basis instead. He said the Information Services Division has rearranged some of the information from the order it was placed in legislative intent. He said, for example, some items which were included in legislative intent under the system description category may be included in the Information Services Division guidelines under the executive summary category.

Representative Dorso said that every information technology strategic plan submitted by a state agency should include a description of the data that will be collected and maintained by the agency and other information necessary to determine if the data is relevant to the agency and if the costs to collect and maintain the data are justified.

Senator Goetz said the Legislative Council's Information Technology Committee should examine the guidelines developed by the Information Services Division and have input on those guidelines before they are submitted to state agencies.

Representative Boucher said the information technology strategic plans submitted by agencies should identify if a project is actually a research and development project with an unspecified outcome or if the project includes the purchase of specific services and components that will produce a known outcome. He said the information provided relating to contracted services should clearly identify the relationship between the state agency and the information technology vendor. Mr. Heck said these items will be identified in the information technology strategic plan.

Representative Svedjan said the information technology strategic plans submitted by agencies should include information on how agencies can be linked with one another to share data and how the divisions of a large agency, such as the Department of Human Services, can be linked within the agency to better share data.

Chairman Dalrymple encouraged Mr. Heck to keep members of the Legislative Assembly informed regarding the Information Services Division's development of agency guidelines. Mr. Heck said the Information Services Division will reexamine the guidelines presented to the Budget Section and will present information to the interim Information Technology Committee before distributing the guidelines to state agencies.

LEGISLATIVE COUNCIL FISCAL REPORTS

At the request of Chairman Dalrymple, Mr. Jim Smith, Assistant Legislative Budget Analyst and Auditor, Legislative Council, presented the Legislative Council report titled *An Analysis of 55th Legislative Assembly Changes to Recommended Appropriations in the Executive Budget 1997-99 Biennium*. A copy of the report is on file in the Legislative Council office. The report includes information on legislative appropriations, general fund revenues, special fund balances, and historical appropriation statistics for the 1967-69 through 1997-99 bienniums.

BUDGET SECTION DUTIES AND RESPONSIBILITIES

At the request of Chairman Dalrymple, the Legislative Council staff presented a memorandum entitled Budget Section Duties and Responsibilities for the 1997-99 Biennium. A copy of the information presented is on file in the Legislative Council office.

For the 1997-99 biennium, duties relating to the following items were assigned to the Budget Section by statute or Legislative Council directive:

1. **Higher education campus improvements and building construction financed by gifts, grants, or donations (15-10-12.1).**
2. **Nonresident tuition rates (15-10-18).**
3. **Actions of the Westwood Park Assets Management Committee (25-04-20).**
4. **Irregularities in the fiscal practices of the state (54-14-03.1).**
5. **Transfers exceeding \$50,000 (54-16-04(2)).**
6. **Federal funds not appropriated (54-16-04.1).**
7. **Other funds not appropriated (54-16-04.2).**
8. **Advisory Commission on Intergovernmental Relations (ACIR) planning grants (54-35.2-02.1(3)).**
9. **Form of budget data (54-44.1-07).**
10. **Workers Compensation Bureau report on reinsurance (65-02-13.1).**
11. **Expenditures and transfers from internal service and revolving funds (1997 Session Laws Chapter 15 - 1997 House Bill No. 1015).**
12. **Workers Compensation Bureau critical salary adjustments (1997 Session Laws Chapter 26 - House Bill No. 1026).**
13. **Report from ethanol plants receiving production incentives (1997 Session Laws Chapter 48 - 1997 Senate Bill No. 2019).**
14. **Review and report on budget data prepared by the director of the budget (Legislative Council directive).**
15. **State Forester reserve account (4-19-01.2).**
16. **Game and Fish Department land acquisitions (20.1-02-05.1).**
17. **Provision of contract services by the Developmental Center (25-04-02.2).**
18. **Termination of food stamp program (50-06-05.1(17)).**
19. **Termination of energy assistance program (50-06-05.1(19)).**
20. **Job insurance trust fund balance (52-02-17).**
21. **Transfers resulting in program elimination (54-16-04(2)).**
22. **Preliminary planning revolving fund (54-27-22).**
23. **Cash flow financing (54-27-23).**
24. **Budget stabilization fund (54-27.2-03).**

