

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

BUDGET COMMITTEE ON GOVERNMENT SERVICES

Monday, Tuesday, and Wednesday, September 18-20, 2000

Williston State College, Williston, North Dakota

Watford City High School, Watford City, North Dakota

Dickinson State University, Dickinson, North Dakota

Senator Aaron Krauter, Chairman, called the meeting to order at 12:15 p.m. on Monday, September 18, 2000, at Williston State College, Williston.

Members present: Senators Aaron Krauter, John Andrist, Bill L. Bowman, Ed Kringstad, Kenneth Kroeplin; Representatives Pat Galvin, Robert Huether, Roxanne Jensen, James Kerzman, Matthew M. Klein, Myron Koppang, Janet Wentz, Lonny B. Winrich

Members absent: Senators Elroy N. Lindaas, John T. Traynor; Representatives April Fairfield, Bette Grande, Chet Pollert, Wanda Rose, Ben Tollefson

Others present: Rex R. Byerly, State Representative, Williston

Stanley W. Lyson, State Senator, Williston

Earl Rennerfeldt, State Representative, Williston

Dorvan Solberg, State Representative, Ray

David Drovda, State Representative, Arnegard

Rich Wardner, State Senator, Dickinson

Nancy Johnson, State Representative, Dickinson

Shirley Meyer, State Representative, Dickinson

Herb Urlacher, State Senator, Taylor

C. B. Haas, State Representative, Taylor

William Isaacson, State Board of Higher Education, Stanley

Joseph McCann, Helen Overbo, Brenda Wigness; Williston State College, Williston

Marilyn Rudolph, Keith Welsh; Northwest Human Service Center, Williston

Jerry Bergman, Neil Riveland, Jim Staricka, Sanford Qvale; Williston Research Extension Center, Williston

Gene Veeder, McKenzie County Jobs Development Authority, Watford City

Bill Wolf, Cross USA Consulting, Minneapolis, Minnesota

Chris Ringwall, Dickinson Research Extension Center, Dickinson

Lee Vickers, Richard Brauhn, Al Binstock; Dickinson State University, Dickinson

Larry Isaak, Laura Glatt, Cathy McDonald; University System Office, Bismarck

L. Joe Fry, Badlands Human Service Center, Dickinson

See attached appendix for other persons present

BUDGET TOUR

Mr. Joseph McCann, President, Williston State College, welcomed the committee to the campus. Mr. McCann said the college's fall 2000 headcount enrollment estimate is 701, 13 students fewer than its 1999 fall enrollment. Mr. McCann said of these students, 610 or 85 percent are from North Dakota, 76 or 13 percent are from Montana, and the remaining 15 are from other states or countries.

Ms. Helen Overbo, Academic Affairs, Williston State College, discussed the dual credit program offered by Williston State College. She said 59 students from four school districts are enrolled in 22 courses offered by Williston State College.

Ms. Overbo said the college offers distance education courses. She said currently 70 students are enrolled in nine distance education courses.

Ms. Overbo reviewed the programs provided by Williston State College including the administrative assistant program, the agricultural program, automotive technology, computer systems specialist, diesel technology, general and technical studies, marketing management, physical therapist assistant, and practical nursing.

Mr. McCann discussed the recommendations of the Higher Education Roundtable. He said the college is committed to implementing the recommendations of the Higher Education Roundtable, specifically those relating to:

1. Developing and expanding partnerships with public schools and other organizations.
2. Focusing on distance education programs.
3. Developing and expanding customized business and industry training capabilities.
4. Minimizing barriers to access.

Mr. William Isaacson, President, State Board of Higher Education, reviewed the activities and selected recommendations of the Higher Education Roundtable. He said although the roundtable's recommendations relate specifically to higher education, they will affect the economic future of North Dakota.

Ms. Brenda Wigness, Financial Affairs Director, Williston State College, discussed the status of the college's 1999-2001 budget. Through June 2000, Ms. Wigness said the college has spent \$5.3 million of its \$13.9 million appropriation. She anticipates

utility costs for the biennium to be less than budgeted due to the mild winter weather in 1999-2000 and due to the delay in opening the new Health and Wellness Center. She said the college plans to issue bonds for the Health and Wellness Center Project in the spring of 2001 and to begin construction by July 2001. She said the college began a local capital fundraising campaign on September 1, 2000.

Ms. Wigness said because enrollment has been less than projected, the college has not filled selected vacant faculty positions.

Ms. Wigness reviewed the college's 2001-03 budget request. She said the total budget request, including optional adjustment requests, totals \$5.3 million from the general fund, \$200,000 more than the 1999-2001 budget of \$5.1 million.

Ms. Wigness said priority No. 9 on the State Board of Higher Education's capital project priority list is the college's request to construct an addition to the Crighton Building, the facility that houses the current diesel technology program. She said the proposed addition would add 18,000 square feet to the facility's 9,600 square feet to meet national certification requirements for current enrollment levels and to provide for future growth in the program. She said the estimated cost of the addition is \$525,000. A copy of the report is on file in the Legislative Council office.

Senator Krauter asked for a listing of the college's deferred maintenance items. Ms. Wigness said the college has no major deferred maintenance items but does need to improve its science laboratory ventilation system and update its networking systems.

The committee conducted a tour of the Williston State College campus including classrooms, computer laboratories, auto mechanics, diesel technology, and the proposed location of the Health and Wellness Center.

The committee traveled to the Northwest Human Service Center.

Ms. Marilyn Rudolph, Director, Northwest Human Service Center, commented on the center's 1999-2001 budget. She said current projections indicate the center will have unspent general fund appropriation authority of approximately \$730,000 for the 1999-2001 biennium. As a result, she said, the central office has asked the center to allocate \$250,000 of the center's budget savings to pay for the high-speed digital connection for the Department of Human Services.

