

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

BUDGET SECTION

Tuesday, April 13, 2004
Senate Chamber, State Capitol
Bismarck, North Dakota

Representative Ken Svedjan, Chairman, called the meeting to order at 9:00 a.m.

Members present: Representatives Ken Svedjan, Ole Aarsvold, Rick Berg, Merle Boucher, Ron Carlisle, Al Carlson, Jeff Delzer, Eliot Glassheim, Pam Guleson, Keith Kempenich, Kim Koppelman, Joe Kroeber, Bob Martinson, Ralph Metcalf, Bob Skarphol, Blair Thoreson, Francis J. Wald, John Warner, Amy Warnke; Senators John M. Andrist, Bill L. Bowman, Randel Christmann, Michael A. Every, Ray Holmberg, Ralph L. Kilzer, Aaron Krauter, Ed Kringstad, Tim Mathern, David P. O'Connell, Larry Robinson, Randy A. Schobinger, Bob Stenehjem, Harvey Tallackson, Russell T. Thane

Members absent: Representatives Larry Bellew, Thomas Brusegaard, James Kerzman, David Monson, Earl Rennerfeldt, Mike Timm; Senators Tony S. Grindberg, Elroy N. Lindaas

Others present: See attached appendix

It was moved by Senator O'Connell, seconded by Senator Bowman, and carried on a voice vote that the minutes of the January 14, 2004, meeting of the Budget Section be approved as distributed.

STATUS OF THE STATE GENERAL FUND

At the request of Chairman Svedjan, Ms. Pam Sharp, Director, Office of Management and Budget, presented a report on the status of the state general fund. A copy of the information presented is on file in the Legislative Council office. Ms. Sharp said the consumer price index in February 2004 was up just .3 percent for the month and up 1.7 percent for the preceding 12 months. She said the consumer price index is expected to increase an average of 1.4 percent during 2004 and 1.3 percent during 2005. Ms. Sharp said personal income rose 1.3 percent during 2003, which was the same growth realized during 2001 and 2002. She said the United States farm income totaled \$55.3 billion for 2003, which was 47.9 percent higher than 2002, and average farm prices are expected to increase by 5.6 percent during 2004 and by 2.9 percent during 2005. Ms. Sharp said North Dakota's unemployment rate in January 2004 was 3.0 percent, a decrease from the 4.2 percent rate in January 2003. She said North Dakota's unemployment rate was considerably lower than the national unemployment rate of 5.6 percent in January 2004.

Ms. Sharp said as of April 2004 there were 17 oil rigs operating in North Dakota compared to 13 in April 2003. She said the Tesoro posted price for oil is approximately \$30 per barrel in North Dakota. Ms. Sharp said fourth quarter 2003 taxable sales and purchases were \$2.031 billion, which represented an increase of 7.7 percent over the fourth quarter of 2002 and marked a new record for quarterly taxable sales and purchases in North Dakota.

Ms. Sharp presented the following information on the preliminary status of the state general fund based on revenue collections through March 2004:

Unobligated general fund balance - July 1, 2003	\$14,790,311
Add	
General fund collections through March 31, 2004	604,454,685
Forecasted general fund revenue for the remainder of the 2003-05 biennium (based on the 2003 legislative forecast)	1,222,478,667
Jobs and Growth Tax Relief Reconciliation Act of 2003 payments	50,000,000
Jobs and Growth Tax Relief Reconciliation Act of 2003 Medicaid federal medical assistance percentage	6,456,581
Less	
Estimated impact of federal tax cuts resulting from the Jobs and Growth Tax Relief Reconciliation Act of 2003	(13,800,000)
Total estimated general fund revenue for the 2003-05 biennium	\$1,884,380,244
Less	
2003-05 biennium general fund appropriations	1,803,661,161
Estimated general fund balance - June 30, 2005 (\$70,466,174 more than the 2003 legislative estimate of \$10,252,909)	\$80,719,083

In response to a question from Representative Boucher, Ms. Sharp said approximately \$13 million has been transferred to the general fund from various trust funds, including the permanent oil tax trust fund and the bonding fund.

In response to a question from Representative Koppelman, Ms. Sharp said all the transfers from the various trust funds to the general fund are provided for in legislation and, therefore, the transfers will be made by the end of the 2003-05 biennium unless otherwise directed by the 2005 Legislative Assembly.

Ms. Sharp said excluding the federal fiscal relief payments and the federal fiscal relief Medicaid federal

medical assistance percentage, the preliminary total revenues and transfers for the first nine months of the 2003-05 biennium were approximately \$18.5 million above forecast. She said the majority of the increased revenues are from sales tax collections, which are approximately \$12.5 million over the forecast. Ms. Sharp said the oil and gas production tax is approximately \$2.3 million over the forecast for the first nine months of the biennium as a result of strong oil prices.

In response to a request from Representative Wald, Ms. Sharp provided the committee with a schedule of the tentative timing of transfers to the general fund for the 2003-05 biennium.

TOBACCO SETTLEMENT PROCEEDS

Ms. Sharp presented information on the status of tobacco settlement proceeds received by North Dakota. A copy of the information presented is on file in the Legislative Council office. Ms. Sharp said the status of the fund has not changed since January 2004 when it was last reported to the Budget Section. She said the state is expecting to receive a payment of \$21.1 million on April 15, 2004.

In response to a question from Representative Skarphol, Ms. Sharp said she will provide him with a schedule of the expenditures totaling \$47 million for the water development trust fund.

In response to a question from Representative Delzer, Ms. Sharp said she will provide him with a schedule of estimated bond payments for the 2005-07 biennium, including the payments for bonds issued during 2003 and the related payments effect on the building authority lease payments limitation, pursuant to North Dakota Century Code (NDCC) Section 54-17.2-23.

INFORMATION TECHNOLOGY FUNDING REDUCTIONS

Ms. Sharp presented information on any line item transfers to accommodate information technology funding reductions, pursuant to Section 8 of 2003 House Bill No. 1505. A copy of the information presented is on file in the Legislative Council office. Ms. Sharp said as of April 2004 one transfer had been made, which was for the Tax Department. Ms. Sharp said in lieu of transferring one full-time equivalent position, as stated in 2003 House Bill No. 1505, the Tax Department and the Information Technology Department determined to include only a portion of the salary expense of one full-time equivalent position for the Tax Department. She said the Tax Department made a line item transfer of \$8,458 from the salaries and wages line item to the operating line item to cover information technology consolidation costs paid from the operating line item.