25. Objection to budget allotment or expenditure (54-44.1-12.1).
26. Budget reductions resulting from initiative or referendum action (54-44.1-13.1).
27. Extraterritorial workers' compensation insurance (65-08.1-02).
28. Expenditure of excess income by the Office of Management and Budget (1997 Session Laws Chapter 15 - 1997 House Bill No. 1015).
29. Program terminations or reductions due to reduced federal funding (1997 Session Laws Chapter 15 - 1997 House Bill No. 1015).
30. Transfers between the divisions of the Department of Corrections and Rehabilitation (1997 Session Laws Chapter 45 - 1997 Senate Bill No. 2016).
31. Federal block grant hearings (1997 Session Laws Chapter 582 - 1997 House Concurrent Resolution No. 2016).
32. Line item transfers by agencies that received program-based appropriations:
 - a. State Auditor (1997 House Bill No. 1004 - 1997 Session Laws Chapter 4).
 - b. Office of Management and Budget (1997 House Bill No. 1015 - 1997 Session Laws Chapter 15).
 - c. Parks and Recreation Department (1997 House Bill No. 1023 - 1997 Session Laws Chapter 23).
 - d. Highway Patrol (1997 Senate Bill No. 2011 - 1997 Session Laws Chapter 40).
 - e. Department of Transportation (1997 Senate Bill No. 2012 - 1997 Session Laws Chapter 41).
 - f. Commissioner of University and School Lands (1997 Senate Bill No. 2013 - 1997 Session Laws Chapter 42).
 - g. Parole and Probation Division of the Department of Corrections and Rehabilitation (1997 Senate Bill No. 2016 - 1997 Session Laws Chapter 45).
33. Investment in real property by the Board of University and School Lands (15-03-04 - 1997 Senate Bill No. 2013).
34. Children's Services Coordinating Committee grants (54-56-03 - 1997 Senate Bill No. 2014, Sections 2 and 10).
35. Distribution of insurance payments to fire districts (1997 Session Laws Chapter 10 - 1997 House Bill No. 1010).
36. Additional full-time equivalent (FTE) positions at the Department of Human Services (1997 Session Laws Chapter 12 - 1997 House Bill No. 1012).
37. Welfare reform contingency line item (1997 Session Laws Chapter 12 - 1997 House Bill No. 1012).
38. Department of Human Services computer costs (1997 Session Laws Chapter 12 - 1997 House Bill No. 1012).
39. Waiver of certain requirements relating to the Department of Human Services RESPOND and TEEM projects (1997 Session Laws Chapter 12 - 1997 House Bill No. 1012).
40. Status of the RESPOND computer system (1997 Session Laws Chapter 12 - 1997 House Bill No. 1012).
41. Developmentally disabled adult children pilot project (1997 Session Laws Chapter 12 - 1997 House Bill No. 1012).
42. Human services block grant accountability (1997 Session Laws Chapter 12 - 1997 House Bill No. 1012).
43. Traumatic brain injury program establishment (1997 Session Laws Chapter 12 - 1997 House Bill No. 1012).
44. Welfare fraud detection programs (1997 Session Laws Chapter 12 - 1997 House Bill No. 1012).
45. Transfer of positions to the Division of Independent Study (1997 Session Laws Chapter 13 - 1997 House Bill No. 1013).
46. Assessment of State Historical Society (1997 Session Laws Chapter 22 - 1997 House Bill No. 1022).
47. Expenditure of excess local fund revenue by higher education institutions (1997 Session Laws Chapter 32 - 1997 Senate Bill No. 2003).
48. State Board of Higher Education allocations for salaries and wages and technology (1997 Session Laws Chapter 32 - 1997 Senate Bill No. 2003).
49. Veterans Home management, budgeting, and accounting practices (1997 Session Laws Chapter 36 - 1997 Senate Bill No. 2007).
50. Department of Transportation evaluation of use of airplane (1997 Session Laws Chapter 41 - 1997 Senate Bill No. 2012).
51. Administrative costs of regional and tribal children's services coordinating committees (1997 Session Laws Chapter 43 - 1997 Senate Bill No. 2014).
52. North Dakota Agricultural Experiment Station allocations for salaries and wages (1997 Session Laws Chapter 50 - 1997 Senate Bill No. 2064).
53. State Water Commission bond issuance (1997 Session Laws Chapter 511 - 1997 House Bill No. 1482).