Ms. Rudolph said the center is sharing its business manager position with the North Central Human Service Center. Ms. Rudolph said the center has difficulty in recruiting a psychiatrist to the region. She said because the region has been unable to recruit a psychiatrist, the center has hired a clinical nurse specializing in psychiatric care and having prescription authority. Through this position, she said, the center can serve clients, assess their medical needs and mental status, and prescribe medications if necessary.

Ms. Rudolph said the center's provision of community-based services has significantly reduced its State Hospital admissions. She said the center averages less than two placements per month at the State Hospital.

Ms. Rudolph reviewed the special initiatives at the center including development of:

1. A single point-of-entry screening team in cooperation with Williams County Social Services, Family Focus Services, The Village intensive in-home program, Trenton Indian services, and the Federation of Families.
2. An afterschool program serving 12 children diagnosed with serious emotional disorders.
3. An adolescent addiction prevention and treatment program.
4. Shelter care housing for homeless individuals.

Mr. Keith Welsh, Business Manager, Northwest Human Service Center, reported on the status of the center's budget. Mr. Welsh said salaries and wages are projected to be \$233,000 less than budgeted due to ongoing vacancies resulting from the difficulty in recruiting employees to the region.

Mr. Welsh said operating expenses are estimated to be \$355,000 less than budgeted, \$200,000 of which relates to the center's mental health partnership program. He said because the center's program was only recently begun, the full appropriation will not be spent.

Mr. Welsh said grant expenditures are estimated to be \$222,000 less than budgeted, and \$124,000 of this amount relates to the discontinuation of the contract for the operation of the addiction residential program in the northwest region. He said the center will be directly operating this program. A copy of Mr. Welsh's report is on file in the Legislative Council office.

Senator Krauter asked for the number of vacancies at the center. Ms. Rudolph said currently the center has 2.5 full-time equivalent (FTE) vacancies, a .5 psychiatrist position that has been vacant for two years, an SMI case manager II that has been vacant for a number of months, and a social worker II position that has been vacant since August 2000.

The committee conducted a tour of the center and then traveled to the Williston Research Extension Center.

Mr. Jerry Bergman, Superintendent, Williston Research Extension Center, provided information on grant income of the Williston Research Extension Center. Mr. Bergman said to date, the center has generated \$202,000 of grant income for the 1999-2001 biennium. He said the center anticipates asking for an additional \$68,000 of appropriation authority to spend grant income during the 2001-03 biennium.

Mr. Bergman reviewed the 1999-2001 capital projects including the new farm shop and chemical handling facility.

Mr. Bergman reviewed center budget concerns including motor pool costs. He presented the following comparison of annual motor pool costs at the center since 1995:

1995	\$12,476
1996	\$14,934
1997	\$17,008
1998	\$16,763
1999	\$18,578
2000	\$24,186

Mr. Bergman reviewed repair and maintenance project requests for the center for the 2001-03 biennium including:

Resurface and repair the existing driveway	\$16,000
Update wiring and replace windows in the two onsite residences	14,000
Pave the Ernie French Center parking lot	28,000
Repair sidewalks	5,000
Repair fences	2,500
Total	\$65,500

Mr. Bergman reviewed the center's equipment needs including:

Plot combine	\$75,000
Tractor with loader	80,000
Cultivator	3,500
Laboratory equipment	10,000
Tractor with tiller	17,000
Sprayer tractor	18,000
Garden tractor with attachments	8,000
Jerry mower	4,000
Tractor	100,000
Industrial lawnmower	8,000
Total	\$323,500

Mr. Bergman said capital projects to be considered beyond the 2001-03 biennium include:

1. Research laboratory building - \$132,000.
2. Machine storage building - \$50,000.

Mr. Bergman said the center plans to request authority to purchase 160 acres of land for irrigation research. Mr. Bergman said if authorized, the center plans to purchase the land from income raised through donations and grants from within the region.

Mr. Neil Riveland, Research Agronomist, Williston Research Extension Center, commented on the importance of variety testing of small grains and alternative crops including safflower, chickpeas, and crambe.

Mr. Jim Staricka, Soil Scientist, Williston Research Extension Center, discussed the soil research at the Williston Research Extension Center including irrigated and dryland crop production research for semi-arid regions.

Mr. Sanford Qvale, Seed Production Specialist, Williston Research Extension Center, reviewed the

Williston Research Extension Center's seed sales. Mr. Qvale presented the following schedule showing net seed sales income by year:

1995	\$101,661
1996	\$56,489
1997	\$114,818
1998	\$48,532
1999	\$85,260

A copy of the report is on file in the Legislative Council office.

The committee conducted a tour of the Williston Research Extension Center.

The committee recessed at 6:15 p.m. and reconvened at 8:30 a.m. on Tuesday, September 19, 2000, at the Watford City High School, Watford City.

Mr. Gene Veeder, McKenzie County Jobs Development Authority, said Watford City and McKenzie County organized a partnership to develop a wireless information technology network. He said these organizations are providing training in information technology to their residents using space available in various community facilities. He said by cooperating, the community purchased this technology within their current budgets and did not access any additional state or federal funds. Mr. Veeder said the community is in the process of changing its network from a wireless system to a fiber optics system.

Mr. Veeder said Explorenet is a curriculum that teaches students in high school to build computers. He said Watford City is using this same curriculum to teach adults how to build computers.

The committee viewed an interactive video presentation performed by high school students and the video conferencing capability of the system. The committee toured the school's training laboratory and the Explorenet laboratory.

The committee traveled to the Cross USA Consulting facility in Watford City. Mr. Bill Wolf, Cross USA Consulting, Minneapolis, Minnesota, commented on the services provided in Watford City. He said Cross USA Consulting is based out of Minneapolis, Minnesota, and provides computer programming services in a number of rural communities. He said the corporations that contract with Cross USA and the rural communities in which Cross USA is located both benefit from the arrangement. He said rural communities benefit by obtaining high-quality, high-paying jobs and the corporations that contract for services benefit by having access to well-trained, dedicated, and long-term employees. He said major corporations contracting with Cross USA include Northwest Airlines and Metlife, and SuperValu in the near future.

