

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

BUDGET COMMITTEE ON GOVERNMENT SERVICES

Thursday, October 18, 2001
Roughrider Room, State Capitol
Bismarck, North Dakota

Representative Jeff Delzer, Chairman, called the meeting to order at 9:00 a.m.

Members present: Representatives Jeff Delzer, Ron Carlisle, Rachael Disrud, Mark A. Dosch, James Kerzman, Frank Klein, Matthew M. Klein, Myron Koppang, Dave Weiler, Robin Weisz; Senators Duaine C. Espgaard, Gary A. Lee, Judy Lee, Elroy N. Lindaas, Harvey Tallackson

Members absent: Representative Clara Sue Price; Senator Ralph L. Kilzer

Others present: See attached appendix

Chairman Delzer welcomed Senator Gary Lee, Casselton, to the committee.

It was moved by Representative M. Klein, seconded by Senator Lindaas, and carried on a voice vote that the minutes of the previous meeting be approved as distributed.

BUDGET MONITORING

Mr. Rod A. Backman, Director, Office of Management and Budget, presented a report on the status of the state general fund. Mr. Backman said the June 30, 2003, ending general fund balance is projected to be \$19.3 million, \$7.3 million more than the \$12 million ending general fund balance estimated at the close of the 2001 legislative session.

Mr. Backman said through September 30, 2001, general fund revenues are 1.3 percent or \$2.3 million less than estimated in the 2001 legislative revenue forecast and 1.3 percent or \$2.2 million less than the first three months of the 1999-2001 biennium.

Mr. Backman said the Office of Management and Budget has reserved the first few months of corporate income tax collections in a refund account. He said this new procedure was established with the assistance of the Tax Department because those collections will end up being paid as refunds. He said the Office of Management and Budget decided to set aside those funds early in the biennium rather than later. He said if the same procedure used in the past was used this biennium, tax collections would actually be \$10.4 million ahead of the amounts reported. A copy of Mr. Backman's report is on file in the Legislative Council office.

In response to a question from Representative Delzer, Mr. Backman said the corporate income tax refunds result from quarterly tax estimate overpayments and net operating loss carrybacks.

In response to a question from Representative Delzer, Mr. Backman said oil production in North Dakota for July 2001 averaged 86,105 barrels per day, which is below the forecasted range of 90,000 to 100,000 barrels per day.

In response to a question from Representative M. Klein, Ms. Pam Sharp, Deputy Director, Office of Management and Budget, said the \$263,000 increase in gaming tax collections through September 30, 2001, in comparison to the first three months of the 1999-2001 biennium, may be the result of timing differences in collections and the involvement by one out-of-state individual who has been gambling large amounts on parimutuel horse racing. Representative Dosch said the increase of the twenty-one gaming limit to \$25 on August 1, 2001, may have also increased collections.

In response to a question from Senator Tallackson, Mr. Backman said the loss of revenue related to Internet sales is reflected in the state's revenue forecast to the extent those sales remain at the level reflected in the previous biennium. He said new estimates are that the tax losses from Internet sales are growing.

In response to a question from Representative M. Klein, Mr. Backman said the replacement of the coal severance tax with coal conversion taxes, pursuant to 2001 Senate Bill No. 2299, has provided approximately the same total collections through September 30, 2001, as the first three months of the 1999-2001 biennium.

In response to a question from Representative Delzer, Mr. Backman said a 1 percent reduction in 2001-03 biennium general fund tax collections would result in a revenue loss of approximately \$17 million.

Ms. Roxanne Woeste, Legislative Council fiscal analyst, presented a memorandum entitled *Oil Production, Oil Market Price, and Oil Tax Revenue Information*, which provides information on the statutory provisions relating to oil and gas gross production tax, oil extraction tax, the permanent oil tax trust fund, and information on oil production and oil market prices. Ms. Woeste said through September 30, 2001, general fund revenues from oil and gas production taxes are \$1,085,054 below estimates. She said general fund revenues from the oil extraction tax are \$796,931 below estimates for the same period.