NONRESIDENT TUITION RATES

At the request of Chairman Dalrymple, Ms. Laura Glatt, Vice Chancellor for Administrative Affairs, North Dakota University System, presented information on proposed nonresident tuition rates for the 1997-98 academic year. A copy of the information presented is on file in the Legislative Council office. Ms. Glatt said nonresident students from states with which North Dakota does not have a reciprocity or unilateral tuition agreement are charged two and two-thirds times the resident tuition rate. Ms. Glatt presented the following proposed nonresident tuition rates for the 1997-98 academic year:

	1997-98 Nonresident Tuition Rates	Increase Over 1996-97 Nonresident Tuition Rate
University of North Dakota and North Dakota State University		
Undergraduate	\$5,970	\$336
Graduate	\$6,532	\$338
Law	\$7,092	\$337
Medicine	\$24,618	\$2,030
Minot State University		
Undergraduate	\$4,994	\$240
Graduate	\$6,532	\$338
Dickinson State University, Mayville State University, and Valley City State University		
Undergraduate	\$4,690	\$204
Bismarck State College, UND-Lake Region, UND-Williston, State College of Science, and Minot State University - Bottineau		
Undergraduate	\$4,144	\$0

Representative Byerly asked how North Dakota's nonresident tuition rate compares to other states. Ms. Glatt said North Dakota's nonresident rate is approximately 2.6 times the resident tuition rate and the national average is 2.8 times the resident tuition rate.

Representative Soukup asked if nonresident students are given preference when applying for admission to certain programs because of the higher tuition they pay. Ms. Glatt said some programs with limited capacity are limited to a maximum number of nonresident students so that North Dakota students are not competing with nonresident students for admission to those programs. Mr. Larry Isaak, Chancellor, North Dakota University System, said the reciprocity agreement between North Dakota and Minnesota provides that no preference can be given to resident or nonresident students.

Senator Mathern asked if having the Budget Section approve nonresident tuition rates poses any problem for the North Dakota University System. Ms. Glatt said the North Dakota University System office would prefer to have the State Board of Higher Education approve the nonresident tuition rates because it would facilitate the development of institution budgets for the upcoming school year. She said, however, because the Budget Section has always approved the nonresident tuition rates as proposed, it has not caused problems in the past.

It was moved by Senator Lips, seconded by Senator Naaden, and carried that the Budget Section, pursuant to North Dakota Century Code Section 15-10-18, approve the nonresident tuition rates proposed by the North Dakota University System office. Representatives Dalrymple, Aarsvold, Boehm, Boucher, Carlisle, Delzer, Freier, Gerntholz, Hausauer, Huether, Kunkel, Martinson, Soukup, Svedjan, Timm, Tollefson, and Wilkie and Senators Bowman, Goetz, Holmberg, Krauter, Lips, Mathern, Naaden, Nalewaja, Nelson, Nething, Redlin, Robinson, Solberg, St. Aubyn, and Tallackson voted "aye." Representative Byerly voted "nay."

At the request of Chairman Dalrymple, Mr. Isaak presented information on a University of North Dakota project to construct a walkway from the Johnstone-Fulton-Smith residence hall complex to the Squires-Hancock-Walsh residence hall complex. A copy of the information presented is on file in the Legislative Council office. Mr. Isaak said the 1995 Legislative Assembly provided an appropriation of \$750,000 of other funds in House Bill No. 1003 to construct this project during the 1995-97 biennium. He said bids were received in June 1997. He said the estimated cost of the project is currently \$978,000, \$228,000 more than the amount included in the 1995-97 biennium appropriation. He said the cost of the project will initially be paid from auxiliary and housing reserves. He said, however, insurance proceeds and Federal Emergency Management Agency (FEMA) payments will be used to reimburse the auxiliary and housing funds.

Mr. Isaak said the cafeteria in the Johnstone-Fulton-Smith residence hall complex was demolished by the 1997 flood and cannot be operational in time for the fall semester. He said it is important for the university to quickly proceed with the walkway project so that students will have normal access to dining facilities when classes begin in the fall.

Senator Solberg asked if the insurance proceeds and FEMA payments that will be used to reimburse the housing and auxiliary funds for the cost of the skywalk are related to damage on the residence halls involved in the project. Mr. Isaak said the insurance proceeds and FEMA payments are related to damage to the cafeteria in the Johnstone-Fulton-Smith residence hall complex.

Mr. Isaak said as a result of the need to immediately repair damage caused by the spring 1997 flood and the uncertain timing of federal disaster assistance payments, the North Dakota University System will be asking the State Board of Higher Education for authority to borrow \$20 million from the Bank of North Dakota to be repaid with FEMA disaster assistance payments.