Mr. Wolf said the Watford City facility became operational when the state of North Dakota contracted with Cross USA to provide computer programming services through the Information Technology Department.

Mr. Wolf said it is important to Cross USA that the local communities have a technology infrastructure in

place to enable Cross USA to establish a branch office. He said Cross USA currently employs five individuals in Watford City and plans to hire 10 more when the SuperValu account is finalized.

The committee conducted a tour of the Cross USA facility and traveled to and toured the McKenzie County Courthouse.

The committee traveled to the Dickinson Research Extension Center ranch headquarters near Manning.

The committee conducted a tour of the Dickinson Research Extension Center including its pasture and cattle research facilities. Mr. Chris Ringwall, Superintendent, Dickinson Research Extension Center, discussed the possibility of relocating the facility's out-wintering facilities for cattle three miles west due to drainage concerns at the current location. Mr. Ringwall also reviewed center research reports that are available on the Internet.

Mr. Ringwall reviewed the 1999-2001 budget. He said due to a severe storm in August 1999, the center has had to repair a number of its fences and facilities. He said funding available from oil royalties has enabled the center to make the needed repairs and improvements.

Regarding the 2001-03 biennium budget, Mr. Ringwall said the center's priorities are to:

1. Maintain the 1999-2001 budget level.
2. Receive funding for projected costs to continue of \$63,000.
3. Receive funding for the beef initiative of \$450,000.

The committee recessed for lunch at 12:15 p.m. (MDT) and reconvened at 1:00 p.m. (MDT) at Dickinson State University.

Dr. Lee Vickers, President, Dickinson State University, welcomed the committee to Dickinson State University. Dr. Vickers said the university's fall 2000 headcount enrollment totals 2,003 students. He said 53 students are enrolled in Dickinson's distance courses offered at Bismarck State College, and 235 students are involved in the dual credit program.

Dr. Vickers said of its total enrollment, 1,519 students are from North Dakota, 289 are from Montana, 484 are from other states, and 22 are from other countries.

Dr. Richard Brauhn, Vice President of Academic Affairs, Dickinson State University, reviewed the university's academic programs. Dr. Brauhn said the university consists of two colleges--the College of Arts and Sciences and the College of Education, Business, and Applied Sciences--and each includes five departments. Dr. Brauhn said the university is developing courses involving manufacturing technology and e-commerce. He said the university is focusing on improving the writing skills of its students.

Mr. Al Binstock, Vice President of Business Affairs, Dickinson State University, reviewed the status of the 1999-2001 budget. Mr. Binstock said pursuant to legislative intent included in 1999 House Bill No. 1003, the university plans to use any utility savings

realized during the biennium for deferred maintenance or capital projects. He said utility expenditures were \$166,000 less than projected for the first year of the biennium.

Mr. Binstock said 1999 House Bill No. 1003 appropriates \$602,000 of excess income that may be spent with the approval of the State Board of Higher Education. Because of increased enrollments, he said, the university is anticipating excess income of approximately \$490,000. He said the university has received authorization to spend \$192,000 to date, \$38,000 for operating costs associated with larger enrollments and \$154,000 for equipment purchases within instruction. He said the balance of any realized excess income within the \$602,000 appropriation will be used to further address increased costs associated with large enrollments and other critical campus issues.

Mr. Binstock reviewed deferred maintenance projects at Dickinson State University that total \$9 million. Major deferred maintenance needs include Murphy Hall, totaling \$2.7 million and Stickney Hall, totaling \$1.3 million.

Mr. Binstock said to complete the Student Center renovation and addition, the university issued bonds totaling \$1 million, \$500,000 less than the \$1.5 million authorized. To date, he said, the university has spent a total of \$3,120,939, approximately \$600,000 less than the appropriation of \$3.7 million. He said only landscaping remains to be completed.

Mr. Binstock reviewed the following critical budget issues:

1. Adequate funding of salaries and wages to attract and retain quality employees.
2. Adequate operating expense funding to address increasing enrollments, changing technologies, and facility use demands.
3. Additional equipment funding to provide students with current technologies used by today's work force.
4. Additional technology funding to address the technological changes and demands associated with instruction and general operations.
5. Funding for special campus initiatives.
6. Plant improvement funding to address deferred maintenance projects.
7. Funding to provide safe facilities.

Mr. Binstock said the university has learned that Murphy Hall (science building) has potentially harmful air quality due to the lack of an effective ventilation system. He said on Tuesday, September 12, 2000, the university was informed by a consultant providing an onsite review of Murphy Hall as part of the capital project preplanning process that a potentially hazardous situation within Murphy Hall could have associated health risks. He said the consultant detected the ventilation system was inadequately exhausting toxic fumes associated with laboratory activities allowing the toxic fumes to be circulated throughout the facility. He said the substance circulated was formaldehyde, and it is identified as

potentially causing cancer. He said the permissible limit for formaldehyde in the air is .75 parts per million (ppm). He said monitoring results show that formaldehyde is present at a rate of 1.2 ppm. He said Prairie Engineering estimates the cost to repair the ventilation system at \$120,000. As a result of this information, he said, the university plans to:

1. Ask the State Board of Higher Education to take short-term measures to address the problem.
2. Seek funding from the State Board of Higher Education contingency fund to pay for the repairs.
3. Ask the State Board of Higher Education to reconsider its capital projects priority list for the 2001-03 biennium. He said the Murphy Hall renovation and addition project is currently listed as priority No. 8 on the board's capital project priority list.

Mr. Binstock reviewed the university's 2001-03 biennium budget request. He said the university's request includes annual tuition increases of \$85 per student.

Mr. Binstock said the university is submitting a hold-even budget with optional adjustments that total \$814,000, \$383,000 of which is from the general fund.

