

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

BUDGET SECTION

Wednesday, October 15, 2003
Senate Chamber, State Capitol
Bismarck, North Dakota

Representative Ken Svedjan, Chairman, called the meeting to order at 10:00 a.m.

Members present: Representatives Ken Svedjan, Larry Bellew, Rick Berg, Merle Boucher, Ron Carlisle, Al Carlson, Jeff Delzer, Pam Gulleon, James Kerzman, Kim Koppelman, Joe Kroeber, Bob Martinson, David Monson, Bob Skarphol, Blair Thoreson, Francis J. Wald, John Warner; Senators Bill L. Bowman, Randel Christmann, Michael A. Every, Ray Holmberg, Ralph L. Kilzer, Aaron Krauter, Ed Kringstad, Elroy N. Lindaas, Tim Mathern, David P. O'Connell, Larry Robinson, Randy A. Schobinger, Bob Stenehjem, Harvey Tallackson

Members absent: Representatives Ole Aarsvold, Thomas Brusegaard, Eliot Glassheim, Keith Kempenich, Ralph Metcalf, Earl Rennerfeldt, Mike Timm, Amy Warnke; Senators John M. Andrist, Tony S. Grindberg, Russell T. Thane

Others present: Judy Lee, State Senator, West Fargo

John O. Syverson, State Senator, Fargo

See attached appendix for additional persons present

It was moved by Representative Carlisle, seconded by Representative Thoreson, and carried on a voice vote that the minutes of the June 24, 2003, 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 August 2003 was only .4 percent, significantly lower than the 2.2 percent index of August 2002. She said interest rates are down and farm income rose nearly 28 percent nationally during the second quarter of 2003 compared to the second quarter of 2002. Ms. Sharp said North Dakota's unemployment rate for August 2003 was 3.8 percent, a decrease from the 4.1 percent rate in August 2002, and considerably lower than the national rate of 6.1 percent. Ms. Sharp said July oil production was slightly lower than June oil production

and the Tesoro posted price for oil is approximately \$26 per barrel in North Dakota.

Ms. Sharp presented the following information on the status of the state general fund, based on revenue collections through September 2003:

Unobligated general fund balance - July 1, 2003	\$14,790,311
Add	
General fund collections through September 30, 2003	200,069,385
Forecasted general fund revenue for the remainder of the 2003-05 biennium (based on the 2003 legislative forecast)	1,615,902,615
Jobs and Growth Tax Relief Reconciliation Act of 2003 payments	50,000,000
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	\$1,866,962,311
Less	
2003-05 biennium general fund appropriations	1,803,661,161
Estimated general fund balance - June 30, 2005 (\$53,048,241 more than the 2003 legislative estimate of \$10,252,909)	\$63,301,150

Ms. Sharp said the Office of Management and Budget is monitoring federal legislation that could affect North Dakota's revenues. Ms. Sharp said the Internet Tax Freedom Act would remove the grandfather clause on Internet access fees and, if passed by Congress, would result in a potential \$4.6 million loss of revenues for North Dakota. Ms. Sharp said another piece of federal legislation that could have an adverse effect on North Dakota, if passed by Congress, is the Small Business Act.

In response to a question from Senator Krauter, Ms. Sharp said the state is earning interest on the \$50 million of federal fiscal relief funds the state has received and the interest is deposited into the general fund and will be reported every month in the general fund status report.

Ms. Sharp said sales tax collections for the month of September 2003 were \$7.2 million above forecast. Ms. Sharp said gaming tax collections for the month of September were \$272,180 below the forecast and \$619,688 below the forecast for the first three months of the 2003-05 biennium, possibly as a result of the uncertainty of racing services in North Dakota. Ms. Sharp said excluding the federal fiscal relief

payments, the total revenues and transfers for the first three months of the 2003-05 biennium are approximately \$7.5 million above the forecast and approximately \$31.6 million above collections for the same time period in the 2001-03 biennium.

In response to a question from Representative Delzer, Ms. Sharp said the 2003-05 revenue forecast does not include any revenue from the state lottery until the second year of the biennium.

At the request of Senator Robinson, Ms. Sharp said the Office of Management and Budget will provide committee members with a schedule of all the transfers made to the general fund throughout the biennium and the date on which those transfers occur.

Representative Boucher said he believes the Budget Section should receive a status report from the director of the Racing Commission at its next meeting. Senator Stenehjem said the Budget Section should not receive a report from the Racing Commission until state and federal investigations of the commission are complete.

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. She said \$106.77 million has been received by the state of North Dakota as of October 3, 2003, as a result of the tobacco settlement and deposited in the tobacco settlement trust fund. She said the \$106.77 million was allocated among the community health trust fund, common schools trust fund, and water development trust fund, pursuant to North Dakota Century Code (NDCC) Section 54-27-25, as follows:

Tobacco settlement trust fund	
Community health trust fund (10%)	\$10,676,811
Common schools trust fund (45%)	48,045,650
Water development trust fund (45%)	48,045,650
Total transfers from the tobacco settlement trust fund (as of October 3, 2003)	\$106,768,111
Community health trust fund	
Deposits	\$10,653,715
Expenditures	5,227,968
September 30, 2003, balance	\$5,425,747
Water development trust fund	
Deposits	\$47,941,716
Expenditures	42,052,453
September 30, 2003, balance	\$5,889,263

Ms. Sharp said a National Conference of State Legislatures study showed that 47 percent of total tobacco settlement payments received by all states for fiscal year 2003 are deposited directly into states' general funds. She said, however, North Dakota does not deposit its tobacco settlement proceeds in the state general fund.

INFORMATION TECHNOLOGY FUNDING REDUCTIONS

Ms. Sharp presented information on line item transfers to accommodate information technology funding reductions, pursuant to Section 8 of 2003 House Bill No. 1505. She said as of October 15, 2003, no agencies have requested line item transfers. She also said the Office of Management and Budget did not expect to receive any requests for line item transfers so early in the 2003-05 biennium. Ms. Sharp said the Office of Management and Budget will report to the Budget Section at future meetings regarding the line item transfers to accommodate information technology funding reductions.

STATUS OF STATE EMPLOYEE POSITION REDUCTIONS

Ms. Sharp presented information on the status of state employee position reductions and the expected agency budgetary savings, pursuant to Section 1 of 2003 Senate Bill No. 2423. A copy of the information presented is on file in the Legislative Council office. Ms. Sharp said Section 1 of 2003 Senate Bill No. 2423 provides legislative intent that 155 full-time equivalent (FTE) positions from the executive branch agencies (excluding offices of state elected officials and higher education), 13 FTE positions from state elected officials (excluding the Governor's office), and 8 FTE positions from the judicial branch be eliminated, with the savings to provide an employee pay raise of 1 percent and 2 percent on January 1, 2004, and 2005, respectively. Ms. Sharp said one-half of the total employee reductions were to be accomplished by December 31, 2003, and the remaining reductions by December 31, 2004. Ms. Sharp said agencies were to report positions eliminated and projected salaries and wages and fringe benefit savings for the remainder of the 2003-05 biennium to the Office of Management and Budget.

