

**Office of Administrative Hearings
Budget 140
Senate Bill No. 2018**

	FTE Positions	General Fund	Other Funds	Total
1999-2001 legislative appropriation	6.00		\$1,576,016	\$1,576,016
1997-99 legislative appropriation	<u>7.00</u>	<u>\$100,000</u>	<u>1,350,161</u>	<u>1,450,161</u>
1999-2001 appropriation increase (decrease) to 1997-99 appropriation	(1.00)	(\$100,000)	\$225,855	\$125,855

NOTE: The 1999-2001 appropriation amounts include \$3,079 of other funds for the agency's share of the \$5.4 million funding pool appropriated to the Office of Management and Budget (OMB) for special market equity adjustments for classified employees and \$426 of other funds for the agency's share of the \$1.4 million funding pool appropriated to OMB for assisting agencies in providing the \$35 per month minimum salary increases in July 1999 and July 2000.

Item Description

Loan from Bank of North Dakota - Section 2 of House Bill No. 1018 authorized the Office of Administrative Hearings to borrow up to \$150,000 from the Bank of North Dakota during the 1999-2001 biennium to be repaid to the Bank of North Dakota by June 30, 2001. The Office of Administrative Hearings shall inform OMB of any loans required pursuant to this section. The Office of Administrative Hearings may include any related interest costs in agency billings for services.

Anticipated revenue shortfall - The Office of Administrative Hearings bills other agencies for services provided, which is its only source of revenue.

Status/Result

To meet cash flow needs, the Office of Administrative Hearings has borrowed \$150,000 from the Bank of North Dakota. As of April 5, 2000, \$40,000 of principal and \$7,232 of interest have been paid on the loan. Prior to the beginning of the biennium, the Office of Administrative Hearings learned from its billing consultant that by adding interest costs to the agency billings for services, a third billing rate would need to be created, thus changing the agency's billing program. This change prevents the Office of Administrative Hearings from including interest costs in the billings to any agency that receives federal funds. The billing consultant to the Office of Administrative Hearings advised the agency against charging interest only to agencies that do not receive any federal funds, believing that practice could lead to a federal audit. The Office of Administrative Hearings has continued to pay the interest to the Bank of North Dakota despite the lack of a source of revenue for this repayment. The agency will likely seek a general fund deficiency appropriation from the 2001 Legislative Assembly to make those interest payments. The Office of Administrative Hearings will also likely seek a return to general fund borrowing for its interim operating moneys for the 2001-03 biennium.

The agency is anticipating a \$50,000 revenue shortfall for the biennium due to declining agency requests. This shortfall does not include the interest expense incurred from the Bank of North Dakota. Billing rates for the Office of Administrative Hearings are determined at the beginning of each biennium based upon expenses incurred during the previous biennium. When the agency experiences revenue shortfalls, it is unable to adjust billing rates until the current biennium ends. The agency anticipates carrying this \$50,000 shortfall into the 2001-03 biennium, with the need to substantially increase billing rates in 2001.