Mr. Binstock reviewed the following extraordinary repairs being requested by the university:

Tuck-pointing of May Hall	\$80,000
Campus lighting upgrade	189,000
Building entryway, step, and foundation repair	82,962
Agriculture building brick seal/caulking	42,000
Total general fund	\$393,962

Mr. Binstock reviewed major capital project requests. He said the preliminary cost estimate for the Murphy Hall renovation and addition project totals \$6.8 million and would:

1. Address the life, health, and safety concerns within the facility.
2. Improve the energy efficiency of the existing structure.
3. Provide the infrastructure that will complement the infusion of technology and research.
4. Provide proper facilities that are designed to meet the institution's enrollment and program needs.
5. Provide a facility that will enable the institution to effectively compete nationally in the delivery of quality educational programs.

Mr. Binstock reviewed the Whitney Stadium renovation and addition project that totals \$4 million, \$1.1 million of which would be from the general fund and \$2.9 million of local funds. He said Whitney Stadium provides the facility for the institution's football and track and field events. He said the facility is 29 years old and has a number of deficiencies including:

1. The concession building roof.
2. The settlement of the concrete stadium seating.
3. A deteriorated track surface.
4. Track and field drainage projects.
5. Undersized and nonhandicapped accessible restrooms.
6. The absence of locker room facilities.

The proposed project would:

1. Address all life safety and handicapped access concerns.
2. Replace the failing retaining wall and stabilize or replace the seating sections.
3. Remodel concessions, restrooms, and press box facilities.
4. Provide for a locker room facility.
5. Provide for a storage facility.
6. Provide a one and one-half inch overlay on the existing parking lot.
7. Modify the existing track and field area.
8. Provide for a new drainage system in support of the track and resurface the eight-lane track.
9. Provide appropriate drainage for the football field.
10. Replace and surface the high jump, pole vault, and combination long- and triple-jump runways, pits, and landings.
11. Provide adequate parking lot lighting.
12. Upgrade the athletic field lighting.

A copy of the report is on file in the Legislative Council office.

Representative Kerzman asked whether any asbestos abatement settlement funds are available for the Murphy Hall project. Mr. Binstock said the university does have \$300,000 available for asbestos-related projects.

In response to a question from Senator Bowman regarding the duplication of costs for Murphy Hall repairs, Mr. Binstock said the emergency repair expenditures to the ventilation system in Murphy Hall will be duplicated as part of the Murphy Hall renovation and addition project if approved.

Mr. Larry Isaak, Chancellor, University System, discussed the salary reallocation and critical salary needs. He said the university campuses provided an average salary increase in July 2000 of four percent.

Mr. Isaak said the State Board of Higher Education has approximately \$200,000 remaining in its contingency line item that could be available for the Murphy Hall emergency repairs.

The committee conducted a tour of Murphy Hall and Whitney Stadium.

The committee then traveled to the Badlands Human Service Center.

Mr. L. Joe Fry, Regional Director, Badlands Human Service Center, said the center serves the eight southwest counties of North Dakota.

Mr. Fry reviewed the center's activities during the 1999-2001 biennium:

1. The center no longer operates the Dickinson residential training program for individuals with developmental disabilities. He said the services are now being provided by contract with a variety of private providers, which allows for consumer freedom of choice in the region. He said center staff providing the services in this program were either re-assigned duties to meet other center needs or retrained to fill existing vacancies.
2. The center eliminated one position in its developmental disabilities unit and assigned those duties to three existing staff members in the placement and rehabilitation unit.
3. The center and the West Central Human Service Center share a developmental disabilities program administrator and an early childhood position.
4. The center shares a position with Adams County Social Services in the partnership program.
5. The center has entered into a cooperative agreement with Stark County Social Services for provision of services to vulnerable adults. He said under the agreement, Stark County provides services to adults in all eight counties in the southwest region, and the center performs the administrative responsibilities of the program.
6. Patient fee collections are estimated to total \$721,000 for the 1999-2001 biennium, 72 percent more than the \$418,000 collected during the 1995-97 biennium.
7. In cooperation with the local community action agency, the center has opened a six-bed residential living facility for persons with serious mental illness at no additional cost to the state.
8. In cooperation with county social services boards, St. Joseph's Hospital, law enforcement, judges, state's attorneys, and others, the center has reduced its utilization of the State Hospital. He said the region admits an average of 31 persons to the State Hospital per year.
9. The center has continued its outreach program in Mott for day activities for persons with serious mental illness.
10. The center has continued its intensive evening program, day treatment, aftercare, and support services for individuals who have alcohol or other related drug issues.
11. The center has maintained a staff turnover rate of less than four percent.
12. The center has continued a customer satisfaction rate of over 90 percent.
13. The center has been designated as the pilot project for the development of the mental health statistics improvement program, which is a system designed to determine clinical

outcomes to evaluate the adequacy of the center's programs.

Mr. Fry reviewed the status of the center's 1999-2001 budget. Mr. Fry said the center's budget totals \$9 million and includes 90.5 FTE positions. He said during the biennium, the center received a transfer from the Mental Health and Substance Abuse Division for the partnership project which increased the center's budget to approximately \$9.4 million and added one FTE position.

In response to a question from Senator Krauter regarding anticipated general fund turnback, Mr. Fry said the center anticipates unspent general fund appropriation authority of up to \$250,000, primarily relating to the establishment of the partnership project later than anticipated and due to the sharing of positions with the West Central Human Service Center.

Mr. Fry said the center's 2001-03 biennium budget request totals \$9,254,744 and includes 88.5 FTE positions. He said the budget request includes a reduction of \$222,402 from the 1999-2001 budget.

Senator Krauter asked for the reasons for the budget reduction. Mr. Fry said the reduction primarily relates to the discontinuation of the center's operation of the residential treatment program. He said those services are now being contracted with private providers; therefore, funding for the contract will be budgeted through the Department of Human Services central office.