Ms. Sharp said the Office of Management and Budget sent a letter on June 30, 2003, to agencies regarding the implementation of 2003 Senate Bill No. 2423, and the letter included an estimated agency cost for the January 1, 2004, salary increase by funding source and the estimated prorated share of FTE reductions. Ms. Sharp said the letter requested agencies to report agency plans for accomplishing the legislative intent of 2003 Senate Bill No. 2423 to the Office of Management and Budget by August 1, 2003. Ms. Sharp said the Office of Management and Budget sent a letter to the agencies that identified reductions in FTE positions, allowing the agencies to provide the intended salary increases. Ms. Sharp said the remaining agencies were sent a letter stating the agencies would not be able to give the 1 percent salary increase provided in 2003 Senate Bill No. 2423 because of a lack of FTE position reductions.

Ms. Sharp presented the following summary of the agencies eliminating FTE positions and planning to

provide a 1 percent salary increase on January 1, 2004:

Agency	FTE Reductions	Anticipated Savings	Cost of 1 Percent Increase	Source of Funds
Agency positions reported to be eliminated by December 31, 2003				
Tax Commissioner	2.00	\$79,487	\$81,300	General fund
Insurance Department	0.50	31,000	31,100	Special funds
State Department of Health	3.00	196,600	196,600	Federal funds (72 percent); general fund (18 percent)
Job Service North Dakota	2.14	212,296	213,700	Federal funds
Housing Finance Agency	0.92	27,520	25,300	Special funds
Total	8.56	\$546,903	\$548,000	
Agency positions reported to be eliminated during the 2003-05 biennium				
Bank of North Dakota	1.50	\$115,943	\$165,633	Special funds
Game and Fish Department	2.00	170,000	164,679	Special funds
Total	3.50	\$285,943	\$330,312	
Workforce Safety and Insurance*	3.86	\$0	N/A	

*Workforce Safety and Insurance is reducing 3.86 FTE positions but will be giving increases based upon statutory performance increases, not the 1 percent identified in 2003 Senate Bill No. 2423.

NOTE: The judicial branch is evaluating its position to determine whether it will be able to implement the plan.

In response to a question from Representative Svedjan, Ms. Sharp said the legislative intent was to provide salary increases statewide as a result of the FTE reduction goals being met; however, that is not possible because of the very small amount of anticipated agency savings from the general fund. Ms. Sharp said most of the anticipated savings are from federal and special funds, which cannot be used to fund salary increases in other general fund state agencies.

In response to a question from Senator Holmberg, Ms. Sharp said the Game and Fish Department FTE reduction of 2 FTE positions relates to 2 of the 11 new FTE positions approved by the 2003 Legislative Assembly which the department did not fill.

Representative Delzer said he believes the legislative intent in 2003 Senate Bill No. 2423 was to provide every state agency with a pay raise when all the FTE reductions had been met statewide, not to provide a pay raise only to the state agencies that had FTE reductions.

In response to a question from Representative Svedjan, Ms. Sharp said the pay increases for the eligible agencies will be available effective January 1, 2004, and paid on February 1, 2004.

Representative Carlson said he believes the legislative intent of 2003 Senate Bill No. 2423 was to reduce the total positions in state government by 176 FTE positions.

In response to a question from Representative Boucher, Ms. Sharp said the administrative rules allow state agencies to provide salary adjustments for probationary increases, workload adjustments, and responsibility merits.

In response to a question from Senator Holmberg, Ms. Sharp said the Office of Management and Budget will provide Budget Section members with information regarding the Game and Fish Department reduction of 2 FTE positions and the State Department of Health reduction of 3 FTE positions that were made in order to provide the salary increases, despite the

Legislative Assembly providing the agencies new FTE positions.

Representative Berg requested the Legislative Council staff to compile information on state agency vacant FTE positions of six months or longer as of October 1, 2003, and state agency retirements since January 1, 2003. He asked that this information be sent to all members of the Budget Section as soon as it is compiled.

In response to a question from Senator Robinson, the legislative budget analyst and auditor said the Budget Section probably does not have the authority to preclude the executive branch from granting the salary increases to state employees as of January 1, 2004. The legislative budget analyst and auditor said it may be appropriate for the Budget Section to ask the Attorney General to review the related section of legislative intent in 2003 Senate Bill No. 2423 and advise the Office of Management and Budget on the implementation of the legislative intent.

Senator Krauter said he believes granting pay increases to some state agencies and not to others will create morale problems for the employees of state government.

DEPARTMENT OF HUMAN SERVICES - STATUS OF THE MEDICAID PROGRAM

At the request of Chairman Svedjan, Mr. David J. Zentner, Director, Medical Services, Department of Human Services, presented information regarding the status of the Medicaid program, as requested by Budget Section members at the June 24, 2003, meeting. A copy of the information presented is on file in the Legislative Council office.

Anticipated Reduction in Federal Funds Due to Reduction in Federal Medical Assistance Percentage

Mr. Zentner said the Department of Human Services is still waiting for the final federal medical assistance percentage for the 2005 federal fiscal year. He

said the latest preliminary estimate received from the federal government is 67.49 percent, which is very close to the percentage that was incorporated into the department's appropriation for the 2003-05 biennium. Mr. Zentner said based on the current trends, it is likely that the federal medical assistance percentage will not increase during the 2005-07 biennium and could in fact decrease if North Dakota's economy continues to fare better than the national average over the next three years.

In response to a question from Representative Boucher, Mr. Zentner said because of the federal Jobs and Growth Tax Relief Reconciliation Act of 2003 passed by Congress in May 2003, the federal government will be paying approximately 71 to 73 percent rather than 68 percent on each Medicaid claim for the period April 2003 through June 2004, resulting in general fund savings.

Medicaid Caseload Projections Through the 2005-07 Biennium

Mr. Zentner said it is impossible to accurately estimate the number of individuals that will qualify for Medicaid four years into the future. He said the number of eligible Medicaid recipients is volatile and many issues can affect Medicaid eligibility, such as the economy, natural disasters, and the ability of families to obtain affordable health care insurance through employment. Mr. Zentner said the number of eligible Medicaid recipients rose dramatically during the 2001-03 biennium. He said the department should have better information on the trends in eligible clients in spring 2004 when the department begins to prepare its budget for the 2005-07 biennium.

