

BUDGET SECTION

The Legislative Council's Budget Section is referred to in various sections of the North Dakota Century Code (NDCC) and the Session Laws of North Dakota. Although there are statutory references to the Budget Section, it is not created by statute. The Budget Section is an interim committee appointed by the Legislative Council. By tradition, the membership of the Budget Section consists of the members of the Senate and House Appropriations Committees, the majority and minority leaders and their assistants, and the Speaker of the House.

Budget Section members were Representatives Jack Dalrymple (Chairman), Ole Aarsvold, LeRoy G. Bernstein, James Boehm, Merle Boucher, Rex R. Byerly, Ron Carlisle, Jeff W. Delzer, John Dorso, Gereld F. Gerntholz, Pam Guleson, Roy Hausauer, Robert Huether, Richard Kunkel, Edward H. Lloyd, Ronald Nichols, Al Soukup, Ken Svedjan, Mike Timm, Ben Tollefson, Francis J. Wald, Janet Wentz, and Gerry Wilkie and Senators Bill L. Bowman, Ray Holmberg, Aaron Krauter, Evan E. Lips, Tim Mathern, Pete Naaden, Donna L. Nalewaja, Gary J. Nelson, David E. Nething, Rolland W. Redlin, Larry J. Robinson, Ken Solberg, Rod St. Aubyn, and Harvey D. Tallackson.

The following individuals were members of the committee for a portion of the interim: Senator William G. Goetz, prior to his resignation on July 10, 1997; Representative Bob Martinson, prior to his resignation on October 14, 1997; Representative Tom D. Freier, prior to his resignation on April 6, 1998; Representative Bill Oban, prior to his death on July 10, 1998.

The Budget Section submitted this report to the Legislative Council at the biennial meeting of the Council in November 1998. The Council accepted the report for submission to the 56th Legislative Assembly.

The following duties, assigned to the Budget Section by statute, were acted on during the 1997-99 biennium:

1. **Higher education campus improvements and building construction (NDCC Section 15-10-12.1)** - This section allows the State Board of Higher Education, subject to Budget Section approval, to construct buildings and campus improvements financed by donations, gifts, grants, and bequests or to sell real property or buildings received by gift or bequest. The Budget Section approval must include a specific dollar limit for each building or campus improvement project.
2. **Nonresident tuition (NDCC Section 15-10-18)** - This section provides that the amount of nonresident tuition charged by institutions of higher education will be determined by the State Board of Higher Education, subject to Budget Section approval.
3. **Actions of the Westwood Park Assets Management Committee (NDCC Section 25-04-20)** - This section directs the Westwood Park Assets Management Committee to take action, subject to Budget Section approval, to sell the property of Westwood Park.
4. **Job insurance trust fund balance (NDCC Section 52-02-17)** - This section requires Job Service North Dakota to report to the Budget Section if the balance of the job insurance trust fund is projected to fall below \$40 million.
5. **Irregularities in the fiscal practices of the state (NDCC Section 54-14-03.1)** - This section requires the Office of the Budget to submit a written report to the Budget Section documenting:
 - o Any irregularities in the fiscal practices of the state.
 - o Areas where more uniform and improved fiscal procedures are desirable.
 - o Any expenditures or governmental activities contrary to law or legislative intent.
 - o The use of state funds to provide bonuses, cash incentive awards, or temporary salary adjustments for state employees.
6. **Transfers exceeding \$50,000 (NDCC Section 54-16-04(2))** - This section allows the Emergency Commission to authorize, subject to Budget Section approval, a transfer exceeding \$50,000 from one fund or line item to another.
7. **Federal funds not appropriated (NDCC Section 54-16-04.1)** - This section allows the Emergency Commission to authorize, subject to Budget Section approval, the expenditure of federal funds which have not been appropriated and which the Legislative Assembly has not indicated an intent to reject.
8. **Other funds not appropriated (NDCC Section 54-16-04.2)** - This section allows the Emergency Commission to authorize, subject to Budget Section approval, the receipt of moneys from gifts, grants, donations, or other sources which have not been appropriated and which the Legislative Assembly has not indicated an intent to reject.
9. **Advisory Commission on Intergovernmental Relations (ACIR) planning grants (NDCC Section 54-35.2-02.1 (3))** - This section requires the ACIR to report annually to the Budget Section on planning grants distributed to counties and cities.
10. **Children's Services Coordinating Committee grants (NDCC Section 54-56-03 and 1997 Senate Bill No. 2014, Section 2)** - These sections provide that the Children's Services Coordinating Committee must seek Budget Section approval before distributing any grants not specifically authorized by the Legislative Assembly.
11. **Additional full-time equivalent (FTE) positions (1997 House Bill No. 1012)** - Section 7 of this bill requires the human service centers, State Hospital, and the Developmental Center at Westwood Park, Grafton, to report to the Budget Section on the hiring of any FTE positions in addition to those authorized by the Legislative Assembly for the 1997-99 biennium.
12. **Status of the RESPOND computer system (1997 House Bill No. 1012)** - Section 19 of this bill requires the

Department of Human Services to provide periodic reports to the Budget Section on the status of the RESPOND computer system, including system costs and benefits and the receipt of federal funds.