OFFICE OF MANAGEMENT AND BUDGET AGENCY BUDGET GUIDELINES FOR THE 2005-07 BIENNIUM

Chairman Svedjan called on Ms. Sheila Peterson, Director, Fiscal Management Division, Office of Management and Budget, to provide a review of the Office of Management and Budget's agency budget guidelines for the 2005-07 biennium. A copy of the information presented is on file in the Legislative Council office. Ms. Peterson said the budget system has been upgraded from the former statewide integrated budget and reporting system (SIBR) to the budget analysis and reporting system (BARS). She said BARS is "open" and the BARS manual is available on the Fiscal Management Division web site. Ms. Peterson said features of the new budget system include incorporating the information technology planning function into BARS, including available performance data in the agency and program narratives, and adding the telecommute analysis form in BARS. Ms. Peterson said Governor Hoeven has asked agencies to submit a hold-even general fund budget for the 2005-07 biennium with the ability to include a list of prioritized optional adjustments in the budget request.

In response to questions from Representative Warnke, Ms. Sharp said there will be no timelag for state employee payroll on July 1, 2004, and the University System will be on the same payroll system as all the other state agencies, although they will have a payroll delay.

In response to a question from Representative Guleson, Ms. Sharp provided the committee with the *North Dakota Sales and Use Tax Statistical Report* for the fourth quarter of 2003.

In response to a question from Representative Skarphol, Ms. Sharp said she will provide the committee with information regarding the number of ConnectND system updates and patches that will be required on an annual basis and the related costs of the updates and patches.

In response to a question from Senator Krauter, Ms. Peterson said the University System will prepare both a hold-even base budget and a "needs-based" budget.

In response to a question from Representative Skarphol, Ms. Peterson said the Office of Management and Budget will determine the available "costs to continue" for all state agencies in order to provide consistency across the agencies.

VETERANS HOME LINE ITEM TRANSFER - 2001-03 BIENNIUM

Ms. Peterson presented a report on transfers by the Veterans Home between line items for the 2001-03 biennium made to implement changes in technology and telecommunications, pursuant to Section 6 of 2003 House Bill No. 1007. Ms. Peterson said Section 6 of 2003 House Bill No. 1007 allows the

Veterans Home to transfer up to \$150,000 between line items for the 2001-03 biennium to implement changes in technology and telecommunications and the Office of Management and Budget is to report any such transfers to the Budget Section. Ms. Peterson said the Veterans Home transferred \$90,000 between line items toward the end of the 2001-03 biennium for necessary information technology and telecommunication upgrades at the Veterans Home.

FISCAL IRREGULARITIES

Pursuant to NDCC Section 54-14-03.1, Ms. Peterson presented information on irregularities in the fiscal practices of the state. Ms. Peterson said there is a statutory requirement that a state agency cannot spend more than 75 percent of its salary and operating line items in the first 18 months of a biennium. She said State Radio Communications spent more than 75 percent of its salary line item during the first 18 months of the 2001-03 biennium due to overtime payments made to employees for overtime work that resulted from a large number of vacant positions in the agency. Ms. Peterson said State Radio Communications overspent its salary line item by \$49,676 by December 31, 2002, but did not overspend the salary line item in total by the end of the 2001-03 biennium. She said State Radio Communications had \$25,700 remaining in its salary line item for turnback at the end of the 2001-03 biennium.

Ms. Peterson said the Office of Management and Budget does not report state agency overspending to the Budget Section until after the completion of the agency's audit report. She said the Office of Management and Budget does not report overspending in instances where the funds have been obligated but not spent, because the Office of Management and Budget does not have validation of an overexpenditure until after the completion of the agency's audit.

SEXUAL PREDATOR TREATMENT

Department of Corrections and Rehabilitation

At the request of Chairman Svedjan, Ms. Sharp presented information on the costs related to sexual offenders within the Department of Corrections and Rehabilitation. Ms. Sharp said there are two groups of sexual predators--individuals in the correctional system as an inmate or under the supervision of the parole office and individuals that have served their sentence but remain at high risk of reoffending and have been civilly committed to the Department of Human Services.

Ms. Sharp said the 2003-05 biennium appropriation for the Department of Corrections and Rehabilitation includes \$565,000 from the general fund for the costs of sexual offenders. She said the department's Prisons Division has 2.5 full-time equivalent positions for the treatment of sexual offenders--2 treatment staff and a .5 psychologist. She said the general fund

salary and fringe benefit cost of the 2.5 full-time equivalent positions is \$253,000 for the 2003-05 biennium with an additional \$15,000 in operating costs. Ms. Sharp said the department's Field Services Division currently has 12 parole officers that have on average at least one sexual offender in their caseload and the share of the cost of the parole officer salaries related to sexual offender cases is \$272,000 with an additional \$25,000 in operating costs.

Ms. Sharp introduced Mr. Alex C. Schweitzer, Superintendent/Administrator, State Hospital, and Dr. Rosalie Etherington, Clinical Director for the sexual offender program, State Hospital, to present information on the fiscal impact of civilly committed sexual predators to the State Hospital for the 2003-05 biennium.

In response to a request from Representative Carlisle, Ms. Sharp distributed copies of her testimony regarding the Department of Corrections and Rehabilitation 2003-05 biennium general fund budget for sexual offenders, a copy of which is on file in the Legislative Council office.

State Hospital

Mr. Schweitzer presented information on the increase in the number of sexual predator civil commitments and the projected increase in related costs at the State Hospital. A copy of the information presented is on file in the Legislative Council office. Mr. Schweitzer reviewed a history of the civil commitment law in North Dakota. He said the Legislative Assembly passed NDCC Chapter 25-03.3 in 1997, which provides for the civil commitment of dangerous sexual predators. He said this chapter provides that if a respondent is found to be a sexually dangerous individual, he/she is committed to the care, custody, and control of the executive director of the Department of Human Services and the confinement, evaluation, and treatment of dangerous sexual offenders are provided at the State Hospital.

Mr. Schweitzer said the United States Supreme Court decision of *Kansas v. Hendricks* supported civil commitment laws as long as the following specific requirements are followed:

- Confinement at issue is civil not criminal.
- The civil law is not imposing confinement as punishment.
- Sexually violent predators should be housed and segregated from the general prison population.
- The model should be the same as other involuntarily committed clients.
- As long as the state's purpose is to treat the sexual offender, the state may commit him for an indefinite period of time.