Expected Expenditures for the \$8 Million in General Fund Savings

Mr. Zentner said Congress provided \$10 billion nationally in additional federal money for Medicaid, of which North Dakota's share is estimated to be \$19.6 million, with the intent that the funds be used to ensure that needed care continue for low-income citizens. Mr. Zentner said the Department of Human Services compared the appropriation approved by the 2003 Legislative Assembly to the estimated funds necessary to maintain the Medicaid program as it was operated at the end of the 2001-03 biennium and found an estimated shortfall of \$8 million in general fund needs, and when federal funds are factored in, the department would need to reduce the Medicaid program by approximately \$26.2 million during the 2003-05 biennium. Mr. Zentner said if the \$8 million was not utilized for the Medicaid program, the state would have to impose a combination of changes that would eliminate services, reduce the number of eligible Medicaid recipients, and reduce payments to providers. Mr. Zentner said the \$8 million will be used to fill the gaps that exist in the Medicaid program, including payments for inpatient hospital services,

prescription drug expenditures, and payments for physician-related services.

In response to a question from Representative Svedjan, Mr. Zentner said the department has not given consideration to the possible restoration of reductions made to hospital and physician reimbursements in fall 2002 because the department believes its only authority for the expenditure of the federal funds is to maintain Medicaid services at current reimbursement levels.

Representative Delzer requested information regarding the total executive budget request for the Medicaid program and the total appropriated for the Medicaid program for the 2003-05 biennium. Representative Delzer said he believes the executive branch is appropriating the \$8 million in additional federal funds, which can only be appropriated by the Legislative Assembly.

Status of Enhanced Federal Medical Assistance Percentage Compared to Original Projections

Ms. Brenda Weisz, Chief Financial Officer, Department of Human Services, said the amount the department estimates to receive as a result of the enhanced federal medical assistance percentage is \$19.6 million.

In response to a question from Representative Berg, Ms. Weisz said the department has identified \$12.2 million of excess spending authority in its appropriations bill for the 2003-05 biennium, the department will continue to monitor caseloads and utilization during the 2003-05 biennium, and if additional spending authority is needed, the department will submit a request to the Emergency Commission.

Representative Delzer said the \$8 million of additional funds the Department of Human Services is planning to use for the Medicaid program results in a higher total dollar amount for the Medicaid program than that which was requested in the executive budget for the 2003-05 biennium.

NORTH DAKOTA'S USE OF FEDERAL RELIEF FUNDS

At the request of Chairman Svedjan, Ms. Vonette J. Richter, counsel, Legislative Council, presented a memorandum entitled *North Dakota's Use of Federal Relief Funds*. Ms. Richter said the memorandum addresses two issues, the first of which is whether Section 9 of 2003 Senate Bill No. 2012, which provides that the Department of Human Services is to establish service copayments or limits and make other programmatic changes within the medical services program to operate the program within the funding levels approved by the 58th Legislative Assembly for the 2003-05 biennium, affects the ability of the department to use the additional federal funds made available to the state under the federal Jobs and Growth Tax Relief Reconciliation Act of 2003. Ms. Richter said Section 9 of Senate Bill

No. 2012 requires the department to make whatever programmatic changes necessary to operate the medical services program within the funding levels appropriated for the 2003-05 biennium. Ms. Richter said the department may transfer appropriation authority between line items and between subdivisions; however, the department may not expend more than the total amount of the 2003-05 biennium appropriation without an expenditure authorization as provided for in NDCC Chapter 54-16. Thus, it would appear that the receipt of the \$19.6 million of federal funds by the Department of Human Services for the medical services program may be received by the department to the extent the funds may be accommodated within the department's spending authority provided in the 2003-05 biennium appropriations bill for the department.

In response to a question from Representative Svedjan, Ms. Richter said the Department of Human Services additional spending authority for the Medicaid program is the result of its ability to transfer authority between line items and subdivisions.

Ms. Richter said the second issue in the memorandum is whether the \$50 million in temporary state fiscal relief must be deposited in the general fund or whether the Emergency Commission or the Budget Section may direct the \$50 million to be deposited in a special fund. Ms. Richter said the Attorney General, in an April 3, 1990, letter opinion, interpreted Article X, Section 12, of the Constitution of North Dakota, and concluded that "[u]nless otherwise specified by statute, the State Treasurer deposits all moneys received by the state in the general fund." Ms. Richter said special funds generally are created by the Legislative Assembly for a specific purpose and the funds that may be deposited in those special funds must be derived from a specific source. Ms. Richter said the Attorney General has also addressed the issue of whether the Emergency Commission, pursuant to the commission's authority under NDCC Section 54-16-04, may use its powers to create a new special fund. The July 30, 1996, letter opinion stated that "[a]lthough the [Emergency] Commission may transfer spending authority between funds or line items of an agency, may authorize use of the state contingencies appropriation or federal funds, or may draw money from the state treasury to meet an extreme situation until the Legislative Assembly can make an appropriation, NDCC Section 54-16-04, it generally cannot use these powers to create a new fund or a new appropriation." Thus, it would appear that in the absence of a specific legislative directive that the funds from the federal Jobs and Growth Tax Relief Reconciliation Act of 2003 be deposited in a fund created specifically for this purpose, the federal funds to be received by the state under the federal Act must be deposited in the general fund.

FISCAL ASSISTANCE TO STATE AND LOCAL GOVERNMENTS ACT OF 1972

At the request of Chairman Svedjan, the legislative budget analyst and auditor, presented a memorandum entitled *Fiscal Assistance to State and Local Governments Act of 1972*. He said Budget Section members requested information at the June 24, 2003, meeting regarding any precedence for the Jobs and Growth Tax Relief Reconciliation Act of 2003, and the only reference the Legislative Council staff was able to find was the Fiscal Assistance to State and Local Governments Act of 1972. He said the 1972 Act provided state and local governments a total of approximately \$30.2 billion. He said the 43rd Legislative Assembly approved Senate Bill No. 2039, which established a revenue-sharing trust fund for the deposit of revenue-sharing payments and the interest earned on the deposits. The legislative budget analyst and auditor said the Legislative Assembly appropriated the money from the revenue-sharing trust fund to the Department of Public Instruction over a period of several bienniums as part of the state's funding for the foundation aid program. He said because of the timing of the passage of the federal law, which was in October 1972, the Legislative Assembly was able to address the issue during the 43rd Legislative Assembly, and the only interim process used was the creation of the Committee on Revenue Sharing that met and reviewed the federal requirements prior to the 43rd Legislative Assembly. He said the Fiscal Assistance to State and Local Governments Act of 1972 may be of interest for committee members, but it does not provide precedence related to the Jobs and Growth Tax Relief Reconciliation Act of 2003.