Mr. Fry reviewed the following optional adjustment requests included in its 2001-03 biennium budget:

1. Vulnerable adult services - \$24,600.
2. Psychiatric services - \$15,000.
3. Partnership/wraparound services - \$40,000.
4. Psychosocial service center contract - \$12,000.

A copy of the report is on file in the Legislative Council office.

OTHER RESPONSIBILITIES

Mr. Fry presented the Department of Human Services report on the hiring of additional FTE positions in addition to those authorized by the Legislative Assembly for the human service centers, the State Hospital, and the Developmental Center. Mr. Fry said the North Central Human Service Center has added a .5 FTE position to administer the retired and senior volunteer program as a pilot project in the north central region. He said funding for the position of \$18,000 is provided from federal funds. A copy of the report is on file in the Legislative Council office.

The committee recessed at 4:30 p.m. (MDT) and reconvened at 8:00 a.m. (MDT) on Wednesday, September 20, 2000, in the Student Center, Dickinson State University.

Representative Huether acted as committee chairman in the absence of Senator Krauter.

It was moved by Representative Klein, seconded by Representative Wentz, and carried

on a voice vote that the minutes of the previous meeting be approved as distributed.

BUDGET MONITORING

Over the Interactive Video Network, Mr. Rod A. Backman, Director, Office of Management and Budget, reported on the status of the state general fund. A copy of the report is on file in the Legislative Council office.

Mr. Backman said as of August 31, 2000, the projected June 30, 2001, general fund balance is estimated to be \$61.3 million, \$50 million more than the ending balance estimated at the close of the 1999 Legislative Assembly of \$11.3 million.

Mr. Backman said through August 2000, general fund revenues have exceeded the original legislative forecast by \$31.9 million. Major revenue variances include oil tax collections which have exceeded forecast by \$20 million and individual income tax collections which have exceeded forecast by \$9.6 million.

The Legislative Council staff presented a report entitled *Oil Tax Revenues, Oil Production, and Oil Market Prices for the 1999-2001 Biennium*.

The Legislative Council staff said for the period January through August 2000, 48 oil wells have been drilled in North Dakota, 35 of which are producing wells. The Legislative Council staff said the market price per barrel of oil in August 2000 was \$26.42, \$14.75 more than the projected price per barrel of \$11.67.

The Legislative Council staff said the revised revenue forecast for the 1999-2001 biennium released in August 2000 projects that oil tax revenues will total \$68.8 million for the 1999-2001 biennium. As a result, pursuant to North Dakota Century Code Section 57-51.1-07.2, \$6.8 million of these collections will be deposited in the permanent oil tax trust fund.

The Legislative Council staff presented the budget monitoring report entitled *Department of Human Services - Temporary Assistance for Needy Families (TANF) and Medical Assistance Expenditures*. The Legislative Council staff said through July 2000, actual TANF expenditures were \$12.2 million, \$200,000, or 1.9 percent, less than estimated expenditures of \$12.4 million.

The Legislative Council staff said actual Medicaid expenditures through July 2000, excluding the expenditures relating to the intergovernmental transfer program, totaled \$318.7 million, \$8.9 million less than the original appropriation estimate of \$327.6 million. Of the \$8.9 million savings, \$2.5 million is from the general fund.

The Legislative Council staff presented the budget monitoring report entitled *Comparison of Estimated and Actual Expenditures, Revenues, and Enrollments at the Institutions of Higher Education for the Period July 1, 1999, Through June 30, 2000*. The Legislative Council staff said expenditures at the institutions of higher education for the period July 1, 1999, through June 30, 2000, totaled \$236,802,424, \$12,263,921, or

five percent, less than estimated expenditures of \$249,066,345. Income for the 12-month period totaled \$83,536,071, \$2,224,537, or 2.6 percent, less than estimated income of \$85,760,608.

The Legislative Council staff presented the budget monitoring report entitled *Comparison of Estimated and Actual FTE Positions, Expenditures, Revenues, and Populations at Charitable and Penal Institutions for the Period July 1, 1999, Through June 30, 2000*.

The Legislative Council staff said total expenditures at the charitable and penal institutions for this period were \$73,733,692, \$4,974,214, or 6.3 percent, less than estimated. Total revenues for the period were \$27,780,984, \$214,534, or .8 percent, less than estimated.

The Legislative Council staff presented the budget monitoring report entitled *Status Report on Foundation Aid and Other Major Grants to School Districts*.

The Legislative Council staff said the Department of Public Instruction's current estimate for unspent foundation aid funds at the close of the 1999-2001 biennium is \$1,165,423. The Legislative Council staff said this estimate is based on the actual number of weighted student units during the first year of the biennium which were 118,831, or 599 less than the original estimate of 119,430, and the original estimate of 117,718 for the second year of the biennium.

The Legislative Council staff said any funds remaining unspent at the end of the biennium will be distributed as follows:

1. The first \$1 million as supplemental payments on the basis of average daily membership.
2. The second \$1 million to assist school districts that experienced declining enrollment.
3. The next \$2 million to school districts eligible to receive reorganization bonuses.
4. Any remaining amounts as supplemental payments on the basis of average daily membership.

STATE DEPARTMENT OF HEALTH FACILITIES PLAN

Mr. Murray G. Sagsveen, State Health Officer, State Department of Health, presented information on the department's facilities plan. Mr. Sagsveen reviewed the biennial activities that would occur under the master facility plan providing for a new State Department of Health facility as follows:

1. Phase 1 - First biennium - Construction of a new facility for the Chemistry Division and Microbiology Division.
2. Phase 1 - Second biennium - Completion of construction of a new facility for the Chemistry Division and Microbiology Division.
3. Phase 2 - Second biennium - Renovation of a portion of the existing east laboratory facility along with construction of a new wing to provide functional space for the state

morgue, and the remaining space of the existing east laboratory facility would be renovated for the forensic and toxicology laboratories of the crime laboratory.