Ms. Woeste said in September 2001 the average price per barrel of oil was \$20.70, \$1.69 less than the forecast price of \$22.39 per barrel. She said oil production in August 2001 totaled 2,670,803 barrels, 155,777 barrels less than the estimated production of 2,826,580 barrels. She said through September 2001, 63 oil wells have been drilled in calendar year 2001, 56 of which are producing wells. She said the average number of oil rigs in North Dakota in September 2001 was 19.

In response to a question from Representative Delzer, Ms. Woeste said oil and gas production tax and oil extraction tax collections for the biennium in excess of \$62 million are deposited in the permanent oil tax trust fund. She said the original forecasted oil tax collections for the 2001-03 biennium are \$71 million, \$9 million above the level which would impact the general fund.

In response to a question from Representative M. Klein, Ms. Woeste distributed information on the gas tax rate for fiscal year 2002. She said the gas base rate adjustment used in calculating gross production tax on gas is 1.93.

**RISK-ASSOCIATED
BEHAVIOR PROGRAMS**

Tobacco Settlement Trust Fund Collections

The Legislative Council staff presented a memorandum entitled *Analysis of the Tobacco Settlement Trust Fund*. The Legislative Council staff said \$52.9 million has been received by the state and deposited in the tobacco settlement trust fund, collections are projected to be \$53 million for the 2001-03 biennium, and the tobacco settlement trust fund collections are apportioned among the community health trust fund, the common schools trust fund, and water development trust fund, pursuant to North Dakota Century Code (NDCC) Section 54-27-25 as follows:

Fund	1999-2001 Actual Transfers From Tobacco Settlement Trust Fund	2001-03 Projected Transfers From Tobacco Settlement Trust Fund
Community health trust fund (10%)	\$5,290,078	\$5,307,289
Common schools trust fund (45%)	23,805,353	23,882,798
Water development trust fund (45%)	23,805,353	23,882,798
Total transfers from the tobacco settlement trust fund	\$52,900,784	\$53,072,885

Community Health Grant Program

At the request of Chairman Delzer, Ms. Sandra Adams, Director, Division of Health Promotion, State Department of Health, presented a report on the status of the implementation of the community health

grant program, pursuant to Section 2 of 2001 Senate Bill No. 2380. A copy of the information presented is on file in the Legislative Council office. Ms. Adams said the August 2001 school district census results will be used to calculate community health grants to local public health units for reducing student tobacco use.

Ms. Adams said a list of potential Community Health Grant Program Advisory Committee members has been identified based on information obtained from local public health administrators. She said the committee will be established by October 31, 2001. She said the tobacco control program administrator and community outreach coordinator positions within the State Department of Health have been filled.

Senator J. Lee said she hoped the State Department of Health would be farther along in implementing the community health grant program. She said community health grants should not be awarded based upon the percentage of students who smoke. She said school districts should not be rewarded for high student tobacco use.

In response to a question from Representative Weisz, Ms. Adams said all 28 local public health units have contracts with the State Department of Health to share in state aid funding. In response to a question from Representative Delzer, Ms. Adams said \$235,000 of state aid funding has been distributed in quarterly installments to local public health units.

Senator J. Lee said she hoped the North Dakota Association of Counties and the North Dakota League of Cities would help publicize the availability of matching funds for smoking cessation programs.

In response to a question from Representative Delzer, Ms. Kathleen Mangskau, Director, Oral Health Program, State Department of Health, said administrative procedures have been approved for the dental loan repayment program. She said funding for dental loan repayments will be awarded annually to three selected dentists who choose to serve North Dakota communities based on population. She said a total of nine individuals have applied, covering two of the three population ranges--the under 2,500 and over 10,000 ranges. She said no one has applied to serve a community between 2,500 to 10,000 people.