UNIVERSITY OF NORTH DAKOTA CAPITAL IMPROVEMENTS

Chairman Svedjan called on Mr. Rick Tonder, Facility Planner, University of North Dakota, who presented information on requests to increase spending authority for an addition to the University of North Dakota's American Indian Center and for the Center for Biomedical Research Excellence and Center for Excellence in Neuroscience building and presented a status report on the University of North Dakota School of Medicine and Health Sciences Family Practice Clinic facility in Minot. A copy of the information presented is on file in the Legislative Council office.

American Indian Center

Mr. Tonder said the University of North Dakota requests Budget Section approval to construct an addition to the American Indian Center, pursuant to NDCC Section 48-02-20, at an estimated cost of \$500,000 to be funded from institutional resources. Mr. Tonder said the existing University of North

Dakota American Indian Center is a two-story, wood-frame residential structure that was built in the 1940s and has been modified to create office and meeting space. Mr. Tonder said the university has received legislative authorization to build a \$3 million modern, large-scale center from gift funds, and while the fundraising efforts continue, the university recognizes an urgent need to address the inadequacies of the existing space. He said the University of North Dakota retained architectural services to develop a plan to alleviate problems caused by the limitations of the existing facility with a modest construction budget. Mr. Tonder said the result was the determination that an addition to and renovation of the existing facility with a budget of \$500,000 would provide a satisfactory accommodation that could ultimately be used for other purposes should fundraising for a new facility be successful. Mr. Tonder said the design consultants also determined that a new facility constructed using the same budget could also be a cost-effective solution; therefore, if further design development determines that new construction is more practical, the university will use its legislative authorization for construction of the new facility. Mr. Tonder said the addition and renovation to the existing facility was not an option included in the previous legislative authorization to construct a new facility, and, therefore, the University of North Dakota is requesting approval to do so as an alternative should further design development indicate such an addition and renovation would be the most economical and functional solution. Mr. Tonder said the project would include the renovation of the existing 1,500-square-foot residential structure and the construction of a 3,500-square-foot addition. He said the completed facility will provide approximately 5,000 square feet of improved space on two floors, located within a residential neighborhood. Mr. Tonder said the addition would provide meeting rooms, a computer room, tutoring offices, and the inclusion of an elevator to solve accessibility problems and upgrades to existing mechanical and electrical systems.

In response to a question from Representative Svedjan, Mr. Tonder said funding for the project is from revenues generated from royalties received for the use of the university's logo and rental income from one of the university's former medical facilities.

In response to a question from Representative Delzer, Mr. Tonder said if the Budget Section does not approve this request, then the institutional funds would be used for other university needs, and if the Budget Section does approve this request, the university will not ask for additional general fund dollars to replace the institutional funds that will be used for this project.

In response to a question from Senator Kilzer, Mr. Tonder said the reason this proposal was not brought before the 58th Legislative Assembly is because significant design developments began in summer 2003, after the adjournment of the 58th

Legislative Assembly, at which time the architects proposed this plan to the university as an alternative solution.

It was moved by Senator Mathern, seconded by Representative Kerzman, and carried on a voice vote that pursuant to NDCC Section 48-02-20, the Budget Section approve the request to increase other funds spending authority by \$500,000 for the construction of an addition to the existing University of North Dakota American Indian Center.

Center for Biomedical Research Excellence and Center for Excellence in Neuroscience

Mr. Tonder said the University of North Dakota requests Budget Section approval to increase the spending limit for the Center for Biomedical Research Excellence and Center for Excellence in Neuroscience building by \$750,000. Mr. Tonder said the source of funding for the Center for Biomedical Research Excellence will be grant funds as they become available and local funding from revenues generated by the School of Medicine and Health Sciences. Mr. Tonder said the Budget Section approved spending in April 2002 of up to \$400,000 in federal funds for the renovation of existing space at the University of North Dakota School of Medicine and Health Sciences and \$2,953,462 for construction of a Center for Excellence in Neuroscience building. Mr. Tonder said this project includes renovation of approximately 4,000 square feet on the third floor of the School of Medicine and Health Sciences which was not improved by the original project, into office and laboratory use at an estimated project cost of \$500,000. Mr. Tonder said augmenting the federally sponsored construction budget for the Center for Excellence in Neuroscience building will allow for construction of a future underground link and additional storage space at an estimated project cost of \$250,000.

In response to a question from Senator Christmann, Mr. Tonder said the reason this proposal was not brought before the 58th Legislative Assembly is because the design for the facility was completed in summer 2003, after the adjournment of the 58th Legislative Assembly, which is when the university became aware of this possibility.

It was moved by Representative Warner, seconded by Representative Berg, and carried on a voice vote that pursuant to NDCC Section 15-10-12.1, the Budget Section approve the request to increase other funds spending authority by \$750,000 and total authorization from \$3,353,462 to \$4,103,462 for laboratory renovation at the School of Medicine and Health Sciences and construction of a future underground link and additional storage space for the Center for Excellence in Neuroscience building.

Minot Health Care Facility

Mr. Tonder reported on the status of the Minot health care facility. Mr. Tonder said the University of North Dakota is in the process of negotiating lease terms with the University of North Dakota Foundation for the construction of a new health care clinic in Minot. He said the clinic will serve as a regional source for health care services provided by University of North Dakota School of Medicine and Health Sciences clinical training programs. Mr. Tonder said the structure of the lease allows the University of North Dakota Foundation to purchase land and construct a building using plans approved by the School of Medicine and Health Sciences. He said the facility will be leased by the University of North Dakota with rent sufficient to service the debt assumed by the foundation, and once the debt is retired, title for the land and building will revert to the University of North Dakota. Mr. Tonder said the university anticipates construction will begin in spring 2004, and the facility should begin operation as a functional training platform in spring 2005.

In response to a question from Senator Christmann, Mr. Tonder said the total cost of the project is \$4.2 million, which includes the construction of the facility, land acquisition, furnishing the facility with equipment, and construction of the parking lot.

In response to a question from Senator Lee, Mr. Tonder said the decision was made to construct a new facility in Minot because the cost of constructing a new facility will be less than the costs necessary to renovate an existing building which would have been gifted to the University of North Dakota School of Medicine and Health Sciences for the facility.

In response to a question from Senator Bowman, Mr. Tonder said the maintenance and upkeep for the new facility will be the financial responsibility of the University of North Dakota, which will be paid for from proceeds the facility will generate.