13. **Developmentally disabled adult children pilot project (1997 House Bill No. 1012)** - Section 25 of this bill requires the Department of Human Services to seek federal waivers to establish a pilot program to provide a subsidy on behalf of adult developmentally disabled children who reside in their parents' home. The department was required to report to the Budget Section on the status of federal waivers for the project and any recommendations for the project for the 1999-2001 biennium.
14. **Human services block grant accountability (1997 House Bill No. 1012)** - Section 28 of this bill requires the Department of Human Services to report to the Budget Section by June 30, 1998, on human service center, State Hospital, and Developmental Center block grant accountability.
15. **Welfare fraud detection programs (1997 House Bill No. 1012)** - Section 30 of this bill requires the Department of Human Services to provide to the Budget Section periodic reports on welfare fraud detection programs.
16. **Assessment of State Historical Society (1997 House Bill No. 1022)** - Section 4 of this bill directs the State Historical Board to assess and evaluate the programs and services of the State Historical Society and present a report on its findings and recommendations to the Budget Section by June 30, 1998.
17. **Workers Compensation Bureau critical salary adjustments (House Bill No. 1026)** - Section 3 of this bill requires the Workers Compensation Bureau to present a report to the Budget Section on the expenditure of the 1997-99 biennium appropriation of \$350,000 for critical salary adjustments.
18. **State Board of Higher Education allocations for salaries and wages and technology (1997 Senate Bill No. 2003)** - Section 16 of this bill requires the State Board of Higher Education to present periodic reports to the Budget Section on allocations made to the institutions of higher education for salaries and wages and technology and on recommendations regarding the allocation process for the 1999-2001 biennium.
19. **Veterans Home management, budgeting, and accounting practices (1997 Senate Bill No. 2007)** - Section 3 of this bill requires the commandant of the Veterans Home to present periodic reports to the Budget Section regarding the development and implementation of a corrective plan of action to improve the agency's management, budgeting, and accounting practices.
20. **Department of Transportation evaluation of use of airplane (1997 Senate Bill No. 2012)** - Section 4 of this bill requires the Department of Transportation to evaluate the continued use of a 1977 model Cessna airplane and present a report on its evaluation to the Budget Section by November 1998.
21. **Administrative costs of regional and tribal children's services coordinating committees (1997 Senate Bill No. 2014)** - Section 6 of this bill directs the Children's Services Coordinating Committee to conduct an analysis and develop a plan to reduce, by consolidation, the administrative costs of the regional and tribal children's services coordinating committees and present to the Budget Section by October 1, 1998, a report containing its recommendations.
22. **Report from ethanol plants receiving production incentives (1997 Senate Bill No. 2019)** - Section 4 of this bill requires any North Dakota ethanol plant receiving production incentives from the state to file with the Budget Section a statement indicating whether the plant produced a profit during the preceding fiscal year after deducting incentive payments received from the state.
23. **North Dakota Agricultural Experiment Station allocations for salaries and wages (1997 Senate Bill No. 2064)** - Section 6 of this bill requires the vice president of agricultural affairs at North Dakota State University to present periodic reports to the Budget Section on allocations made to agricultural research centers for salaries and wages and on recommendations regarding the allocation process for the 1999-2001 biennium.

The following duties, assigned to the Budget Section by statute or Legislative Council directive, are scheduled to be addressed by the Budget Section at its December 1998 meeting:

1. **Review and report on budget data prepared by the director of the budget (Legislative Council directive)** - Pursuant to Legislative Council directive, the Budget Section is to review and report on the budget data prepared by the director of the budget and presented to the Legislative Assembly during the organizational session.
2. **Distribution of insurance payments to fire districts (1997 House Bill No. 1010)** - Section 8 of this bill directs the Insurance Commissioner to present a report to the Budget Section in December 1998 containing the results of an analysis of the amount of insurance payments distributed to fire districts during fiscal years 1996, 1997, and 1998, and actions taken to stabilize the distribution of funds to each fire district.

The following duties, assigned to the Budget Section by statute or Legislative Council directive, did not require action by the Budget Section during the 1997-99 biennium:

1. **State Forester reserve account (NDCC Section 4-19-01.2)** - This section allows the State Forester to spend moneys in the State Forester reserve account only after receiving Budget Section approval.
2. **Investment in real property by the Board of University and School Lands (NDCC Section 15-03-04)** - This section prohibits the Board of University and School Lands from purchasing, as sole owner, commercial or residential real property without prior approval of the Legislative Assembly or the Budget Section.
3. **Game and Fish Department land acquisitions (NDCC Section 20.1-02-05.1)** - This section requires the Game and Fish Department to obtain Budget Section approval of every land acquisition of more than 10 acres or \$10,000.