4. Phase 3 - Third biennium - Construction of a new facility for administrative offices of the Environmental Health Section and for the offices now housed in the Judicial Wing.

Mr. Sagsveen presented the following schedule reflecting the estimated cost of the project by biennium:

Biennium	Cost
2001-03	\$9,450,000
2003-05	9,450,000
2005-07	11,000,000
Total	\$29,900,000

Mr. Bob Barnett, State Department of Health, presented bond repayment schedules associated with the master facilities plan. Mr. Barnett said the department's proposed 2001-03 biennium budget includes \$965,000 of costs associated with facility leases. Of that amount, he said, 33 percent is from the general fund and the remaining is from federal funds. He said the annual debt service cost on bonds issued for the proposed project begin at approximately \$1.8 million per year and increase to \$2.9 million per year at the conclusion of Phase 3. He said over the 20-year life of the bonds, the state would pay a total of \$54.8 million for the new State Department of Health facility.

Mr. Barnett said because the department is concerned about the high cost of the master facilities plan, it has considered possible alternatives to reduce the total costs. He said the department has recently learned that the former Heartview Foundation facility in west Mandan is for sale at a listed price of \$1.75 million.

Mr. Barnett said the facility is now owned by Southwest Key, Inc., and consists of a main building and two adjoining wings, a guest house, and a maintenance building. He said the main building was constructed in 1978, the southwest wing in 1984, and the southeast wing in 1989. He said the main building and wings contain approximately 81,000 gross square feet of space, an amount nearly identical to the administrative space needed by the department's Environmental Health Section and Judicial Wing offices. He said both wings are now leased, but the main building is not occupied. He said the wings are being leased to Housing, Industry, and Training (HIT), Inc., and the Dakota Boys Ranch.

Mr. Barnett said the department is considering, as an option, purchasing the facility from Southwest Key, Inc., and converting the space to office space and a training facility at a preliminary estimate of \$3 million, building a microbiology and chemistry laboratory facility at the Heartview Foundation location at a cost of approximately \$10 million, converting the

department's existing training facility to the state morgue, and remodeling the east laboratory facility to house the crime laboratory, including forensics and toxicology.

Under this option, Mr. Barnett said the department would vacate its space in the Judicial Wing of the State Capitol except for the vital statistics program.

As a result of this new alternative, Mr. Barnett asked the committee to delay action on a recommendation regarding the department's facilities plan and allow the department to obtain additional information and present its findings and recommendations to the 2001 Legislative Assembly.

Mr. Sagsveen reviewed the number of autopsies conducted by the State Medical Examiner--fiscal year 1998 - 167, fiscal year 1999 - 202, and fiscal year 2000 - 185.

Mr. Sagsveen reviewed the possibilities for privatizing various portions of its laboratory services. He said the department has the following concerns regarding privatizing portions of its laboratory services:

1. All costs of providing the various laboratory services either by the department or the private sector must be determined and compared to adequately assess the cost and effectiveness of privatization. This cost information is not available.
2. North Dakota has no private sector crime laboratory performing forensic or toxicological evidence analysis.
3. North Dakota has one private laboratory that provides clinical (microbiology) analytical services and a number of private sector toxicology, microbiology, and chemistry laboratory services exist in other states; however:
 - a. When business competition does not occur, the contractor has a business monopoly.
 - b. A conflict of interest can occur when the private sector laboratory has both government and nongovernment clients.
 - c. Outsourcing services with out-of-state private laboratories transfers funds and jobs out of state.
 - d. A private laboratory might not have the capacity to handle the specific service quantity.
4. It is important for the staff member who gathered the samples for analysis to interact with laboratory staff prior to and following sampling which improves the quality of the samples taken, the accommodation of samples by the laboratories, and the interpretation or use of the results. A provision for this interaction in a contract for services would likely increase costs relating to planning sampling events as well as contract costs.

5. It is important for the department to have the flexibility to react quickly to nonroutine, critical health and environmental problems. These types of problems usually engage the department in one or more of its laboratories for several consecutive months and involve additional analytical work as well as nonroutine analysis.

Mr. Sagsveen said privatizing laboratory services or even a portion of the services would diminish, if not eliminate, the department's ability to respond to critical health and environmental problems. He said examples of situations when the department would use the services of a private sector laboratory include:

1. Laboratory services require certain specialized analytical or examination expertise that the department does not have available.
2. Times of high demand that may exceed the department laboratories' capacity.

Mr. Sagsveen reviewed the possibilities of contracting or sharing laboratory services with South Dakota. He said the department's laboratory directors held a joint conference call with South Dakota's Health Department laboratory directors in August. He said there was no indication of interest by the South Dakota representatives in contracting for or sharing services with North Dakota primarily due to:

1. The primary role of a state laboratory is to provide service to the public that is accessible, independent, and trustworthy.
2. The cost to ship samples from one state to the other would increase the cost of laboratory services.

A copy of the report is on file in the Legislative Council office.

Senator Bowman suggested the department consider the Heartview Foundation facility as an option for addressing its space needs; however, he said additional information is needed on specific costs if the building is to be purchased.

Senator Andrist encouraged the department to further explore the opportunity to purchase the Heartview Foundation building. He said additional information needs to be provided on how much space the State Department of Health would utilize at the facility, other agencies that could potentially use some of the excess space, and the agencies that would utilize any space vacated by the State Department of Health in the Judicial Wing of the State Capitol.

Representative Jensen suggested the department provide additional information to the Legislative Assembly on who the principal owners are of Southwest Key, Inc., how long the Heartview Foundation facility has been available for purchase, the market value of the facility, a comparison of the asking price of the facility to its market value, and the alternatives available to the organizations that are currently leasing space in the facility.

Representative Huether said although this option became available late in the committee's study, he believes it should be considered.