Mr. Schweitzer said there is no statutory requirement in any state relating to the number of treatment hours required but the Supreme Court decision of *Kansas v. Hendricks* provided for 31.5 hours of

treatment per patient per week for sexually violent predators. He said other states with civil commitment laws have interpreted this as the "standard" and conformed state programs accordingly.

Mr. Schweitzer said treatment provided at the State Hospital must follow the umbrella guidelines of the Joint Commission for the Accreditation of Hospital Organizations, which is the State Hospital's accrediting body. He said the guidelines require:

- State-of-the-art treatment, which is considered the standard of practice within the field.
- An acceptable national standard of treatment hours (31.5 hours at the State Hospital).
- Staffing levels adequate to meet the level of need.
- A safe environment.

Mr. Schweitzer said the State Hospital currently operates a 22-bed secure services unit, which serves sexual offenders, individuals referred by the district courts for competency evaluations, individuals from county jails, and individuals who are mentally ill and dangerous. He said the hospital has set aside four of the 22 beds for referrals for competency evaluations, county jail referrals, and individuals who are mentally ill and dangerous and the remaining 18 beds are for sexual offenders. Mr. Schweitzer said as of April 13, 2004, the State Hospital has 20 sexual offenders in the 22-bed secure services unit. He said 13 of the sexual offenders are committed for treatment and seven are being evaluated.

Mr. Schweitzer said the State Hospital needs to add a second 10-bed unit because of the numerous sexual offender referrals and potential admissions anticipated over the next several months. He said the State Hospital has received information from the Attorney General's office and the Department of Corrections and Rehabilitation that the hospital will have referrals for evaluations of six more sexual offenders between May 2004 and June 2005. Mr. Schweitzer said it cannot be determined how many of the six individuals will be civilly committed until the evaluations are completed but the State Hospital must plan to have the capacity to admit all six referrals. He said the State Hospital must also anticipate there will be other individuals who may be referred over the next year. Mr. Schweitzer said the addition of 10 beds would result in the State Hospital's ability to receive eight new admissions, which would bring the sexual offender population to 28, and continue to reserve four beds for competency evaluations, county jail transfers, and individuals who are mentally ill and dangerous.

Mr. Schweitzer said the total proposed budget for the addition of 10 beds for sexual offenders is \$1.1 million, including the food costs, minimal operating expenses, furniture costs, nonrecurring costs, and the staffing costs. He said the total budget for the additional 10 beds includes 23 staff--20 direct care and three therapists to provide treatment services.

He said the new 10-bed unit will require standard staffing to manage the population effectively and meet the hospital's accreditation standards. He said the proposed level of staff is essential to providing a safe and secure environment that prevents injury to staff and patients and also allows the hospital to meet the standard of 31.5 treatment hours per patient per week.

In response to questions from Senator Mathern, Dr. Etherington said there is evidence that sexual predator treatment does work and everyone who needs sexual predator treatment is receiving treatment; there is no waiting list for treatment services at the State Hospital.

In response to a question from Representative Delzer, Mr. Schweitzer said the first patient began receiving sexual predator treatment in 1997 and to date none of the sexual predator patients have been released into society. He said some patients have made progress in treatment but none of the sexual predator patients have made enough progress for the State Hospital to recommend they return to society.

In response to a question from Representative Delzer, Mr. Schweitzer said the average cost for sexual predator treatment is \$267 per day per patient or approximately \$97,000 per patient annually. Mr. Schweitzer said nationally, sexual predator treatment programs are approximately \$115,000 to \$135,000 per year.

In response to a question from Representative Warnke, Mr. Schweitzer said there are no sexual offenders with developmental disabilities at the State Hospital and there are 12 sexual offenders with developmental disabilities at the Developmental Center.

In response to a question from Representative Warnke, Mr. Schweitzer said the cost per day to treat a developmentally disabled sexual predator is approximately \$300 to \$314 per patient per day.

In response to a question from Representative Delzer, Mr. Schweitzer said the additional \$1.1 million needed for 10 additional sexual predator beds will come from the general fund.

In response to a question from Senator Bowman, Dr. Etherington said sexual predators receive treatment while they are incarcerated.

In response to a question from Senator Andrist, Dr. Etherington said there currently are no surgical procedures to replace the use of medication in the treatment of sexual predators.

In response to a question from Representative Svedjan, Mr. Schweitzer said the Department of Human Services has made efforts to identify funds within the agency's 2003-05 biennium appropriation to transfer to the State Hospital for funding additional beds for sexual offenders but no funds have been identified to date.

In response to a question from Representative Svedjan, Mr. Schweitzer said the second unit for sexual offenders must be opened to provide beds for

the additional sexual offenders that will be referred to the State Hospital for evaluations by June 2005 and the cost for the additional beds will be part of any department deficiency appropriation request.

In response to a question from Representative Svedjan, Ms. Brenda Weisz, Chief Financial Officer, Department of Human Services, said the Department of Human Services will continue to look within its 2003-05 biennium budget to try and identify funds that can be used for the State Hospital's additional sexual offender beds and reprioritize the department's programs where possible.

Representative Carlisle said the North Dakota Commission on Drug and Alcohol Abuse in looking into sentencing guidelines and the Governor's Task Force on Violent and Sexual Offenders may have proposed legislation for the 2005 legislative session relating to sexual offenders.

Senator Tallackson said he believes funds should be used from the Jobs and Growth Tax Relief Reconciliation Act of 2003 payments of \$50 million to fund the additional sexual offender beds at the State Hospital.

Chairman Svedjan said the Budget Section does not have the authority to appropriate funds; the Department of Human Services will need to request a deficiency appropriation if it spends more funds than are appropriated in its 2003-05 biennium budget.

In response to a question from Senator Christmann, Mr. Schweitzer said the six sexual offenders referred for evaluations at the State Hospital between May 2004 and June 2005 will have served their entire prison sentence prior to arrival at the State Hospital.

In response to a question from Representative Skarphol, Chairman Svedjan said the Department of Human Services must proceed with the addition of sexual offender beds and incur the additional costs. He said the Budget Section does not have the authority to appropriate funds and the authority for the additional spending must already be in the department's 2003-05 biennium budget.

In response to a question from Representative Skarphol, the legislative budget analyst and auditor said agencies have had deficiency appropriations in the past, therefore, precedence exists for an agency to spend more at a rate that will exceed its appropriation and then request a deficiency appropriation of the next Legislative Assembly.

In response to a question from Representative Skarphol, Representative Svedjan said the Emergency Commission will only become involved if a proposal is brought to it by an executive branch agency.