Senator Solberg asked what assurances the University System can provide that the FEMA payments to the University of North Dakota will be at least \$20 million. Mr. Lyle Beiswenger, University of North Dakota, said damage to the university is estimated to be approximately \$35 million. He said the university has hired a consultant to assist in dealing with FEMA. He said the consultant estimates that the university will receive FEMA payments equal to approximately 65 percent of the damage it has sustained. He said 65 percent of the \$35 million in damages is more than the \$20 million loan which the university will be requesting authority to obtain from the Bank of North Dakota.

Senator Bowman asked how the university is monitoring the cost of the flood-related construction projects to ensure that the university is not paying inflated prices. Mr. Beiswenger said the University of North Dakota staff and a construction management firm contracted with by the university will monitor the cost of each project.

The committee recessed for lunch at 12:00 noon and reconvened at 1:00 p.m.

HIGHER EDUCATION ALLOCATIONS FOR SALARIES AND WAGES AND TECHNOLOGY

At the request of Chairman Dalrymple, Mr. Isaak distributed information on North Dakota University System allocations for salaries and wages and technology for fiscal year 1998. He said the University System is required to report these allocations to the Budget Section, pursuant to Section 16 of 1997 Senate Bill No. 2003. A copy of the information presented is on file in the Legislative Council office.

Ms. Glatt said the State Board of Higher Education established budget guidelines to be used by the institutions of higher education in preparing the 1998 fiscal year budget. She said each institution was directed to provide to each permanent employee a salary increase of at least \$30 per month beginning in July 1997. She said the institutions were directed to use moneys allocated from the State Board of Higher Education and other funds reallocated from within their budgets to achieve, at a minimum, the following average percentage salary increases for fiscal year 1998:

Bismarck State College	4.25%
UND-Lake Region	4.25%
UND-Williston	4.25%
University of North Dakota	4.75%
North Dakota State University	4.75%
State College of Science	4.25%
Dickinson State University	4.75%
Mayville State University	4.25%
Minot State University	4.75%

Valley City State University	4.25%
Minot State University - Bottineau	4.25%
University of North Dakota Medical School	4.75%
Forest Service	4.50%
North Dakota University System Office	4.75%
Extension and Experiment Stations	4.75%
Northern Crops Institute	4.75%
Upper Great Plains Transportation Institute	4.75%

Ms. Glatt said in order to meet the salary targets, the institutions of higher education will be required to make permanent position reductions, reallocate resources from other areas of the budget, or generate additional income. She said the total amount of funds that will need to be reallocated or generated is approximately \$1.5 million per year. Ms. Glatt presented information on salary allocations, new positions, and technology allocations made to each institution. This information is attached as Appendices "B", "C", and "D", respectively.

Representative Byerly asked why, of the approximately \$11 million for technology allocated to the institutions by the State Board of Higher Education, less than \$900,000 was allocated for equipment. Mr. Isaak said each institution was appropriated a separate equipment line item for the 1997-99 biennium. He said the distributions from the technology pool are for the Higher Education Computer Network (HECN), Interactive Video Network (IVN), On-line Dakota Information Network (ODIN), and the higher education technology initiative. He said regular equipment purchases for technology will be done through each institution's equipment line item.

NORTH DAKOTA STATE UNIVERSITY ALLOCATIONS TO AGRICULTURAL RESEARCH CENTERS FOR SALARIES AND WAGES

At the request of Chairman Dalrymple, Mr. Mike Weiss, North Dakota State University, presented information on the university's allocations to agricultural research centers for salaries and wages for fiscal year 1998, as required by Section 6 of 1997 Senate Bill No. 2064. A copy of the information presented is on file in the Legislative Council office. Mr. Weiss said approximately 49 percent of the biennial general fund appropriation to the Agricultural Experiment Station for salaries and wages was allocated to the agricultural research centers for fiscal year 1998. The amount allocated to each center is shown on the schedule attached as Appendix "E".

ACTIONS OF THE WESTWOOD PARK ASSETS MANAGEMENT COMMITTEE

At the request of Chairman Dalrymple, Lt. Governor Rosemarie Myrdal presented a proposed amendment to a letter of understanding entered into between the Westwood Park Assets Management Committee, the Department of Human Services, and the Retirement Housing Foundation. At the June 12, 1996, Budget Section meeting, the committee approved the original letter of understanding which provided the Retirement Housing Foundation with a six-month option to lease or purchase property at the Developmental Center in Westwood Park. The original agreement allowed the lease or purchase option to be extended for an additional six months. The proposed amendment to the letter of understanding would extend the term of the option for an additional six months, through November 30, 1997.