Senator J. Lee said the community health center in Fargo operates a dental facility in Moorhead and, like smaller communities in the state, could benefit from additional dentists.

Risk-Associated Behavior Programs Survey

The Legislative Council staff presented a memorandum entitled *Survey of Agency Alcohol, Drug, Tobacco, and Risk-Associated Behavior Programs*. The Legislative Council staff said a survey was sent to nine state agencies that have funding for various risk-associated behavior programs and the memorandum is a compilation of survey responses received from the agencies. The Legislative Council staff said

the total 2001-03 biennium funding for risk-associated behavior programs, excluding identified duplicated passthrough funds, is \$53 million, \$15.3 million from the general fund. Agencies were asked to identify sources of federal and special funds, program funding restrictions, available time period of funding, and anticipated uses of funds.

State Department of Health

Ms. Sandra Adams, Director, Division of Health Promotion, State Department of Health, said the department will receive a total of \$7.4 million of federal and special funds for alcohol, drug, and tobacco programs. She said \$4.7 million from the community health trust fund is for tobacco prevention programs. She said a minimum of 80 percent of these funds will be awarded to local public health units for tobacco control in counties and the remaining funding used for other preventive health unit issues and concerns.

Ms. Adams said \$350,000 is available from the community health trust fund for community health grant programs. She said \$100,000 is appropriated to the department to fund the community health grant program activities and \$250,000 for funding grants to cities and counties on a dollar for dollar matching fund basis for city and county employee tobacco education and cessation programs. A copy of the information presented is on file in the Legislative Council office.

In response to a question from Representative Delzer, Ms. Adams said 2001 Senate Bill No. 2380 does not provide a timeframe for the establishment of the advisory committee. She said the advisory committee will take an active role in soliciting applications for the \$250,000 available on a matching basis to cities and counties for tobacco education and cessation programs.

In response to a question from Representative M. Klein, Ms. Adams said the \$2.4 million available from the Centers for Disease Control and Prevention will be used primarily to support 11 local tobacco control programs and five tribal tobacco control sites. She said the department uses various survey evaluation tools to measure the success of local tobacco prevention programs.

In response to a question from Representative Delzer, Ms. Adams said the department has received similar funding in the past from the Centers for Disease Control and Prevention for tobacco control efforts.

In response to a question from Representative Disrud, Ms. Adams said over the last two years there has been a slight decline or plateau in the number of new youth smokers. She said approximately 19 to 20 percent of youth use tobacco.

In response to a question from Representative Delzer, Ms. Adams said representatives from the Center for Disease Control and Prevention will be training local public health units to create a state plan

for tobacco prevention programs. She said as soon as those plans are submitted and approved by the advisory committee funding will be made available to the local public health units.

In response to a question from Senator J. Lee, Ms. Adams said by cross-tabulating survey results, the number of young women who start smoking as a method of weight control can be determined.

In response to a question from Representative Weisz, Ms. Adams said 20 percent of the \$4.7 million from the community health trust fund is available to local public health units to supplement existing state aid. She said this funding does not require approval from the advisory committee and \$235,000 has been made available.

Attorney General's Office

Mr. Jerry Kemmet, Director, Bureau of Criminal Investigation, Attorney General's office, said the Attorney General's office will receive a total of \$7.5 million, \$1.3 million from the general fund, for alcohol, drug, and tobacco programs. He said the Narcotics Section and the Bureau of Criminal Investigation were combined in the Attorney General's office in 1989. He said the Attorney General's office will receive federal funding of approximately \$1.1 million from a midwest high-intensity drug trafficking area grant for methamphetamine investigation and eradication. He said methamphetamine use has dramatically increased in North Dakota.

In response to a question from Representative Delzer, Mr. Kemmet said an Edward Byrne memorial grant of approximately \$451,000 requires the use of state matching funds and asset forfeiture funds.