Representative Koppang expressed his support for the department continuing to explore the options available to address its space needs.

Senator Kringstad suggested the department arrange for a tour of the facility for interested legislators prior to the legislative session.

It was moved by Senator Andrist, seconded by Representative Klein, and carried on a roll call vote that the Legislative Council chairman ask the State Department of Health to further explore the possibility of purchasing the former Heartview Foundation facility in Mandan from Southwest Key, Inc., and other possible uses for the facility and that the department's findings and recommendations be presented to the 57th Legislative Assembly. Senators Andrist, Bowman, Kringstad, and Kroeplin and Representatives Galvin, Huether, Jensen, Klein, Koppang, and Winrich voted "aye." Representative Wentz voted "nay."

STATE OFFICE SPACE NEEDS

The Legislative Council staff presented a bill draft that provides for a telecommuting incentive program for state employees. The Legislative Council staff said the changes made to the bill draft since the last committee meeting include providing that the program be available for both current and new employees, that the Suggestion Incentive Committee determine whether a telecommuting incentive proposal will increase employment opportunities in a part of the state that is more rural than where the central office setting of the agency is located, and that the 20 percent incentive provided to a state agency be used for one-time technology, equipment, or capital improvement costs rather than additional salary increases for employees.

Senator Bowman expressed his support for the bill draft, and said he believes this bill will be the beginning of a series of changes that will allow more employment opportunities for people in rural communities.

It was moved by Senator Bowman, seconded by Representative Koppang, and carried on a roll call vote that the bill draft relating to a state employee telecommuting incentive program be approved and recommended to the Legislative Council. Senators Andrist, Bowman, Kringstad, and Kroeplin and Representatives Galvin, Huether, Jensen, Klein, Koppang, Wentz, and Winrich voted "aye." No negative votes were cast.

The Legislative Council staff presented a bill draft providing for a motor vehicle branch office pilot project. The Legislative Council staff said the bill draft provides that the Department of Transportation establish a pilot project office at three sites within three different counties to administer motor vehicle registration programs similar to other branch offices of the

department by July 1, 2001. The pilot project branch offices are in addition to other branch offices and will be operated by the treasurer in the county where the pilot office is located. The director of the Department of Transportation will monitor and evaluate the efficiency and effectiveness of the project and report to the 2005 Legislative Assembly. The Legislative Council staff said the pilot project is effective through June 30, 2005.

Ms. Bobbi Kukla, Dunn County Treasurer, Manning, expressed support for the bill draft. She said this pilot project will serve as a model for how state government services can be successfully administered by county employees.

Ms. Kukla indicated the Department of Transportation has not been supportive of the pilot project and distributed a letter she received from the Department of Transportation. A copy of the letter is on file in the Legislative Council office.

Representative Klein asked which counties would be involved in the pilot project and the number of registrations each pilot site would anticipate distributing each year. Ms. Kukla said the County Treasurers Association would recommend the counties of McKenzie, Bowman, and Emmons to be involved in the pilot project and estimates that 2,500 registrations would be issued each year in each county.

Senator Bowman suggested in order to have a comprehensive evaluation of the pilot project, more organizations should be involved in the monitoring and evaluation of the pilot project.

Representative Klein asked for the source of funds that will be used to pay for the equipment needed for each pilot site. Ms. Kukla said the counties involved in each pilot site will pay for the equipment costs, estimated at \$5,500 for each site.

Representative Koppang asked whether motor vehicle branch office sites will be needed when it becomes possible to register motor vehicles over the Internet. Ms. Kukla said the counties have considered this possibility; however, she said because of the uncertainty of the future registering of motor vehicles over the Internet, the county treasurers believe the pilot project is needed.

Senator Andrist suggested the committee amend the bill draft to change the organizations who are involved in the evaluation of the project.

Mr. Keith Kiser, Department of Transportation, provided testimony on the bill draft. Mr. Kiser said the department is concerned the pilot project will cost additional highway fund moneys that will result in less funding being available for highway construction. He suggested funding for the project be provided from the general fund or from the counties involved. He said the department is concerned with the July 1, 2001, date for beginning the project. He said the department needs adequate staff and time to train county personnel to provide these services. He suggested beginning the project on August 1, 2001, rather than July 1, 2001. He suggested including

other organizations in the evaluation of the pilot project. He said approximately 70 percent of motor vehicle registrations are handled through the mail, 25 percent at one of the department's 13 branch offices, and five percent at the central office in Bismarck.

Senator Andrist commented on the discrepancy between the Department of Transportation's cost estimate of \$30,000 for equipment needs in each county and the county estimate of \$5,500. He said the department should have worked more closely with the counties to determine the equipment available in the counties and to develop a more accurate cost estimate.

Representative Huether said based on the testimony received today, the counties are willing to pay for the equipment needed for each site.

Senator Bowman expressed his disappointment with the Department of Transportation regarding its failure to cooperate with the county treasurers to develop a pilot project proposal.

Mr. Cal Klewin, Bowman County Development Corporation, Bowman, provided testimony on the possibility of providing state government services in rural areas. Mr. Klewin distributed correspondence from individuals who are successfully telecommuting from their rural North Dakota communities. He stressed the importance of technology development for rural communities and for the development of technology laboratories in rural communities to train residents on the use of technology. A copy of the testimony is on file in the Legislative Council office.

Over the Interactive Video Network, Mr. Dave Krabbenhoft, Office of Management and Budget, reviewed the telecommute analysis forms that state agencies are completing as part of their budget requests. Copies of the sample forms are on file in the Legislative Council office.

Mr. Krabbenhoft said the quality of the completed forms varies greatly. He said it is difficult to obtain consistent information among all agencies without specific guidelines for the agencies to follow. He said agencies are having difficulties attempting to estimate the cost comparison information. He said the forms are having the effect, however, of requiring agency personnel to consider the possibilities of telecommuting for their employees.