Representative Warnke said the Emergency Commission has increased federal fund spending authority for the federal medical assistance percentage relief payments for the Department of Human Services which replaced funds from the

general fund. She said the agency has the authority to transfer funds within its budget and, therefore, should be able to transfer some funds from the general fund appropriation for Medicaid to the State Hospital to fund the additional sexual offender beds.

Chairman Svedjan requested the Department of Human Services to provide regular updates to the Budget Section regarding the costs of the treatment of sexual offenders. He requested the agency's report to the June 2004 Budget Section meeting include an analysis of the agency's 2003-05 biennium budget to identify any available funds that can be used to fund the State Hospital's additional sexual offender beds; an analysis of the status of federal fund and general fund spending authority within the agency's 2003-05 biennium budget, particularly related to the federal medical assistance percentage; and he encouraged the executive branch to submit a proposal if neither of the first two options result in finding additional funds within the agency for the State Hospital.

MEDICAL ASSISTANCE PROGRAM

At the request of Chairman Svedjan, Mr. David J. Zentner, Director, Medical Services, Department of Human Services, presented an update on the status of the medical assistance program, including payments, caseloads, and the receipt of enhanced federal medical assistance percentage. A copy of the information presented is on file in the Legislative Council office.

Mr. Zentner said the enhanced federal medical assistance percentage authorized by Congress will expire on June 30, 2004. He said the federal government presently pays 71.31 percent of every dollar spent for medical services made on behalf of Medicaid recipients. Mr. Zentner said the percentage will drop three percentage points to 68.61 percent on July 1, 2004, and will further decline to 67.49 percent on October 1, 2004. He said the federal medical assistance percentage is based on the date of payment and not on the date the provider performed the service. Mr. Zentner said based on current projections the Department of Human Services anticipates receiving at least \$19.6 million more in federal funds than was originally estimated during the 2003 legislative session. He said the department has been authorized to use \$8 million of the enhanced funding to avoid reductions in Medicaid services, fees, or eligibility, resulting in more than \$11 million of general fund turnback, that if realized could be used in the 2005-07 biennium budget process. Mr. Zentner said as of March 31, 2004, it is likely the department will need to utilize the entire \$8 million to meet its current program obligations.

Mr. Zentner said the Department of Human Services is making progress in reducing the backlog of provider claims that was primarily caused by problems with the Medicaid management information system. He said as of the end of October 2003 the

backlog totaled 61,773 claims and as of the end of March 2004 the backlog has been reduced to 34,382 claims, which is a reduction of 27,391 claims or a 44 percent reduction. Mr. Zentner said the department anticipates a further reduction in the number of backlog claims over the next few months.

In response to a question from Representative Guleson, Mr. Zentner said the Department of Human Services proposed provider fee increases to the 2003 Legislative Assembly but the Legislative Assembly chose not to fund the increases; therefore, he is uncertain the department has the authority to provide fee increases.

Representative Delzer said the 2003 Legislative Assembly was unaware that additional federal funds would become available to the Department of Human Services when it appropriated funds to the department for its 2003-05 biennium budget. He said he believes the department has done a good job managing its 2003-05 biennium budget.

In response to a question from Senator Mathern, Mr. Zentner said the Department of Human Services has not eliminated any programs or services in the 2003-05 biennium but has made changes to some of its programs and services to make them more efficient. He said the department will provide information regarding changes made to its programs at the June 2004 Budget Section meeting.

Mr. Zentner said in August 2003 a total of 53,231 individuals were eligible for Medicaid. He said this number increased over the next two months to 53,345 and then declined slightly each month through February 2004 to 52,654, resulting in a reduction of approximately 1.3 percent or 691 recipients. Mr. Zentner said there were 53,061 eligible recipients on the Medicaid program as of March 31, 2004, or an increase of 407. He said it appears the number of recipients has stabilized at approximately 53,000 per month and the department will continue to monitor the caseload numbers to determine the related impact.

CHILD CARE ASSISTANCE PROGRAM

At the request of Chairman Svedjan, Mr. John Hougen, Director, Public Assistance, Department of Human Services, presented an update on the status of the child care assistance program, including the projected expenditures as compared to the appropriation. A copy of the information presented is on file in the Legislative Council office. Mr. Hougen said the increased usage of the child care assistance program with no change in the program rules created a situation where projected spending was approximately \$1.9 million more than the 2003-05 biennium appropriation. He said as a result of contemplating a variety of cost-saving measures a decision was made to no longer pay child care for higher education students except for higher education students during their hours of employment. Mr. Hougen said the department will also continue to pay child care for

students in vocational education, students receiving certificates or a vocational training degree, or an associate of applied science degree. He said this decision is consistent with child care services provided in many other states. Mr. Hougen said as of April 2004 spending projections indicate the changes made to the child care assistance program will result in program spending within the amount appropriated by the 2003 Legislative Assembly and available federal funds.

Mr. Hougen said there is much debate regarding child care in Congress. He said the Senate began debate on the temporary assistance for needy families (TANF) program and passed an amendment increasing child care spending significantly over the next five years; however, the debate stalled and a three-month extension was passed with no additional TANF or child care funds. Mr. Hougen said the department is unsure if more debate on TANF reauthorization will occur before June 30, 2004, or if there will be further delays. He said additional federal funds for child care are not expected until action is taken on the temporary assistance for needy families reauthorization.

In response to a question from Representative Guleson, Mr. Hougen said the Department of Human Services has analyzed its budget to try and find additional funds that could be transferred and used for the child care assistance program.

In response to a question from Senator Christmann, Mr. Hougen said the projected increase in expenditures of \$1.9 million for the child care assistance program is the result of increases in both the number of children in the program and in program costs.

In response to a request from Senator Christmann, the Department of Human Services provided the following information relating to the increase in expenditures of \$1.9 million for the child care assistance program:

- \$800,000 of the increase is attributed to an increase in the number of children.
- \$1,100,000 is attributed to an increase in program costs.

INFORMATION TECHNOLOGY FUNCTIONAL CONSOLIDATION

Chairman Svedjan called on Mr. Curtis L. Wolfe, Chief Information Officer, Information Technology Department, to present information regarding the delivery of consolidated services to agencies and the status of the accumulated savings, pursuant to Section 30 of 2003 Senate Bill No. 2015 and Section 12 of 2003 House Bill No. 1505. A copy of the information presented is on file in the Legislative Council office.