It was moved by Senator St. Aubyn, seconded by Senator Tallackson, and carried on a voice vote that the Budget Section, pursuant to North Dakota Century Code Section 25-04-20, approve the proposed amendment to the letter of understanding entered into between the Westwood Park Assets Management Committee, the Department of Human Services, and the Retirement Housing Foundation.

AGENCY REQUESTS AUTHORIZED BY THE EMERGENCY COMMISSION

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

- North Dakota State College of Science (Request #1030) - To increase other funds spending authority and the operating expenses line item by \$125,000 of excess tuition income for utility costs which were higher than anticipated during the 1996-97 winter.
- Veterans Home (Request #1041) - To transfer spending authority of \$209,000 from the capital improvements line item to salaries and wages (\$153,500) and operating expenses (\$55,500).

- **Information Services Division (Request #1042) - To increase other funds spending authority and the operating expenses line item by \$300,000 of additional revenue to be received during the 1995-97 biennium.**
- **Emergency Management (Request #1043) - To increase other funds spending authority by \$496,200 for salaries and wages (\$441,200), operating expenses (\$30,000), and equipment (\$25,000) relating to Presidential disaster declarations for flooding. The \$496,200 consists of \$448,580 of federal funds and \$47,620 of loan proceeds.**
- **Department of Public Instruction (Request #1045) - To increase other funds spending authority and the teacher certification line item by \$70,000 to allow the transfer to the Educational Standards and Practices Board of certification fees collected by the department during the 1995-97 biennium.**
- **Department of Corrections and Rehabilitation - Juvenile Services Division (Request #1048) - To transfer \$180,000 of spending authority from the operating expenses line item to the grants line item for federal grants to be distributed to local juvenile delinquency prevention programs.**
- **Department of Corrections and Rehabilitation - State Penitentiary (Request #1049) - To transfer \$150,000 of spending authority from salaries and wages to operating expenses for higher than anticipated inmate medical costs.**
- **Highway Patrol (Request #1052) - To increase other funds spending authority and the field operations program line item by \$116,000 of federal funds to:**
 - **Purchase portable weigh scales for \$75,000.**
 - **Renovate a scale house for \$10,000.**
 - **Pay reimbursable flood emergency operations costs of \$31,000.**
- **Highway Patrol (Request #1053) - To increase other funds spending authority and the field operations program line item by \$90,000 of federal funds for the operation of the motor carrier safety assistance program.**
- **School for the Deaf (Request #1054) - To transfer \$76,640 from salaries and wages to equipment (\$1,840) and capital improvements (\$74,800) for closed circuit television for the dormitories, asbestos removal, and heating system improvements.**
- **Water Commission (Request #1055) - To increase spending authority by \$128,000 from the state contingencies appropriation for the available storage acreage program in the Devils Lake Basin.**
- **Office of Management and Budget (Request #1056) - To increase 1997-99 biennium spending authority by \$72,000 from the state contingencies appropriation to pay the United States Department of Health and Human Services its share of fire and tornado fund money previously transferred to the general fund.**
- **Department of Agriculture (Request #1057) - To increase other funds spending authority and the Safe Send program line item by \$75,000 of federal funds from the Environmental Protection Agency for the collection and disposal of flood-damaged hazardous waste.**
- **Department of Agriculture (Request #1058) - To increase other funds spending authority by \$100,400 for the agriculture disaster response center. The other funds will be a loan from the Bank of North Dakota and the expenditures will be reimbursable by the Federal Emergency Management Agency.**
- **Department of Human Services (Request #1059) - To increase other funds spending authority by \$600,000 for the 1997-99 biennium to allow the department to continue to receive and spend federal funds for disaster-related mental health services previously approved by the Emergency Commission for the 1995-97 biennium.**
- **Industrial Commission - Oil and Gas Division (Request #1062) - To increase other funds spending authority by \$39,850 of federal funds from the Environmental Protection Agency for digitized topographical information relating to oil-producing counties.**

Representatives Dalrymple, Aarsvold, Bernstein, Boehm, Byerly, Carlisle, Delzer, Freier, Gerntholz, Hausauer, Kunkel, Martinson, Timm, Tollefson, Wald, and Wentz and Senators Goetz, Krauter, Lips, Mathern, Naaden, Nalewaja, Nelson, Robinson, Solberg, St. Aubyn, and Tallackson voted "aye." Representatives Boucher and Wilkie voted "nay."