The committee recessed for lunch at 11:45 a.m. (MDT) and reconvened at 12:30 p.m. (MDT).

Representative Huether asked for suggestions for involving more organizations in the evaluation process for the motor vehicle registration program pilot project. Mr. Jim W. Smith, Legislative Budget Analyst and Auditor, said the committee could consider providing for a Legislative Council study of the project as part of the bill draft.

It was moved by Senator Andrist, seconded by Representative Jensen, and carried on a voice vote that the bill draft providing for a motor vehicle registration program pilot project be amended to remove provisions requiring the

Department of Transportation to evaluate the efficiency and effectiveness of the project and instead include a Legislative Council study to monitor and evaluate the project.

It was moved by Representative Winrich, seconded by Senator Bowman, and carried on a roll call vote that the bill draft, as amended, relating to a motor vehicle branch office pilot project be approved and recommended to the Legislative Council. Senators Andrist, Bowman, Kringstad, and Kroeplin and Representatives Galvin, Huether, Jensen, Kerzman, Klein, Koppang, Wentz, and Winrich voted "aye." No negative votes were cast.

The Legislative Council staff presented a memorandum entitled *State Employee Suggestion Incentive Program - Statistics*. The Legislative Council staff said since the inception of the program in 1995, a total of \$7,808 has been paid as incentives to state employees. The Legislative Council staff said the estimated annual savings as a result of implementing the cost reduction measures is \$142,000. The savings relate to a combination of sources, including the general fund, special funds, and federal funds.

The Legislative Council staff distributed a bill draft prepared for Senator Krauter providing that information technology plans prepared by state agencies address the feasibility of telecommuting by selected employees, including positions that are suitable for telecommuting, travel and space needs, and information technology needs for supporting telecommuting. A copy of the bill draft is on file in the Legislative Council office.

It was moved by Representative Kerzman, seconded by Senator Kringstad, and carried on a roll call vote that the bill draft relating to state information technology plans and telecommuting be approved and recommended to the Legislative Council. Senators Andrist, Bowman, Kringstad, and Kroeplin and Representatives Galvin, Huether, Jensen, Kerzman, Klein, Koppang, Wentz, and Winrich voted "aye." No negative votes were cast.

PRIVATIZATION

Over the Interactive Video Network, Mr. Backman provided information on proposed legislation to be introduced during the next legislative session that would authorize the Office of Management and Budget to establish policies for the procurement of services for state agencies and how the Office of Management and Budget plans to proceed if the legislation is approved. Mr. Backman said currently the Office of Management and Budget develops policies for agencies to follow when purchasing goods. He said the bill draft will expand these provisions to also include services. He said although the bill draft is not yet completed, he anticipates the bill will provide the Office of Management and Budget broad authority that will allow the office to develop rules that will allow for agency flexibility when contracting for services.

Mr. Backman said as a result of the additional responsibilities that will be placed on the Office of Management and Budget, additional staff and related funding may be necessary to provide for these additional services. He said the rules developed by the Office of Management and Budget will guide the process a state agency utilizes when contracting with a provider for services; the policies will not address an agency's decision of whether or not to contract for services.

Ms. Laura Glatt, Vice Chancellor, Administrative Affairs, North Dakota University System, presented information on the State Board of Higher Education's plans to address the recommendations included in the State Auditor's performance audit report relating to contracts for services. Ms. Glatt said the State Board of Higher Education will consider policy changes to address the State Auditor's office recommendations including:

1. Establishing dollar levels for bidding purposes when contracting for services.
2. Expanding the authority of the campuses to decide whether or not to contract for a particular service.
3. Allowing campuses to negotiate terms of contracts totaling less than \$100,000 and requiring a request for proposal for contracts for services of \$100,000 or more.
4. Allowing campuses to enter into contracts that extend beyond one year but requiring a review and evaluation of the contract every three years.
5. Requiring that all payments for services are made in conformance with written contracts.
6. Working with the Office of Management and Budget on joint purchase options.

Representative Koppang asked whether the University System is working with the Office of Management and Budget as the board develops policy and the Office of Management and Budget develops its proposed bill. Ms. Glatt said the University System has not yet met with the Office of Management and Budget but plans to in the near future.

Mr. Erv Bren, Community Action Program, Dickinson, commented on the process involved in contracting with the state to provide services and on suggested improvements. Mr. Bren reviewed the services the program provides through contracts with the state including prevention programs, emergency services, services to persons with serious mental illness, and weatherization program services. Mr. Bren made the following recommendations to improve the state's contracting process:

1. Utilize technology that would enable organizations to request funding on-line to reduce payment delays.
2. Develop a method to provide for consistent rules and regulations interpretations by state agencies.

- 3. Eliminate redundant form requirements by allowing organizations to complete forms only once that may then be shared by all state agencies.
- 4. Allow an administrative allowance of at least 10 percent of the total contract to pay for indirect costs associated with providing services.

A copy of Mr. Bren's testimony is on file in the Legislative Council office.

Mr. Greg Hanson, St. Joseph's Hospital and Health Center, Dickinson, commented on the process involved in contracting with the state to provide services.

Mr. Hanson said the hospital provides mental health services and residential care services for individuals receiving substance abuse services at the Badlands Human Service Center. In addition, he said, the hospital contracts with the center to provide psychological services. He said it would not be cost-effective for both the hospital and the Badlands Human Service Center to employ psychologists. He said the contractual relationship with the Badlands Human Service Center is working very well, and he believes the hospital could provide expanded mental health services for the region.

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

It was moved by Representative Galvin, seconded by Representative Koppang, and carried on a voice vote that the meeting be adjourned sine die. The meeting was adjourned at 1:30 p.m. (MDT).

Allen H. Knudson
Assistant Legislative Budget Analyst and Auditor

Jim W. Smith
Legislative Budget Analyst and Auditor

ATTACH:1