4. **Provision of contract services by the Developmental Center (NDCC Section 25-04-02.2)** - This section provides that, subject to Budget Section approval, the Developmental Center may provide services under contract with a governmental or nongovernmental person.
5. **Termination of food stamp program (NDCC Section 50-06-05.1(17))** - This section provides that, subject to Budget Section approval, the Department of Human Services may terminate the food stamp program if the rate of federal financial participation in administrative costs is decreased or if the state or counties become financially responsible for the coupon bonus payments.
6. **Termination of energy assistance program (NDCC Section 50-06-05.1(19))** - This section provides that, subject to Budget Section approval, the Department of Human Services may terminate the energy assistance program if the rate of federal financial participation in administrative costs is decreased or if the state or counties become financially responsible for the energy assistance program payments.
7. **Transfers resulting in program elimination (NDCC Section 54-16-04(1))** - This section provides that, subject to Budget Section approval, the Emergency Commission may authorize a transfer which would eliminate or make impossible the accomplishment of a program or objective funded by the Legislative Assembly.
8. **Preliminary planning revolving fund (NDCC Section 54-27-22)** - This section provides that before any funds can be distributed from the preliminary planning revolving fund to a state agency, institution, or department, the Budget Section must approve the distribution.
9. **Cash flow financing (NDCC Section 54-27-23)** - This section provides that in order to meet the cash flow needs of the state, the Office of Management and Budget may borrow, subject to Emergency Commission approval, from special funds on deposit in the state treasury. However, the proceeds of any such indebtedness cannot be used to offset projected deficits in state finances unless first approved by the Budget Section. Additional cash flow financing, subject to certain limitations, must be approved by the Budget Section.
10. **Budget stabilization fund (NDCC Section 54-27.2-03)** - This section provides that any transfer from the budget stabilization fund must be reported to the Budget Section.
11. **Form of budget data (NDCC Section 54-44.1-07)** - This section requires the director of the budget to prepare budget data in the form prescribed by the Legislative Council and to present it to the Legislative Assembly at a time and place set by the Legislative Council. The Legislative Council has assigned this responsibility to the Budget Section.
12. **Objection to budget allotment or expenditure (NDCC Section 54-44.1-12.1)** - This section allows the Budget Section to object to a budget allotment or an expenditure of a budget unit if the allotment or expenditure is contrary to legislative intent.
13. **Budget reductions resulting from initiative or referendum action (NDCC Section 54-44.1-13.1)** - This section provides that, subject to Budget Section approval, the director of the budget may reduce state agency budgets by a percentage sufficient to cover estimated revenue reductions caused by initiative or referendum action.
14. **Workers Compensation Bureau report on reinsurance (NDCC Section 65-02-13.1)** - This section requires the Workers Compensation Bureau to report annually to the Budget Section on any reinsurance contracts negotiated by the bureau.
15. **Extraterritorial workers' compensation insurance (NDCC Section 65-08.1-02)** - This section authorizes the Workers Compensation Bureau to establish, subject to Budget Section approval, a casualty insurance organization to provide extraterritorial workers' compensation insurance.
16. **Welfare reform contingency line item (1997 House Bill No. 1012)** - Section 9 of this bill provides that the Department of Human Services cannot spend the \$159,800 welfare reform contingency line item contained in Section 1 of the bill unless approved by the Budget Section.
17. **Department of Human Services computer costs (1997 House Bill No. 1012)** - Section 19 of this bill provides that the Department of Human Services must receive Budget Section approval before exceeding the costs for certain computer projects listed in this section. If the total cost of the computer projects is less than the appropriated amount, the department may request Budget Section approval to spend the anticipated savings to start additional projects.
18. **Waiver of certain requirements relating to the Department of Human Services RESPOND and TEEM projects (1997 House Bill No. 1012)** - Section 19 of this bill provides that unless a cost allocation plan for the receipt of federal funds is approved by the appropriate federal agency, the Department of Human Services cannot spend the 1997-99 biennium general fund appropriation for the RESPOND computer system, unless this requirement is waived by the Budget Section. This bill also requires that the department meet certain requirements provided by the United States Department of Health and Human Services relating to the RESPOND and TEEM projects, unless the requirements are waived by the Budget Section.
19. **Traumatic brain injury program establishment (1997 House Bill No. 1012)** - Section 29 of this bill provides that the Developmental Center may establish, subject to Budget Section approval, a traumatic brain injury program.
20. **Transfer of positions to the Division of Independent Study (1997 House Bill No. 1013)** - Section 9 of this bill requires the Department of Public Instruction to report to the Budget Section on any transfers of positions to the Division of Independent Study from the other divisions of the department.
21. **Expenditure of excess income by the Office of Management and Budget (1997 House Bill No. 1015)** - Section 3 of this bill allows the expenditure, subject to Budget Section approval, of income in excess of \$50,000 more than the amount of estimated income appropriated to the Office of Management and Budget for the 1997-99 biennium.
22. **Program terminations or reductions due to reduced federal funding (1997 House Bill No. 1015)** - Section 13 of this bill requires state agencies, departments, and institutions to receive Budget Section approval for the following:
 - o To terminate a program for which federal funding is terminated.