ECONOMIC FORECASTING SERVICES

With the permission of Chairman Dalrymple, Mr. Backman discussed possible changes to the economic forecasting service used by the Office of Management and Budget and the state of North Dakota. Mr. Backman said in the past the Office of Management and Budget has contracted with WEFA for economic analysis and forecasting services. He said the current contract with WEFA is approximately \$94,000 per biennium. He said Regional Financial Associates (RFA) has expressed an interest in providing these services to the state and has submitted a contract proposal of \$43,000 per biennium.

Senator Robinson asked when the current contract with WEFA expires. Mr. Backman said the current contract with WEFA will expire June 30, 1997.

Representative Dorso asked if there is a benefit to the state by continuing to contract with WEFA because of the experience WEFA has in dealing with the North Dakota economy. Mr. Backman said the WEFA staff persons assigned to work with North Dakota have changed frequently during the contract period. He said consequently the WEFA staff persons working on the North Dakota economic analysis and economic forecast probably have little experience dealing with the North Dakota economy.

DEPARTMENT OF HUMAN SERVICES SYSTEM AUTOMATION PROJECTS

At the request of Chairman Dalrymple, Mr. Mike Schwindt, Chief Financial Officer, Department of Human Services, provided a report on Department of Human Services system automation projects for the 1997-99 biennium. A copy of the information presented is on file in the Legislative Council office.

Mr. Schwindt said Section 19 of 1997 House Bill No. 1012 requires the Department of Human Services to meet the requirements provided by the Administration for Children and Families of the United States Department of Health and Human Services in its communication dated February 12, 1997. The requirements relate to client eligibility and expert system rules, cost-benefit analysis for the TEEM and RESPOND projects, and revised budgets for the TEEM and RESPOND projects. Mr. Schwindt said the Department of Human Services anticipates that the Administration for Children and Families will approve the cost-benefit analysis that has been submitted by the Department of Human Services through a consultant. He said once the cost-benefit analysis is approved, the Department of Human Services will have met the requirements of the Administration for Children and Families and Section 19 of House Bill No. 1012. Mr. Schwindt said the department will present information at the next Budget Section meeting on final approval received from the Administration for Children and Families.

Mr. Schwindt said the 1997 Legislative Assembly appropriated funds for the following computer development projects: TEEM release 3, RESPOND release 3, State Hospital, Medicaid/temporary assistance for needy families, and child care. Mr. Schwindt provided an update on the current status of each of these projects.

Senator St. Aubyn said one reason the Legislative Assembly appropriated funds to replace the State Hospital computer system was so that it could be integrated with the RESPOND system. He said the information presented indicated that the systems would not be integrated during the 1997-99 biennium. Mr. Schwindt said it is necessary to replace the antiquated patient care system and to address year 2000 programming problems at the State Hospital. He said the cost to develop the system at the State Hospital will determine if the amount appropriated will be adequate to also integrate the new system with the RESPOND system. He said if the appropriated amount is adequate to develop the State Hospital system and integrate with the RESPOND system, the department will do so during the 1997-99 biennium.

CORRESPONDENCE FROM ETHANOL PLANTS

At the request of Chairman Dalrymple, the Legislative Council staff distributed correspondence from Alchem, Ltd., pursuant to 1995 Senate Bill No. 2026. Senate Bill No. 2026 requires that any North Dakota ethanol plant receiving production incentives from the state file with the Budget Section a statement indicating whether the plant produced a profit during the preceding fiscal year, after deducting incentive payments received from the state. The Alchem, Ltd., plant was the only ethanol plant to receive production incentives from the state during calendar year 1996. A copy of the correspondence is on file in the Legislative Council office.

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

With the approval of Chairman Dalrymple, Representative Wald requested that at the next meeting of the Budget Section, the Office of Management and Budget present a report on the risk management fund, the state self-insurance program, and progress made in covering the state's excess liabilities.

With the approval of Chairman Dalrymple, Senator Mathern requested that the Legislative Council staff prepare a bill draft amending North Dakota Century Code Section 15-10-18 to remove the requirement that the Budget Section approve nonresident tuition rates at the state's colleges and universities and that the bill draft be considered by the Budget Section at its next meeting.

The meeting was adjourned subject to the call of the chair at 2:47 p.m.

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

Joe R. Morrisette
Fiscal Analyst