Mr. Wolfe said 2003 House Bill No. 1505 provided for the consolidation of services, including e-mail, file and print server administration, storage, application

server, and hosting services; a reduction of full-time equivalent positions and transfer of 24 full-time equivalent positions from various state agencies to the Information Technology Department; and the identification of \$1.4 million in savings to be transferred to the general fund by the end of the 2003-05 biennium. He said to accomplish the three directives of 2003 House Bill No. 1505, an Executive Steering Committee was formed consisting of three members--Mr. Wolfe, Ms. Sharp, and Mr. Bill Goetz from the Governor's office. He said the steering committee reviewed requests and granted exemptions to some state agencies from the information technology consolidation mandate in 2003 House Bill No. 1505. Mr. Wolfe said the Information Technology Department met with each state agency affected by the consolidation to analyze the impact of the consolidation on each agency. Mr. Wolfe said 15 state agencies were identified in 2003 House Bill No. 1505 that were to transfer 24 full-time equivalent positions to the Information Technology Department and the savings generated through the consolidation to be transferred to the general fund. He said an additional 31 state agencies were identified that were to consolidate services and identify savings, without the transfer of any full-time equivalent positions to the Information Technology Department. Mr. Wolfe said 15.5 of the 24 total full-time equivalent positions identified in 2003 House Bill No. 1505 to be transferred to the Information Technology Department were exempted from the transfer and the remaining 8.5 full-time equivalent positions were transferred to the Information Technology Department on November 1, 2003. Mr. Wolfe said seven agencies had already consolidated information technology services with the Information Technology Department prior to the mandate in 2003 House Bill No. 1505. He said five state agencies--the State Treasurer's office, Indian Affairs Commission, Department of Veterans Affairs, Children's Services Coordinating Committee, and the Council on the Arts--were not impacted by the consolidation because they did not have any services to transfer to the Information Technology Department. Mr. Wolfe said five state entities--legislative branch, judicial branch, Public Employees Retirement System, Retirement and Investment Board, and the Attorney General's office--were exempted from the consolidation by statute and nine other state agencies were exempted from the consolidation by the Executive Steering Committee. He said the agencies exempted from consolidation by the Executive Steering Committee will be analyzed each biennium for possible consolidation. Mr. Wolfe said consolidation is 100 percent complete for 16 state agencies.

Mr. Wolfe said the remaining agencies to be consolidated are:

Agency	Percentage of Consolidation Completed	Overall Completion Date
Department of Commerce	90%	4/30/04
Department of Corrections and Rehabilitation	10%	5/21/04
Department of Transportation	25%	5/21/04
Division of Emergency Management	0%	5/21/04
Game and Fish Department	50%	4/27/04
State Department of Health	17%	5/21/04
Insurance Commissioner	67%	4/23/04
Industrial Commission	0%	5/7/04
Public Service Commission	0%	5/14/04
State Historical Society	67%	4/23/04
Workforce Safety and Insurance	20%	5/1/04

Mr. Wolfe said the estimated \$1.4 million savings has been affected by the delay of the implementation of consolidation. He said the entire savings of \$1.4 million will not be realized because consolidation was originally projected to take place on July 1, 2003, and the estimated savings was for the entire 2003-05 biennium, but implementation will not be complete until the end of May 2004 or 11 months into the 2003-05 biennium. Mr. Wolfe said the amount of savings for the 2003-05 biennium has also been reduced as a result of fewer equipment credits given to agencies due to the inability to eliminate equipment still on lease. Mr. Wolfe said another reason for a decrease in the amount of estimated savings for the 2003-05 biennium is due to the funding sources of savings. He said not all the funding sources estimated to have savings are able to transfer the savings to the general fund. Mr. Wolfe said the anticipated cost-savings of the information technology functional consolidation as of March 2004 is:

	Estimated Savings	Impact of Implementation Delay	Lack of Equipment Credits
Savings related to 15 agencies			
2003-05 biennium			
Original estimate	\$989,700		
March 2004 estimate	\$582,801		
Reduction in savings	(\$406,899)	(\$318,767)	(\$88,132)
2005-07 biennium	\$514,080		
Savings related to remaining agencies			
2003-05 biennium			
Original estimate	\$157,882		
March 2004 estimate	\$87,303		
Reduction in savings	(\$70,579)	(\$51,830)	(\$18,749)
2005-07 biennium	\$102,958		
Total savings - All agencies			
2003-05 biennium			
Original estimate	\$1,147,582		
March 2004 estimate	\$670,104		
Reduction in savings	(\$477,478)	(\$370,596)	(\$106,882)
2005-07 biennium	\$617,038		

Mr. Wolfe said the Information Technology Department has a help desk for service calls placed to the department. He said the help desk will either resolve or assign the call within 10 minutes, and the department's goal is for the help desk to resolve 70 percent of the calls received. Mr. Wolfe said calls not resolved by the help desk are assigned to a technical support person and responded to within 15 minutes of the call.

In conclusion, Mr. Wolfe said information technology functional consolidation makes sense. He said although the cost-savings for the 2003-05 biennium will be less than estimated, savings in future bienniums will increase as a result of the continued consolidation of servers, the elimination of servers as leases expire, and limiting the acquisition of new servers.

In response to a question from Representative Warner, Mr. Wolfe said one of the purposes of consolidation is to provide better backup and recovery in case of a disaster or equipment failure.

OUTSOURCING EMPLOYEE POSITIONS

Chairman Svedjan called on Ms. Arvy Smith, Deputy State Health Officer, State Department of Health, to present a status report on outsourcing employee positions, pursuant to Section 13 of 2003 House Bill No. 1004. A copy of the information presented is on file in the Legislative Council office. Ms. Smith said 2003 House Bill No. 1004 requires the State Department of Health to consider outsourcing employee positions whenever reasonable. She said the status report focuses on the department's efforts to locate its employees in other parts of the state and contract rather than hire staff for services whenever reasonable. Ms. Smith said of the department's 314 full-time equivalent positions, 23.2 are located in other areas of the state and 1.4 are located in Bismarck but not in the State Department of Health complexes. She said four temporary employees are located in other areas of the state and three temporary employees are located in Bismarck but not in State Department of Health complexes. Ms. Smith said the department enters into approximately 800 contracts each year and almost \$68 million, or 52 percent of the department's biennial budget, is expected to be contracted out in the 2003-05 biennium. She said there are a few out-of-state contracts with only one case out of the 800 contracts where a North Dakota bidder did not get the contract. Ms. Smith said when pursuing federal grants, it is standard operating procedure for the State Department of Health to contract in most cases rather than hire staff. She said the Environmental Health Section of the department is exploring opportunities to place employees in other areas of the state as vacancies occur, the Emergency Preparedness and Response Section funds positions in local communities through contractual arrangements, and the Community Health Section provides a major portion of its services through contractual arrangements with local providers.