Senator Christmann requested the University of North Dakota provide committee members with information regarding the analysis that was done to arrive at the university's decision to construct a new facility in Minot rather than renovate an existing building.

Representative Berg requested the University of North Dakota include in its information provided to committee members the status of the family practice program in Minot and the approval process that was used in making the decision to build a new facility.

Representative Skarphol requested the University of North Dakota provide a report to Budget Section members on past building projects that were constructed without the use of general fund dollars and the sources of the funds that were used to support and maintain the buildings.

VETERANS HOME

Status of Veterans Home Performance Audit Recommendations

Chairman Svedjan called on Mr. Gerald Balzer, former chairman, Administrative Committee on Veterans Affairs, to report on the status of the implementation of the Veterans Home performance audit recommendations. A copy of the information presented is on file in the Legislative Council office. Mr. Balzer said he has assigned responsibility for the audit recommendations to Administrative Committee on Veterans Affairs members and has prioritized the recommendations. Mr. Balzer said most of the audit recommendations have been completed and the committee expects the strategic plan to be finalized in January 2004. Mr. Balzer said a followup audit of the Veterans Home will be conducted by the State Auditor's office, and upon its completion, the State Auditor's office will determine the final status of the recommendations.

Status of the Veterans Home Strategic Plan

Chairman Svedjan called on Mr. Eric Monson, managing partner, NOVUS Consulting, Fargo, to report on the status of the Veterans Home governing board's process in developing and implementing the Veterans Home strategic plan. A copy of the information presented is on file in the Legislative Council office. Mr. Monson said NOVUS was selected by the governing board of the Veterans Home to lead the strategic planning effort. Mr. Monson said the strategic plan will function as the Veterans Home's compass and road map for two to four years; should provide the foundation and basis for the Veterans Home's annual operating plan and budget; and will be a dynamic working document that will be continually reviewed, monitored, and modified as necessary. Mr. Monson said NOVUS has found the management of the Veterans Home enthusiastic about the planning process and the governing board is engaged and supportive. He said adoption of the strategic plan by governing board is anticipated in December 2003 and by the Administrative Committee on Veterans Affairs in January 2004. Mr. Monson said NOVUS is on schedule and on budget.

Veterans Home Emergency Commission Request #1443

Chairman Svedjan called on Mr. Neal Asper, Administrator, Veterans Home, to report on the Veterans Home Emergency Commission Request #1443 from June 2003, which requested an additional 8.28 FTE positions for the 2003-05 biennium for additional staffing needed for the addition of eight skilled care nursing beds approved by the 58th Legislative Assembly. A copy of the information presented is on file in the Legislative Council office. Mr. Asper said the idea of converting some basic care beds to skilled care beds was explored due to the high demand for more skilled care beds. He said financial evaluations

performed by Eide Bailly LLP and the Department of Human Services revealed that such a conversion made economic sense. Mr. Monson said a further evaluation of the conversion revealed several factors that suggest the conversion may not be feasible, including a requirement by the federal Veterans Administration which precludes basic and skilled care residents from being commingled. In addition, he said, the resident rooms do not meet State Department of Health regulations that would be costly and difficult to comply with, such as fire doors and dining room square footage. Mr. Asper said as a result of these findings, the governing board of the Veterans Home is requesting that Emergency Commission Request #1443 to add 8.28 FTE positions be withdrawn. Mr. Asper said the governing board voted on July 18, 2003, to put the bed conversion on hold as recommended by the skilled bed task force.

Mr. Asper also reported on the FTE demands of caring for Veterans Home residents. He said the performance audit stated the actual number of FTE positions for the Veterans Home is higher than the number authorized by the 58th Legislative Assembly, which is partially due to employees listed as .5 FTE when they were working .9 or 1 FTE hours. Mr. Asper said he believes the correct level of FTE positions is between the actual count and the number authorized by the 58th Legislative Assembly, and he will continue to monitor the situation and determine what the correct number should be, which will be included in the 2005-07 budget request.

In response to a question from Senator Kilzer, Mr. Asper said there are usually four or five people on the waiting list for skilled care beds.

GAME AND FISH DEPARTMENT - LAND ACQUISITION REQUEST

At the request of Chairman Svedjan, Mr. Paul Schadewald, Chief, Administrative Services Division, Game and Fish Department, presented a report on the department's request for Budget Section approval of a land acquisition of 388.46 acres in McKenzie County, pursuant to NDCC Section 20.1-02-05.1. A copy of the information presented is on file in the Legislative Council office. Mr. Schadewald said the department is not requesting additional funds from the Budget Section because the funding for this land acquisition was already approved by the 58th Legislative Assembly. Mr. Schadewald said the confluence of the Missouri and Yellowstone Rivers, near Williston, forms three parcels of wedge-shaped land and that two of the properties have been offered for sale. Mr. Schadewald said the Game and Fish Department requests Budget Section approval for the acquisition in fee title of two of the three properties. He said the first property proposed for acquisition, referred to as the Neu property, constitutes 388.46 acres of land on the south side of the joined rivers at their confluence for a total purchase price of \$650,000 and consists of approximately 20 acres of irrigated

cropland and the remaining acreage is dominated by river bottom woodlands and other natural wetland and meadow habitats. Mr. Schadewald said the Game and Fish Department proposes to acquire the property under a written agreement to provide \$333,333 (\$250,000 federal and \$83,333 Game and Fish Department funds) to the American Foundation for Wildlife, which will provide the balance of \$317,667 to acquire the property and subsequently donate the entire property to the Game and Fish Department, with the transfer expected to be completed by mid-2004. Mr. Schadewald said negotiations are underway for the second property, referred to as the Ochs property, and project partners hope to complete the purchase and transfer to the Game and Fish Department by the end of 2004. He said the Ochs tract is approximately 1,000 acres and the Game and Fish Department would not provide funding for the Ochs purchase, but would receive it in fee title as a donation from other project partners. Mr. Schadewald said the department proposes to manage both properties as a state wildlife management area under a written plan that complies with all state and local laws and the wildlife management area will be open to public hunting and other compatible recreation. Mr. Schadewald said the department will pay property taxes to McKenzie County and will work closely with the McKenzie County Weed Board to control noxious weeds.

In response to a question from Senator Bowman, Mr. Schadewald said the farmland in the proposed land acquisition will continue to be farmed, at least for the short term.