In response to a question from Representative F. Klein, Mr. Kemmet said methamphetamine production is increasing because it is easy to make, highly addictive, and the increased use in surrounding states has carried into North Dakota.

Department of Corrections and Rehabilitation

Ms. Elaine Little, Director, Department of Corrections and Rehabilitation, said the Department of Corrections and Rehabilitation has a number of alcohol and drug treatment programs, including alternative-to-incarceration programs. She said the total funding for the programs is \$9.9 million, \$4.9 million from the general fund. A copy of the information presented is on file in the Legislative Council office.

In response to a question from Representative M. Klein, Ms. Little said the residential substance abuse treatment program grant is passed through from the Attorney General's office to the Department of Corrections and Rehabilitation. She said the funding is for a "therapeutic community" program at the State Penitentiary. She said this program is for the treatment of inmates with multiple driving under the influence and drug offenses who often have

minimal living skills. She said the Youth Correctional Center has one full-time licensed addiction counselor, funded from the general fund, and one additional staff to assist the counselor, funded with federal funds. She said several alcohol and drug treatment programs are offered at the Youth Correctional Center.

In response to a question from Representative Disrud, Ms. Little said the Youth Correctional Center limits the size of an addiction program to between 12 and 20. She said there may be more than one group program conducted during a day.

In response to a question from Representative Disrud, Ms. Little said one person was dismissed from the drug court program because of continued drug use.

In response to a question from Representative Delzer, Ms. Little said a vendor has been awarded a contract to run a transition center in Bismarck. She said the first choice for the location of the center is a site in an industrial park area in south Bismarck. She said most of the potential residents have received alcohol and drug treatment in prison and will continue to receive treatment at the transition center. She said a majority of the alcohol and drug treatments at the transition center will be conducted through community programs.

In response to a question from Senator Espgaard, Ms. Little said the cost per inmate at the prison facilities is approximately \$55.10 per day.

In response to a question from Representative M. Klein, Ms. Little said the Department of Corrections and Rehabilitation does not pay for the cost of inmates' cable TV.

In response to a question from Representative Weisz, Ms. Little said the alternative-to-incarceration programs saved approximately 25,000 bed days during the first three months of the 2001-03 biennium. Representative Delzer said the projection assumes that all people in the programs would otherwise be imprisoned.

In response to a question from Representative Koppang, Ms. Little said the alternative-to-incarceration programs were initiated at various times since 1990.

Department of Human Services

Ms. Karen Romig Larson, Director, Division of Mental Health and Substance Abuse Services, Department of Human Services, said the substance abuse prevention and treatment block grant provides a significant amount of funding for treatment services. She said private insurance coverage for treatment services is diminishing. She said the total funding for alcohol, drug, and tobacco programs in the Department of Human Services is \$23.9 million, \$9.1 million from the general fund.

In response to a question from Representative Delzer, Ms. Romig Larson said the substance abuse

prevention and treatment block grant does have a maintenance of effort requirement. She said the department needs to provide general fund and nonfederal funds maintenance of effort equal to the average spent the two previous fiscal years. She said if the state's effort is not maintained, the federal funding is reduced by the amount of maintenance of effort shortfall.

In response to a question from Representative Delzer, Ms. Romig Larson said the Department of Human Services has several methods to determine if substance abuse prevention programs are successful. She said the youth risk behavior survey and the national household survey are used to identify drug use trends. She said the department has tried to focus its funding on alcohol and drug prevention and work with the State Department of Health on tobacco prevention.

In response to a question from Representative Delzer, Ms. Romig Larson said federal funding for the safe and drug-free schools and communities grant program has been fairly stable since 1987.

In response to a question from Representative Delzer, Ms. Romig Larson said the residential substance abuse treatment block grant has an annual audit. She said the auditors determine that expenditures meet program requirements. She said in the future this block grant will require the development of performance indicators to measure outcomes.