Representative Guleson requested the Department of Human Services be invited to report on its outsourcing of employees and services.

Ms. Smith said the State Department of Health has a couple of small contracts in Canada for air quality monitoring. She said an air quality monitor was

placed on land just across the United States/Canadian border and the land where the monitor is located is rented from two landowners for \$1,400 each.

The committee recessed for lunch at 11:55 a.m. and reconvened at 1:00 p.m.

JUDICIAL BRANCH EMPLOYEE SALARY INCREASES

Chairman Svedjan called on Mr. Ted Gladden, State Court Administrator, Supreme Court, to present a report on the judicial branch employee salary increases, pursuant to Section 3 of 2003 Senate Bill No. 2423. A copy of the information presented is on file in the Legislative Council office. Mr. Gladden said 2003 Senate Bill No. 2423 provided for a 1 percent pay increase if agencies and branches of government could meet the staffing reductions as provided in the bill effective January 1, 2004. He said the Council of Presiding Judges met in July 2003 and reviewed and revised the judicial branch's procedures for reviewing position vacancies. He said after the review of the vacant positions, it was determined a few positions could be eliminated without adversely affecting the ability to successfully fulfill the mission of the district courts. Mr. Gladden said through attrition, the judicial branch reduced one deputy clerk of court position in Walsh, Williams, and Stutsman Counties and one juvenile court officer position in Burleigh County. Mr. Gladden said the judicial branch will continue to use rigorous standards and periodical management reviews to analyze all position vacancies with the objective of moving or eliminating any positions that do not address core functions of the courts.

In response to a question from Representative Svedjan, Mr. Gladden said the reduction of four full-time equivalent positions resulted in anticipated savings of \$393,915 and the cost to implement the 1 percent pay increase is \$177,901.

Representative Berg said he commends the judicial branch for its efforts made to comply with the provisions of 2003 Senate Bill No. 2423.

STATE BOARD OF AGRICULTURAL RESEARCH AND EDUCATION STATUS REPORT

At the request of Chairman Svedjan, Mr. Tom Archbold, Chairman, State Board of Agricultural Research and Education, presented a status report of the board, pursuant to NDCC Section 4-05.1-19. A copy of the information presented is on file in the Legislative Council office. Mr. Archbold said the board was created by the 1997 Legislative Assembly and the board's membership was modified in 1999 to include two members of the Legislative Assembly. Mr. Archbold said the board may recommend some changes to the 2005 Legislative Assembly, including changing the members' terms from one 5-year term to two 4-year terms.

Mr. Archbold said the nine duties of the State Board of Agricultural Research and Education are:

1. Determine the causes of any adverse economic impacts on crops and livestock produced in North Dakota.
2. Develop ongoing strategies used for the provision of research solutions to negate adverse economic impacts on crops and livestock produced in North Dakota.
3. Make available financial resources, including grants and salaries and equipment and facilities to implement the strategies subject to approval by the State Board of Higher Education.
4. Develop an annual budget for the operations of the Agricultural Experiment Station and the North Dakota State University Extension Service.
5. Develop a biennial budget request and submit that request to the State Board of Higher Education on or before March 1 of every even-numbered year.
6. Maximize the use of existing financial resources, equipment, and facilities to generate the greatest economic benefit from research and extension efforts and to promote efficiency.
7. Annually evaluate the results of research and extension activities and expenditures and report the findings to the Legislative Council and the State Board of Higher Education.
8. Advise the administration of North Dakota State University regarding the recruitment and selection of the vice president of Agricultural Affairs, the Extension Service director, and the station director.
9. Develop ongoing strategies for the dissemination of research information and the best practices for management of the Extension Service.

In response to a question from Representative Glassheim, Mr. Archbold said research is being done on nonfood uses of agricultural products.

AGENCY REQUESTS AUTHORIZED BY THE EMERGENCY COMMISSION

Chairman Svedjan directed the committee to consider agency requests which have been authorized by the Emergency Commission and forwarded to the Budget Section, pursuant to NDCC Sections 54-16-04.1 and 54-16-04.2. The information relating to the requests was sent to Budget Section members prior to the meeting and is on file in the Legislative Council office.

Representative Carlson requested the Department of Agriculture Request #1509 be discussed separately.

It was moved by Representative Carlisle, seconded by Representative Carlson, and carried

on a voice vote that the Budget Section approve the following requests that have been forwarded to the Budget Section, pursuant to NDCC Sections 54-16-04.1 and 54-16-04.2:

- **Game and Fish Department (Request #1498) - To increase spending authority by \$550,000 to accept federal funds from the United States Fish and Wildlife Service (\$350,000) and other funds from the game and fish operating fund (\$200,000) for the grants line item (\$550,000) to be used for repairs, extensions, and maintenance on boat ramp access locations on Lake Sakakawea.**
- **State Tax Commissioner (Request #1499) - To increase federal funds spending authority and the operating line item by \$150,000 to accept passthrough funds from the Department of Transportation for developing an electronic processing system for motor fuels tax returns.**
- **Department of Financial Institutions (Request #1500) - To increase special funds spending authority by \$62,000 to utilize existing special funds for the operating line item (\$62,000) for legal fees and court costs (\$52,000) and for financial literacy training (\$10,000).**
- **Office of Management and Budget - State Radio Division (Request #1501) - To increase spending authority and the operating line item by \$90,000 to accept federal bioterrorism passthrough funds from the State Department of Health to upgrade from an analog to digital emergency communications system.**
- **Veterans Home (Request #1502) - To increase federal funds spending authority and the operating line item by \$66,531 to accept a laundry remodeling grant recently made available from the Veterans Administration relating to a project completed in 1993. The grant will be used for expenses relating to strategic plan funding, consulting fees, and software conversion and training fees.**
- **Department of Human Services (Request #1503) - To increase federal funds spending authority by \$16 million, of which \$13.4 million is for low-income home energy assistance program (LIHEAP) grants for increased fuel costs and weatherization and \$2.6 million is for food stamp program grants.**
- **Department of Human Services (Request #1504) - To increase federal funds spending authority by \$2.3 million for subsidized adoption and for the foster care**

therapeutic program, resulting from additional children being eligible for federal reimbursement under the subsidized adoption program and more children in foster care requiring therapeutic services than anticipated in the budget. The federal funds require state matching dollars; however, the department has general fund money and other funds from additional child support collections available within its current budget to provide the state match of approximately \$960,000.