It was moved by Representative Carlisle, seconded by Representative Monson, and carried on a roll call vote that pursuant to NDCC Section 20.1-02-05.1, the Budget Section approve the Game and Fish Department's request to acquire two parcels of land at the confluence of the Missouri and the Yellowstone Rivers in McKenzie County--one parcel consisting of 388.46 acres and the other approximately 1,000 acres. Representatives Svedjan, Bellew, Berg, Boucher, Carlisle, Carlson, Delzer, Kerzman, Koppelman, Kroeber, Martinson, Monson, Skarphol, Thoreson, Wald, and Warner and Senators Christmann, Every, Holmberg, Kilzer, Krauter, Kringstad, Lindaas, Mathern, O'Connell, Robinson, Schobinger, and Tallackson voted "aye." Senator Bowman voted "nay."

In response to a question from Senator Holmberg, Mr. Schadewald said the department eliminated 2 FTE positions in order to meet the requirements of the legislative intent in Section 1 of 2003 Senate Bill No. 2423 so the department could provide its employees the pay increase, even though the department was authorized 11 new FTE positions in the 2003 legislative session. Mr. Schadewald said the department felt that its employees should not be denied the pay increase because the 58th Legislative Assembly approved additional positions for the

department and that the 58th Legislative Assembly should have stated its intent if it wanted the Game and Fish Department to fill all the new FTE positions instead of granting pay increases to its employees.

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 Berg requested Department of Health Request #1470 and Division of Emergency Management Request #1475 be discussed separately.

It was moved by Senator Holmberg, seconded by Senator Mathern, 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:

- Department of Insurance (Request #1457) - To increase federal funds spending authority by \$150,000 to accept carryover funds from the Centers for Medicare and Medicaid Services (CMS) for the operating line item for the senior health insurance counseling program created for Medicare beneficiaries who have questions about coverage, claims, and appeals.
- Office of Management and Budget - State Radio Division (Request #1460) - To increase federal funds spending authority by \$1,127,500 from the United States Department of Homeland Security and the operating line item (\$127,500) and capital assets line item (\$1 million) to upgrade the communications infrastructure from an analog to a digital environment.
- Office of Management and Budget - State Radio Division (Request #1461) - To receive federal passthrough funds from the Division of Emergency Management and increase the operating line item by \$250,000 for the development of a computer-aided dispatch center for State Radio.
- Office of Management and Budget - Risk Management Division (Request #1462) - To accept federal funds from the United States Department of Homeland Security and increase spending authority by \$300,000 and the operating line item (\$288,663) and capital assets line item (\$11,337) for development of a web site to support the state's continuum of government project and fund state employee software training to develop continuity of operations and continuum of government plans.
- Department of Agriculture (Request #1464) - To increase federal funds spending authority and the noxious weeds line item by \$203,300 to accept funds from the United States Forest Service to provide funds to county weed boards for noxious weed control, including leafy spurge and other noxious weeds.
- Department of Agriculture (Request #1466) - To increase federal funds spending authority and the Board of Animal Health line item by \$577,288 to accept funds from the United States Department of Agriculture for Johnes disease control, homeland security, scrapie control, swine health production, foot-and-mouth disease, and bovine spongiform encephalopathy.
- Department of Agriculture (Request #1467) - To increase federal funds spending authority and the grants line item by \$60,000 to accept funds from the United States Department of Agriculture for reimbursement of a portion of certification expenses incurred by certain organic producers, handlers, and processors as part of the national organic program.
- Department of Health (Request #1468) - To increase federal funds spending authority from the Centers for Disease Control and Prevention bioterrorism grant (\$127,000) and special funds spending authority from air contaminant program fees (\$208,000) and the capital assets line item by \$335,000 for additional costs to complete the east laboratory building remodeling project.
- Department of Health (Request #1469) - To increase federal funds spending authority by \$300,000 and the salaries and wages line item (\$105,000) and operating line item (\$195,000) to accept funds from the Centers for Disease Control and Prevention for a comprehensive cancer control planning program.
- Department of Labor (Request #1472) - To increase federal funds spending authority by \$375,000 and the salaries and wages line item (\$100,000) and operating line item (\$275,000) to accept federal funds from conducting investigations of employment discrimination complaints for the Equal Employment Opportunity Commission and from conducting investigations of housing discrimination complaints for the Department of Housing and Urban Development.

- **Division of Emergency Management (Request #1473) - To increase the operating line item by \$159,000 of federal funds received through the State Department of Health to conduct incident command training in the eight bioterrorism planning regions of the state.**
- **Indian Affairs Commission (Request #1474) - To receive federal passthrough funds from the Department of Human Services and increase the operating line item by \$85,500 to design a framework for a culturally congruent model for home and community-based care for American Indian aged and disabled.**
- **State Historical Society (Request #1476) - To increase federal funds spending authority and the capital assets line item by \$901,000 to accept funds from Housing and Urban Development (\$850,000) and Institute of Museum and Library Services (\$51,000) to complete the Missouri-Yellowstone Confluence Interpretive Center and the military barracks at the Fort Buford Historic Site near Williston.**
- **State Historical Society (Request #1477) - To increase federal funds spending authority by \$220,000 to accept pass-through funds granted to the Department of Transportation by the United States Department of Transportation (\$100,000) and federal funds from the United States Bureau of Land Management (\$52,000) and the United States Department of Interior, Federal Historic Preservation (\$68,000) for the salary line item (\$120,000), the operating line item (\$92,000), and the capital assets line item (\$8,000) for continued development and enhancement of a geographic mapping system for cultural sites.**
- **State Historical Society (Request #1478) - To increase federal funds spending authority by \$150,000 to accept federal funds from the United States Bureau of Reclamation for the salaries line item (\$120,000) and the operating line item (\$30,000) for developing a data base of Bureau of Reclamation collections for which the State Historical Society is the curator.**
- **State Historical Society (Request #1479) - To increase federal funds spending authority and the capital assets line item by \$250,000 to accept passthrough funds granted to the Department of Transportation by the United States Department of Transportation enhancement grant**

program for improvements at the Gingras State Historic Site near Walthalla.

At the request of Chairman Svedjan, Ms. Arvy Smith, Deputy State Health Officer, Department of Health, presented information regarding the department's Emergency Commission Request #1470 for increased federal funds spending authority of \$6,540,000. Ms. Smith said the request consists of a grant from the Health Resources and Services Administration (HRSA) for \$2.6 million and carryover funds from HRSA for \$470,000 and the Centers for Disease Control and Prevention for \$3.47 million for a chemical terrorism preparedness and response program. Ms. Smith said the increase of \$150,000 in the salaries and wages line item is for temporary positions.