In response to a question from Representative Disrud, Ms. Romig Larson said the Department of Human Services Resource Center is marketed through the department's web site and through the On-line Dakota Information Network (ODIN). She said the Resource Center is available to all people in North Dakota.

Department of Transportation

Chairman Delzer said the Department of Transportation received federal funding of \$984,000 for the 2001-03 biennium for risk-associated behavior programs.

Department of Public Instruction

Mr. Joe Linnertz, Assistant Superintendent, Department of Public Instruction, said the Department of Public Instruction will receive approximately \$3.4 million of federal funding for the safe and drug-free schools and communities program. He said 91 percent of the funding received is granted directly to local education agencies, 5 percent is budgeted for technical assistance to schools, and 4 percent provides for grant administration. A copy of the information presented is on file in the Legislative Council office.

In response to a question from Representative Delzer, Mr. Linnertz said there has been an effort by both school districts and the state to ensure prevention programs are effective.

Supreme Court

Mr. Greg Wallace, Assistant State Court Administrator for Child Courts, Supreme Court, said there are two pilot drug courts--one chambered in Fargo and one in Grand Forks. He said the drug court program is available to juveniles between the ages of 14 and 18 that have been identified as having a drug or alcohol abuse problem. He said it is an accountability program that uses incentives, treatment, and sanctions, such as drug testing and tracking. He said total funding for this program is \$312,117, \$22,222 from the general fund. A copy of the information presented is on file in the Legislative Council office.

In response to a question from Representative Delzer, Mr. Wallace said the \$22,222 general fund appropriation is a required match to receive the \$200,000 juvenile accountability incentive block grant. He said the juvenile drug court program is a relatively new program established in 2000.

National Guard

Lieutenant Colonel Jon Hanson, Counter Drug Coordinator, National Guard, said the mission of the counter drug program is to support law enforcement agencies and community-based organizations in response to the changing drug threat. He said the estimated funding for the program is \$1.7 million from nonappropriated federal funds. A copy of the information presented is on file in the Legislative Council office.

In response to a question from Representative Delzer, Lieutenant Colonel Hanson said the counter drug program is about 10 years old and was initially started as an interdiction program to support local law enforcement.

In response to a question from Senator Espgaard, Lieutenant Colonel Hanson said approximately 90 percent of funding is for salary and administration expenses. He said if federal funding is reduced significantly, personnel reductions will have to be made.

In response to a question from Representative Delzer, Lieutenant Colonel Hanson said the North Dakota National Guard assisted local law enforcement with over 200 interdiction missions last year.

In response to a question from Representative M. Klein, Lieutenant Colonel Hanson said ROPES is not an acronym but a team building physical test. He said fatal vision goggles give a person the perception that they have been drinking.

Children's Services Coordinating Committee

Ms. Karla Mittleider, Administrative Assistant, Children's Services Coordinating Committee, said the Children's Services Coordinating Committee will receive approximately \$50,000 for the Sacred Child Project, which provides a mentoring program for severely emotionally disturbed children on Indian

reservations and \$200,000 for the Native American drug and alcohol program.

In response to a question from Representative Delzer, Ms. Mittleider said the total funding provided to regional and tribal affiliates for risk-associated behavior programs would depend on who applies for the grants. She said she would be able to provide that information to the committee at the next meeting.

Committee Comments

Representative Koppang said he is interested in information on alcohol and drug programs for high school students implemented by local governments. Ms. Romig Larson, Department of Human Services, said the Department of Human Services along with a number of other state agencies belong to an inter-agency substance abuse team. She said the state agencies work together closely to coordinate activities and make sure funds are not duplicated. She said a broad variety of prevention activities are available at the local level. She said the members of the inter-agency substance abuse team encourage local government agencies to work together and combine resources to provide effective prevention programs.

Chairman Delzer said the committee has no control over spending of local dollars and it would be difficult to collect information on funding provided for risk-associated behavior programs by local government entities.