- **State Department of Health (Request #1506)** - To increase federal funds spending authority and the grants line item by \$1,065,000 to accept funds from the United States Department of Justice for the Safe Havens supervised visitation and safe exchange grant program (\$800,000) and for the encourage arrest policies and enforcement of protection orders program (\$265,000). The grant will be awarded to the North Dakota Council on Abused Women's Services for providing safe places for visitation and exchange of children.
- **State Department of Health (Request #1507)** - To increase federal funds spending authority and the grants line item by \$500,000 to accept funds from the Environmental Protection Agency to provide direct assistance to communities to assess and remediate Brownfield sites (city, county, or development organization-owned properties that are underdeveloped or underutilized due to actual or perceived contamination).
- **State Department of Health (Request #1508)** - To increase federal funds spending authority and to accept \$1.2 million from the Centers for Disease Control and Prevention for salaries and wages (\$55,000), operating expenses (\$553,000), capital assets (\$192,000), and the grants line item (\$400,000) to expand testing and reporting for the West Nile virus program, mosquito program, hepatitis testing, and for severe acute respiratory syndrome (SARS).
- **Attorney General (Request #1511)** - To increase other funds spending authority by \$200,000 to accept funds from other states involved in a multistate antitrust lawsuit challenging Oracle's bid to take over PeopleSoft. North Dakota has been asked by the multistate group to administer the multistate funding for the lawsuit.

At the request of Chairman Svedjan, Ms. Peterson presented information regarding the Department of Agriculture's Emergency Commission Request #1509 for increased spending authority of \$150,190 to accept federal Environmental Protection Agency passthrough funds from the State Department of Health for the Project Safe Send pesticide disposal program. Ms. Peterson said the \$150,190 would be used by the department to fund a pesticide collection in 2004.

Representative Carlson said the 2003 Legislative Assembly reduced the funding in the Department of Agriculture's 2003-05 biennium budget for Project Safe Send with the intent to collect pesticides every other year instead of every year, so he objects to the approval of this request.

Ms. Peterson said the executive budget recommendation for the Department of Agriculture's Project Safe Send for the 2003-05 biennium was \$617,000 and the 2003 Legislative Assembly reduced it to \$310,000. She said the Department of Agriculture requested an Attorney General's opinion regarding its ability to accept additional funds for Project Safe Send and the Attorney General issued letter opinion 2004-L-11 stating it is the opinion of the Attorney General that the Legislative Assembly did not indicate an attempt to reject federal funding for Project Safe Send and, pursuant to NDCC Section 54-16-04.1, the Emergency Commission with the approval of the Budget Section may authorize any state officer to receive and expend federal money from the date such money becomes available until June 30 following the next regular legislative session.

In response to a question from Representative Carlisle, Ms. Peterson said the \$150,190 is a one-time grant received from the Environmental Protection Agency.

Senator O'Connell said the 2003 Legislative Assembly did not state that the Department of Agriculture could not seek additional sources of funds for Project Safe Send; therefore, Emergency Commission Request #1509 should be approved.

Senator Holmberg said the Emergency Commission passed Request #1509 after careful consideration of the legislative statute relating to Project Safe Send.

Senator Bowman said the goal of Project Safe Send is to collect as much pesticide as possible; therefore, Emergency Commission Request #1509 should be approved.

Representative Aarsvold said the high amount of pesticide collected in recent years indicates demand exists for continued collection; therefore, Emergency Commission Request #1509 should be approved.

In response to a question from Representative Delzer, Ms. Peterson said the federal grant of \$150,190 from the Environmental Protection Agency can only be used for a second Project Safe Send collection during the 2003-05 biennium.

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

- **Agriculture Department (Request #1509) - To increase spending authority by \$150,190 to accept federal Environmental Protection Agency passthrough funds from the State Department of Health for the Project Safe Send pesticide disposal program.**

Representatives Svedjan, Aarsvold, Berg, Carlisle, Glasheim, Gullerson, Kempenich, Koppelman, Kroeber, Martinson, Metcalf, Thoreson, and Warner and Senators Andrist, Bowman, Every, Holmberg, Kilzer, Kringstad, Mathern, O'Connell, Robinson, Schobinger, and Thane voted "aye." Representatives Carlson, Delzer, Skarphol, Wald, and Warnke and Senator Christmann voted "nay."

Representative Skarphol requested the committee receive information regarding the amount of pesticide that had been collected during previous Project Safe Send collections. He also requested the committee receive a report on the amount collected after the next pesticide collection.

Representative Carlson requested the committee receive an updated report on bioterrorism funding at the June 2004 Budget Section meeting, including the amounts and purposes of funding by political subdivision.

INDUSTRIAL COMMISSION - OIL AND GAS DIVISION AND GEOLOGICAL SURVEY MERGER RECOMMENDATIONS

At the request of Chairman Svedjan, Mr. Lynn Helms, Director, Oil and Gas Division, Industrial Commission, presented a report on the Industrial Commission's recommendations for the Oil and Gas Division and Geological Survey merger, pursuant to Section 14 of 2003 House Bill No. 1015. A copy of the information presented is on file in the Legislative Council office.

Mr. Helms said Section 14 of 2003 House Bill No. 1015 directed the Industrial Commission to:

1. Review the implementation of the merger of the Oil and Gas Division and Geological Survey to be accomplished by July 1, 2005.
2. Consider allowing the Oil and Gas Division director to appoint the State Geologist.
3. Recommend a name change for the merged Oil and Gas Division and Geological Survey.
4. Identify efficiencies and savings that will result from the merger.
5. Present a report to the Budget Section before November 1, 2004, regarding the

recommendations for the Oil and Gas Division and Geological Survey merger.

6. Report its findings and recommendations, together with any legislation required to implement the recommendations, to the 59th Legislative Assembly.

Mr. Helms said the Industrial Commission has reviewed the implementation of the merger and developed a merger plan, including a proposed organizational chart and North Dakota Century Code revisions. He said in developing the merger plan, the Industrial Commission held a public hearing, followed by a 90-day written comment period, to receive comments and input from interested individuals and organizations. Mr. Helms said the Industrial Commission recommends the name of the merged Oil and Gas Division and Geological Survey be the Department of Mineral Resources. He said the Department of Mineral Resources will consist of one director and two assistant directors--one for the Oil and Gas Division and one for Geological Survey. Mr. Helms said anticipated efficiencies resulting from the merger are an estimated annual savings of \$240,300. He said the estimated annual savings is achieved by the elimination of the following positions--one administrative, two petroleum geology, two support, and one technician. Mr. Helms said the Industrial Commission wanted to complete the merger plan and report to the Budget Section prior to preparing its budget for the 2005-07 biennium, which is due to the Office of Management and Budget on July 15, 2004. He said the Industrial Commission will report its findings and make recommendations to the 59th Legislative Assembly.