It was moved by Senator Holmberg, seconded by Representative Berg, and carried on a voice 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:

- **Department of Health (Request #1470) - To increase federal funds spending authority by \$6,540,000 and the salaries and wages line item (\$150,000), operating line item (\$2.4 million), capital assets line item (\$650,000), and grants line item (\$3,340,000) to accept new funds from the Health Resources and Services Administration (HRSA) (\$2.6 million) and expend carryover funds from HRSA (\$470,000) and the Centers for Disease Control and Prevention (\$3,470,000) for a chemical terrorism preparedness and response program.**

At the request of Chairman Svedjan, Ms. Sheila Peterson, Director, Fiscal Management Division, Office of Management and Budget, presented information regarding Division of Emergency Management Emergency Commission Request #1475 for increased federal funds spending authority by \$13.2 million. Ms. Peterson said the \$13.2 million has been approved for the state of North Dakota through the Department of Homeland Security and there is no matching requirement on the request. Ms. Peterson said \$9,152,000 will be provided to the local governments.

It was moved by Representative Monson, seconded by Representative Kroeber, and carried on a voice 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:

- **Division of Emergency Management (Request #1475) - To increase federal funds spending authority by \$13.2 million for salaries and wages (\$300,500), operating expenses (\$127,000), capital assets (\$33,000), and grants (\$12,739,500).**

STATUS OF CONTRACTING WITH COUNTIES TO HOUSE FEMALE INMATES

Department of Corrections and Rehabilitation

At the request of Chairman Svedjan, Ms. Elaine Little, Director, Department of Corrections and Rehabilitation, presented a report on the status of contracting with county facilities to house female inmates. A copy of the information presented is on file in the Legislative Council office. Ms. Little said the Department of Corrections and Rehabilitation and the Southwest Multi-County Correction Center have kept in close contact since the signing of the contract on September 2, 2003. She said the department will transport the women to New England and Dickinson as soon as the Southwest Multi-County Correction Center is ready to accept them. Ms. Little said the male inmate population is approximately 100 inmates greater than was estimated and the department needs the space that will be vacated by the women to house the male inmates. Ms. Little said initially there will be approximately 65 to 70 "minimum custody" women housed in New England and approximately 15 to 20 "higher custody" women will be housed in the Southwest Multi-County Correction Center in Dickinson. Ms. Little said the contract provides that the Southwest Multi-County Correction Center must complete the renovation of the "high custody" facility in New England by January 1, 2004. She said until the "high custody" facility is ready in New England, the department will continue to provide orientation services to incoming women inmates at the James River Correctional Center in Jamestown.

In response to a question from Senator Krauter, Ms. Little said it appears that the large increase in the number of male inmate admissions is due to methamphetamine and other drug-related charges and there has also been an increase in the number of violent offenders.

In response to a question from Representative Berg, Ms. Little said the department will assign one individual to monitor the housing contract.

Southwest Multi-County Correction Center

At the request of Chairman Svedjan, Mr. Norbert Sickler, Administrator, Southwest Multi-County Correction Center, presented a report on the status of contracting with county facilities to house state female inmates. Mr. Sickler said the reason for the delay in the housing of female inmates at the Southwest Multi-County Correction Center is because the Southwest Multi-County Correction Center did not want to make some large purchases until after a contract had been signed with the Department of Corrections and Rehabilitation. He said the purchases include the heating system upgrades (approximately \$40,000), a domestic hot water system (approximately \$13,000), staff computers (approximately \$17,000), telephone system and T-1 line (approximately \$15,000), and a two-way radio system (approximately \$9,000).

Mr. Sickler said the treatment staff has been hired and received training from the Department of Corrections and Rehabilitation.

In response to a request from Representative Carlisle, Mr. Sickler said he will provide the committee with a written copy of his testimony.

In response to a question from Representative Carlisle, Mr. Sickler said the pay scale that the Southwest Multi-County Correction Center is using for its employees is the same pay scale that is used by the correctional facility in Dickinson and is consistent with the pay scales for county corrections across the state. Mr. Sickler said the Southwest Multi-County Correction Center is starting its correctional officers at \$2,156 a month. He said the problem is not that the Southwest Multi-County Correction Center is paying its officers too much, but rather the state does not pay its correctional officers enough.

INFORMATION TECHNOLOGY

DEPARTMENT - ANNUAL REPORT

Chairman Svedjan called on Mr. Mike Ressler, Deputy Chief Information Officer, Information Technology Department, who reported, pursuant to NDCC Section 54-59-19, on the department's 2002-03 annual report. A copy of the report is on file in the Legislative Council office. Mr. Ressler said the annual report is composed of the following four sections:

- Section 1 - An executive summary that describes and quantifies benefits the state is realizing from investments in information technology.
- Section 2 - A status report on the costs and benefits of large information technology projects completed in the last 12 months and a summary of other small information technology projects completed in the same period.
- Section 3 - Information on the department's performance, including a rate comparison and an update on the department's performance measures.
- Section 4 - An overview of ongoing information technology initiatives.

Mr. Ressler said in regard to the department's performance, the department tracks and monitors the cost and the revenue for each service to ensure that service is not subsidizing another service. He said the federal government does not allow the department to charge rates that generate revenues in excess of costs; therefore, the department monitors its cash balances and adjusts rates accordingly. He said the department also monitors what other entities are charging for similar services in an effort to maintain quality services at a fair price. The following is a summary of rate comparisons for the 16 services that generate approximately 93 percent of the department's total revenue:

SOFTWARE DEVELOPMENT		
	Systems Analysis	Programming
North Dakota Information Technology Department rates	\$56.25 per hour	\$52 per hour
South Dakota Bureau of Information Technology rates	\$48 per hour	*
Montana Information Technology Services Division rates	Local providers	*
Priority Technologies, Inc.	\$86.25 per hour	*
Maximus	Ranges from \$125 to \$275 per hour	*
Capstone	Ranges from \$100 to \$140 per hour	*
Inet	Ranges from \$60 to \$100 per hour	*
K-2	\$60 per hour	*
Route 94	Ranges from \$60 to \$85 per hour	*
*The Information Technology Department is the only provider offering programming services at a rate separate from systems analysis.		

Telephone Fees	
North Dakota Information Technology Department rates	Telephone line - \$21 per device per month Speaker function - \$2 per month Display function - \$1 per month Voice mail (unlimited) - \$3 per month
South Dakota Bureau of Information Technology rates	Telephone line - \$11 per device per month* Speaker function - Actual cost Display function - Actual cost Voice mail (unlimited) - \$6 per month
Montana Information Technology Services Division rates	Telephone line - \$20 per device per month Speaker function - \$1 per month Display function - \$7 per month Voice mail (three-minute limit) - \$5 per month Voice mail (six-minute limit) - \$8 per month Voice mail (eight-minute limit) - \$10 per month
Qwest	\$40.34 per month*
Polar Communications	\$27.28 per month*
SRT	\$28.88 per month*
Consolidated Telcom	\$34.63 per month*
*The customers buy their own telephone device.	