Representative Weisz said he would like to know the amount of federal funding going directly to local government for alcohol, drug, and tobacco programs. The legislative budget analyst and auditor said the committee may want to ask a local government agency, such as the Bismarck Police Department, regarding availability of federal funds for these programs. Chairman Delzer requested the Legislative Council staff to arrange for a report from the Bismarck Police Department or other local government agency regarding federal funds available for local risk-associated behavior programs for the next meeting.

STATUS OF THE LAND DEPARTMENT INVESTMENTS

At the request of Chairman Delzer, Mr. Gary Preszler, Commissioner, Land Department, presented a status report on Land Department investments, including the common schools trust fund and future investment plans. A copy of the information presented is on file in the Legislative Council office. Mr. Preszler said there are 13 permanent educational trusts managed by the Land Department. He said the long-range goal for the trusts is to have both principal and income grow at a rate greater than or equal to the rate of inflation. He said the Board of University and School Lands plans to increase the percentage of financial assets invested in equity securities from approximately 44 percent of financial assets to 53 percent.

Mr. Preszler said the total value of the 13 permanent educational trusts as of September 30, 2001, was approximately \$629 million. He said fixed income securities comprise over 45 percent of total assets. He said for the quarter ended September 30, 2001, total permanent trust assets decreased by approximately \$38.7 million as the combined equity and convertible securities portfolio incurred a total loss of 14.68 percent. He said, however, total trust assets have increased by over \$30 million since June 1999.

Mr. Preszler said the Board of University and School Lands expects to meet the distribution goals established by the 2001 Legislative Assembly for all but one of the permanent trusts during the 2001-03 biennium. He said projections indicate distributions from the deaf school trust will be about \$56,000 less than the \$465,000 budgeted.

In response to a question from Representative Delzer, Mr. Preszler said the total permanent educational trust fund includes the common schools trust fund's share of tobacco settlement collections. Mr. Preszler said the Board of University and School Lands will not sell fixed income securities because of the decreased valuation of equity securities, in order to maintain a predetermined portfolio balance. He said low interest rates have resulted in lower returns on fixed income securities; however, the Board of University and School Lands will not increase the risk level of the portfolio for potential gains.

In response to a question from Representative Delzer, Mr. Preszler said in order to meet required distributions, the Board of University and School Lands may have to use realized capital gains. Mr. Jeff Engleson, Investment Director, Land Department, said capital gains are amortized as income over a 10-year period. Mr. Engleson said the converted capital gains can be spent if the income component of the plan does not generate the amount of income expected. He said the funds transferred from the tobacco settlement trust fund cannot be spent.

Chairman Delzer requested the Land Department to provide a description of the 13 permanent educational trust funds for the next committee meeting, including the income and uses of the funds and the departments that receive income from the funds. He said he would like the Land Department to also make a presentation to the committee at an August or September 2002 meeting.

Senator Espgaard asked the Land Department to make available at the next committee meeting a report showing income, expenses, and additions of funds to the common schools trust fund, and projections for the next 20 years for the common schools trust fund.

In response to a question from Representative Weisz, Mr. Rick Larson, Deputy Commissioner, Land Department, said the 2001 Legislative Assembly directed the Land Department to distribute a set dollar

amount from the permanent educational trust funds to the extent there is income to meet the distributions.

RECRUITMENT AND RETENTION BONUS PILOT PROGRAM

Chairman Delzer called on Mr. Ken Purdy, Acting Director, Central Personnel Division, who presented a report regarding the implementation, progress, and bonuses provided under the bonus pilot program as directed in Section 1 of 2001 House Bill No. 1120. Mr. Purdy said five agencies have adopted written policies--Department of Human Services, Bank of North Dakota, Highway Patrol, Department of Transportation, and Department of Corrections and Rehabilitation. He said Job Service North Dakota and the Insurance Department are in the process of implementing a written policy. He said 10 agencies are considering developing a policy or are drafting policies at this time. A copy of the information presented is on file in the Legislative Council office.