Mr. Helms said he does not believe there will be a conflict of interest by merging the Oil and Gas Division and Geological Survey. He said the two divisions were together as one agency under the direction of the State Board of Higher Education until 1981, when the Oil and Gas Division was separated and placed in the Industrial Commission, and in 1989 the Geological Survey was also moved from the State Board of Higher Education to the Industrial Commission. He said it will be the responsibility of the director of the Department of Mineral Resources to maintain proper balance between the regulatory and research efforts.

In response to a question from Senator O'Connell, Mr. Helms said 2003 House Bill No. 1015 provides the authority for the Industrial Commission to plan for the implementation of the merger.

In response to a question from Representative Warner, Mr. Helms said Section 14 of 2003 House Bill No. 1015 provides the merger is to take place on July 1, 2005, but the Industrial Commission will not implement the merger if not authorized by the 2005 Legislative Assembly.

NORTH DAKOTA UNIVERSITY SYSTEM THIRD ANNUAL ACCOUNTABILITY MEASURES REPORT

Chairman Svedjan called on Ms. Laura Glatt, Vice Chancellor for Administrative Affairs, North Dakota University System, to present the North Dakota University System's third annual accountability measures report. A copy of the information presented is on file in the Legislative Council office.

Ms. Glatt reviewed the following fiscal-related accountability measures:

1. **Research expenditures.** Research has grown by more than 50 percent from \$60.6 million in research expenditures in fiscal year 2000 to \$92 million in research expenditures in fiscal year 2003.
2. **Tuition and fees comparison.** The 2002-03 average resident undergraduate tuition and required fees at North Dakota's public campuses are less than their regional and national counterparts, ranging from 14 to 22 percent less than the regional average and 23 to 27 percent less than the national average. The exception is at the two-year campuses, where North Dakota's tuition and fees are higher than the regional average by \$129, or 6 percent, and higher than the national average by \$306, or 16 percent.
3. **Tuition and fees compared to household income.** In academic year 2002-03, tuition and required fees at University System campuses, as a proportion of median household income, are approximately the same or slightly lower than regional and national averages, ranging from 7.6 to 10 percent of median household income. The exception is at the two-year campuses, where North Dakota residents contribute 6.3 percent of their income to cover tuition and fees, while the regional contribution is 5.1 percent and the national average is 4.6 percent.
4. **Status of North Dakota University System long-term finance plan.** This measure is intended to demonstrate progress toward achieving the funding goals of the long-term finance plan, including operating fund benchmarks per full-time equivalent student, state/student-share targets, and capital asset funding targets. All University System campuses are funded at less than their operating benchmarks per full-time equivalent student. Ten of the 11 campuses exceed their student-share target, while the remaining campus is within .3 percent of its target.
5. **Allocation and use of incentive funding.** This measure reports on allocation and use of the board initiative block grant. The University System long-term finance plan

recommends that incentive funding of 2 percent of higher education's total state general fund appropriation should be appropriated and used to support state priorities. In the 2001-03 biennium, approximately .45 percent of the state general fund appropriation for higher education was appropriated for the board initiative block grant. For the 2003-05 biennium, approximately .16 percent of the state general fund appropriation for higher education was appropriated for the board initiative block grant.

6. **Operating and contributed income ratio.** This measure analyzes the portion of the University System's overall funding that is self-generated, either internally from fees for services or externally from contributions. In fiscal year 2003, the University System generated 68.5 percent of its total revenues, either internally from fees for services or externally from grants or contributions.
7. **Financing of new construction and major renovation projects.** Of the major capital projects specifically appropriated and completed during the 2001-03 biennium, all remained within the project budget.

In response to a request from Senator Robinson, Ms. Glatt said she will provide information to committee members regarding a detailed analysis of the University System's tuition and fees.

In response to a request from Representative Warnke, Ms. Glatt said the University System will gather and provide information from the campuses regarding student-approved fees that apply to the entire student body.

BUDGET TOUR REPORTS

Chairman Svedjan called on Representative Carlisle to present a report on the budget tours of the Missouri River Correctional Center and the Youth Correctional Center on January 15, 2004, conducted by the Budget Committee on Government Services.

It was moved by Representative Carlisle, seconded by Senator Mathern, and carried on a voice vote that the Budget Section accept the report of the January 15, 2004, budget tours conducted by the Budget Committee on Government Services.

Chairman Svedjan called on Senator Holmberg to present a report on the budget tours of North Dakota Vision Services - School for the Blind, University of North Dakota, University of North Dakota School of Medicine and Health Sciences, and the Mill and Elevator on March 4-5, 2004, conducted by the Higher Education Committee.

It was moved by Senator Holmberg, seconded by Senator O'Connell, and carried on a voice vote that the Budget Section accept the report of the

March 4-5, 2004, budget tours conducted by the Higher Education Committee.

CORRESPONDENCE FROM ETHANOL PLANTS

Pursuant to NDCC Section 4-14.1-07, correspondence from the North Dakota ethanol plant receiving production incentives from the state was distributed to the committee members. The correspondence relates to the Archer Daniels Midland Company's corn processing ethanol plant in Walhalla and indicates that the plant did not produce a profit after deducting the payments received from the North Dakota ethanol production incentive program. A copy of the correspondence is on file in the Legislative Council office.

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

Senator Robinson requested the committee receive a report on the status of ConnectND at its June 2004 committee meeting.

Representative Skarphol requested the Office of Management and Budget report on the cost

associated with developing, implementing, and maintaining the "patches" to the PeopleSoft system to enable payroll processing with no timelag.

Chairman Svedjan said the next Budget Section meeting will be on Tuesday, June 29, 2004.

It was moved by Senator Robinson, seconded by Representative Aarsvold, and carried on a voice vote that the Budget Section meeting be adjourned subject to the call of the chair.

Chairman Svedjan adjourned the meeting at 2:25 p.m.

Stephanie A. Johnson
Fiscal Analyst

Jim W. Smith
Legislative Budget Analyst and Auditor

ATTACH:1