Service	North Dakota Information Technology Department Rates	South Dakota Bureau of Information Technology Rates	Montana Information Technology Services Division Rates
Central computer central processing unit (CPU) rates	Batch CPU - \$.69 per second CICS CPU - \$.69 per second ADABAS CPU - \$.74 per second TSO CPU - \$.69 per second	Batch CPU - \$.16 per second CICS CPU - \$.16 per second ADABAS CPU - \$.16 per second TSO CPU - \$.16 per second	Batch CPU - \$1.24 per second CICS CPU - \$.25 per second ADABAS CPU - \$.88 per second TSO CPU - \$1.52 per second
Network fees	Device fee - \$29 per device per month DSL service - Actual cost (ranges from \$40 to \$120) ATM T-1 service - \$840 per month	Device fee - \$70 per device per month DSL service - \$125 per month ATM T-1 service - \$495 per month Access fee - \$20 per device per month	Device fee - \$72.60 per device per month DSL service - \$250 per month ATM T-1 service - \$650 per month
Long distance	In state - \$.06 per minute Out of state - \$.06 per minute 800 service - \$.10 per minute	In state - \$.08 per minute Out of state - \$.09 per minute 800 service - \$.14 per minute	In state - \$.105 per minute Out of state - \$.105 per minute 800 service - \$.10 per minute

Mr. Ressler provided the following update on the department's performance measures:

Business Driver - Performance Measures	Baseline (Previous Years)	Current Status (June 2003)	Target
Provide value to our customers			
Percentage of strategic initiatives completed successfully	2000 - 35% 2001 - 50%	65% (as of August 31, 2002)	75%
Percentage of system availability	2001 - 98.82% 2002 - 98.89%	98.97%	98.90%
Percentage of Information Technology Department projects completed on schedule within scope and budget	76% on time 83% on budget	86% on time 89% on budget	81% on time 87% on budget
Statewide direction and leadership			
Number of coordinated statewide initiatives	2001 - 6 2002 - 8	8	Monitor
Information Technology Department's compliance with North Dakota Century Code	100%	100%	100%
Information technology spending as a percentage of overall state budget	4.64%	3.61%	Monitor
Percentage of large information technology projects completed successfully	100%	100%	100%
Number of web-enabled applications available to citizens	2001 - 19 2002 - 33	51	Increase
Customer relationships and satisfaction			
Percentage of reported problems resolved within support center (unassigned)	2001 - 72% 2002 - 66%	65.5%	75%
Percentage of reported and assigned problems responded to within one hour	2001 - 74% 2002 - 87%	92.7%	90%
Median time working hours required to resolve reported and assigned problems	2001 - 2.53 2002 - 1.98	1.93	2.25
Percentage of statewide information technology budgets directed to the Information Technology Department	1999-2001 biennium - 25% 2001-03 biennium - 31%	37%	Monitor
Customer satisfaction indexes (percentages satisfied or very satisfied) relating to:			
Value	2001 -- 2002 90% -- 85.3%	86.1%	92%
Timeliness	96.3% -- 94.9%	90.2%	97%
Quality	96.5% -- 94.6%	94.2%	97%
Knowledge	97.6% -- 95.9%	96.1%	98%
Professionalism and courtesy	100% -- 98.6%	96.9%	100%
Learning and growth			
Voluntary employee turnover rate	2001 - 4% 2002 - 2.4%	1.9%	Remain below 4% to 6%
Average training hours and dollars spent per employee	\$2,700 per FTE	\$3,100 per FTE	\$2,500 per FTE
Employee satisfaction index	2001 - 1.985 2002 - 1.976	1.983	2
Percentage of service level objectives met	N/A	N/A	100%

STATUS OF THE RISK MANAGEMENT WORKERS' COMPENSATION PROGRAM

Chairman Svedjan called on Mr. Brent Edison, Executive Director and CEO, Workforce Safety and Insurance, who reported, pursuant to NDCC Section 65-04-03.1, on the status of the risk management workers' compensation program. A copy of the information presented is on file in the Legislative Council office. Mr. Edison said that 2001 House Bill No. 1015 established a single workers' compensation account for all state agencies, which was continued by the 58th Legislative Assembly. Mr. Edison said the Risk Management Division of the Office of

Management and Budget administers the program and the Risk Management Division entered into deductible contracts with Workforce Safety and Insurance. Mr. Edison said the deductible amount is \$100,000 per claim and the consolidation covers 142 individual accounts. Mr. Edison said the program is working well and the estimated savings for the 2001-03 biennium is \$2,088,062.

In response to a question from Representative Wald, Mr. Edison said he is not aware of any state agency covered by this program that has poor or unusual claims.

**DEPARTMENT OF COMMERCE DIVISION
OF COMMUNITY SERVICES -
ANNUAL AUDITS OF RENAISSANCE
FUND ORGANIZATIONS**

Chairman Svedjan called on Mr. Richard Gray, Renaissance Zone Manager, Division of Community Services, Department of Commerce, who reported, pursuant to NDCC Section 40-63-07, on the annual audits of renaissance fund organizations. A copy of the information presented is on file in the Legislative Council office. Mr. Gray said that out of 12 renaissance zones, only five cities--Fargo, West Fargo, Casselton, Valley City, and Jamestown--have asked for approval to establish a renaissance fund organization. Mr. Gray said as of October 15, 2003, only \$1,295,000 of the initial \$2.5 million made available in the form of state tax credits for investors in these organizations have been claimed, leaving a balance of \$1,205,000. Mr. Gray said the 57th Legislative Assembly made another \$2.5 million available for use after the initial \$2.5 million is used. Mr. Gray said the previously mentioned five cities have contracted management services from Renaissance Ventures LLC, instead of self-managing the organizations. He said four cities have received funds from investors, with no funds invested in Valley City's renaissance fund organization.

**COMMITTEE DISCUSSION
AND STAFF DIRECTIVES**

At the request of Chairman Svedjan, the legislative budget analyst and auditor presented information on the University System report required by NDCC Section 15-10-12.3 on local fund matching for higher education capital projects approved by the Legislative Assembly. The legislative budget analyst and auditor said the report is for the biennium ending June 30, 2003.

It was moved by Representative Wald, seconded by Representative Carlson, 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 3:30 p.m.

Stephanie A. Johnson
Fiscal Analyst

Jim W. Smith
Legislative Budget Analyst and Auditor

ATTACH:1