Department of Human Services

Ms. Laurie Sterioti Hammeren, Human Resource Director, Department of Human Services, said the Department of Human Services has provided four recruiting bonuses to nurses at the State Hospital, nine retention bonuses for addiction counselors and licensed psychologists, and one performance bonus. She said recruitment bonuses can be up to one month's salary with a minimum payback period of one year. She said the four nurses at the State Hospital were paid one-half month's salary with a two-year payback period. In response to a question from Representative Delzer, Ms. Sterioti Hammeren said the nurses at the State Hospital are paid a shift differential for weekends and evenings.

Ms. Sterioti Hammeren said retention bonuses are one-time bonuses of up to one month's salary with a one-year payback which must be paid back in full if the contract is not fulfilled. A copy of the information presented is on file in the Legislative Council office.

In response to a question from Senator Lindaas, Ms. Sterioti Hammeren said a recruitment bonus can be provided in full at the start of employment or one-half at start and one-half at the contract's midpoint. She said the bonus is prorated over the months worked. She said the department could establish a payback schedule including interest for an employee voluntarily leaving employment before the completion of the contract term.

In response to a question from Representative Delzer, Ms. Sterioti Hammeren said the department provided one performance bonus for an employee who managed a construction project at the Dacotah Foundation's vocational rehabilitation program. She said the individual received a one-time bonus of \$100 for performance on the project.

Department of Transportation

Mr. Tom Freier, Deputy Director, Department of Transportation, said the Department of Transportation has provided recruiting bonuses to 25 individuals, primarily in engineering and information technology fields. He said the individuals received 1.5 month's salary and agreed to stay with the department for two years. He said one-half of the bonus is paid at the start of employment and one-half is paid after one year. A copy of the information presented is on file in the Legislative Council office.

In response to a question from Representative Delzer, Mr. Freier said the department has been assessing entry-level salaries for engineers and information technology employees. He said salary increases have been made to be competitive with surrounding states.

Bank of North Dakota

Mr. Eric Hardmeyer, President, Bank of North Dakota, said the Bank of North Dakota has provided two retention bonuses to individuals in the Information Technology Department who were vital in establishing the Bank's e-business initiative. He said these employees received one month's salary in exchange for signing a one-year employment contract. He said the Bank of North Dakota would like the program to be expanded to nonclassified employees and include the ability to offer additional vacation days at the start of employment.

In response to a question from Representative Disrud, Mr. Hardmeyer said the two retention bonuses were handled without any announcement within the Bank. Senator Espegard said it is difficult to keep payroll information confidential.

In response to a question from Senator Espegard, Mr. Hardmeyer said the employment contracts were established for a one-year period because at that point other employees would have sufficient experience to operate the system.

In response to a question from Senator J. Lee, Mr. Hardmeyer said the Bank of North Dakota will be expanding the 529 College Save program to allow other broker dealers besides Morgan Stanley to offer the program.

Chairman Delzer said the State Investment Board and the Bank of North Dakota will be asked to discuss investment portfolios at the next Budget Committee on Government Services meeting.

Additional Committee Comments

Mr. Purdy said the Department of Corrections and Rehabilitation has just implemented the recruitment and retention bonus policy and has not provided any bonuses.

In response to a question from Representative Carlisle, Mr. Purdy said the Highway Patrol provides bonuses to troopers for recruiting new candidates that successfully complete the law enforcement academy.

Representative Delzer said if the Highway Patrol needs additional troopers as a result of the September 11, 2001, attacks, there would have to be Emergency Commission and Budget Section approval or approval by a special legislative session if additional appropriations are required.

In response to a question from Senator Espegard, Mr. Purdy said retention bonuses may be awarded in successive years. He said the bonuses may be offered for a series of benchmarks met relating to a particular project. Senator Espegard said if the same employee receives a retention bonus every year, it would seem to indicate an inadequate salary.

Representative Koppang said it is more difficult for smaller agencies to provide recruitment and retention bonuses without a special appropriation. Mr. Purdy said if a position is vacant for a period of time, the funding for recruiting and retention bonuses will be available from the savings from the vacant position.

In response to a question from Senator Espegard, Mr. Purdy said allowing each agency to set their own policy rather than having one overall state policy provides more flexibility for various workforce needs. Senator Espegard said having separate policies makes administration more difficult.

In response to a question from Representative Delzer, Mr. Purdy said the Central Personnel Division proposed the recruitment and retention bonus pilot program legislation. He said it will sunset on June 30, 2003, unless legislation is passed to continue the program.

In response to a question from Representative Disrud, Mr. Purdy said there could be a number of reasons the 10 agencies referred to have chosen not to participate in the program. He said the agencies probably are not experiencing problems with employee recruitment or retention.

BISTATE AUTHORITY

The Legislative Council staff presented a memorandum entitled *History of Bistate Authority Legislation*. The Legislative Council staff said the 1996 South Dakota Legislature adopted a bill creating a legislative commission to meet with a similar commission from North Dakota to study ways North Dakota and South Dakota could collaborate to provide government services more efficiently. The Legislative Council staff said the joint commission focused the study on higher education, elementary and secondary education, highway maintenance, workers' compensation, and health laboratory services. The Legislative Council staff said the North Dakota Legislative Assembly, as a result of the commission's study, enacted legislation relating to higher education and the formation of cooperative agreements with South Dakota. The Legislative Council staff said the South Dakota commission proposed several initiatives, but the South Dakota Legislative Assembly did not approve any of the related bills.

Chairman Delzer said the committee has the authority to approve any proposed bistate agreements, but because of the apparent lack of interest from South Dakota it does not appear there is any need for any additional committee action.

HOUSING DEVELOPMENT FUND

The Legislative Council staff presented a memorandum entitled *History of the Housing Development Fund*. The Legislative Council staff said the primary purpose of the housing development fund is to provide for multifamily housing projects in rural areas that are experiencing or expecting to experience a shortage of housing as a result of economic development. The Legislative Council staff said financial institutions establishing housing development funds are allowed a tax credit for the difference between the interest earned and what would have been earned at the treasury rate plus 300 basis points. The Legislative Council staff said testimony in support of 1999 House Bill No. 1383, creating the housing development fund, indicated that costs of new housing projects in rural communities generally exceed the appraised value creating a "gap" in the amount available for financing. The Legislative Council staff said the Budget Committee on Government Services is responsible for receiving annual financial statements and reports from the governing board of a housing development fund. The Legislative Council staff said, however, no housing development funds have been established.

Chairman Delzer said the Lewis and Clark CommunityWorks Dream Fund was recently established. He said the purpose of this fund is very similar to the housing development fund. He said the committee may want to receive more information on

the Lewis and Clark CommunityWorks Dream Fund at the next meeting.

Senator J. Lee said Mr. Steve Stoner, a banker from Fargo, has been active in developing housing projects in rural areas of North Dakota and Minnesota. She said the committee might benefit from information he could provide. She asked Chairman Delzer if the committee could receive information from a representative of the banking industry on why a housing development fund has not been created. Senator Espgaard said the committee should request a report from the Independent Community Banks of North Dakota or North Dakota Bankers Association for the next meeting.

Chairman Delzer said the committee is responsible only for receiving reports if a housing development fund is established. He said he will tentatively allow for additional presentations on the housing development fund, but he plans to discuss the issue with the chairman of the Legislative Council.

The committee adjourned subject to the call of the chair at 2:55 p.m.

Donald J. Wolf
Fiscal Analyst

Jim W. Smith
Legislative Budget Analyst and Auditor

ATTACH:1