- To prioritize programs as necessary to make programmatic reductions if federal funding for separate programs is combined in a block grant, resulting in a reduction of federal funds available for those programs.
- 23. **Expenditures and transfers from internal service and revolving funds (1997 House Bill No. 1015)** - Section 26 of this bill requires institutions under the authority of the State Board of Higher Education to receive Budget Section approval of expenditures or transfers greater than \$50,000 from internal service funds, except for mandatory transfers for servicing-related debt and routine operating expenditures associated with the funds.
- 24. **Expenditure of excess local fund revenue by higher education institutions (1997 Senate Bill No. 2003)** - Section 11 of this bill appropriates any local fund revenue received by higher education institutions in addition to the amounts appropriated in Section 1 of this bill and provides that any additional revenue spent must be reported to the Budget Section.
- 25. **Transfers between the divisions of the Department of Corrections and Rehabilitation (1997 Senate Bill No. 2016)** - Section 2 of this bill authorizes the Department of Corrections and Rehabilitation to transfer, with prior Budget Section approval, appropriation authority between the divisions of the department.
- 26. **State Water Commission bond issuance (1997 House Bill No. 1482)** - This bill allows the State Water Commission to issue bonds for the construction of an outlet to Devils Lake, if the United States authorizes construction of an outlet, and for the completion of a comprehensive statewide water development program, if the United States Congress enacts legislation for the completion of the Garrison Diversion Unit. If either of the contingencies occur and the bonds are issued, the State Water Commission is required to notify the Budget Section.
- 27. **Federal block grant hearings (1997 House Concurrent Resolution No. 3007)** - This resolution authorizes the Budget Section, through September 30, 1999, to hold any required legislative hearings for federal block grants.
- 28. **Line item transfers by agencies that received program-based appropriations** - The following agencies involved in the program-based performance budgeting pilot project may transfer from one program line item to another, with prior Budget Section approval, an amount in excess of 10 percent of a line item, as needed to meet established performance measures:
 - State Auditor (1997 House Bill No. 1004).
 - Office of Management and Budget (1997 House Bill No. 1015).
 - Parks and Recreation Department (1997 House Bill No. 1023).
 - Highway Patrol (1997 Senate Bill No. 2011).
 - Department of Transportation (1997 Senate Bill No. 2012).
 - Commissioner of University and School Lands (1997 Senate Bill No. 2013).
 - Parole and Probation Division of the Department of Corrections and Rehabilitation (1997 Senate Bill No. 2016).

OFFICE OF MANAGEMENT AND BUDGET

Status of the State General Fund

At each Budget Section meeting, a representative of the Office of Management and Budget reviewed the status of the state general fund and revenue collections for the biennium.

The committee reviewed the following information on the status of the general fund for the 1995-97 biennium:

Unobligated general fund balance - July 1, 1995	\$31,151,278
Add:	
1995-97 biennium general fund revenues (\$4.5 million more than the March 1997 revenue forecast of \$1.377 billion)	1,381,368,976
Obligated general fund balance for authorized carryover expenditures from the 1993-95 biennium	5,526,594
Total general fund revenue and obligated balance available for the 1995-97 biennium	\$1,418,046,848
Less:	
1995-97 biennium expenditures and transfers (\$23.8 million less than the appropriation of \$1.352 billion for the 1995-97 biennium)	1,328,696,762
1995-97 biennium transfer to the Bank of North Dakota pursuant to Section 21 of 1997 House Bill No. 1015, which provided that any balance in the budget stabilization fund on July 1, 1997, be transferred to the Bank of North Dakota. Section 54-27.2-02 provided that any end of biennium balance in the general fund in	17,116,290

excess of \$65 million be transferred to the budget stabilization fund (\$9.6 million more than the transfer estimated at the close of the 1997 legislative session)	
Obligated general fund balance for authorized carryover expenditures from the 1995-97 biennium	7,233,796
Unobligated general fund balance - June 30, 1997 (Pursuant to Section 54-27.2-02, the end of biennium balance in the general fund in excess of \$65 million (\$17,116,290) was transferred to the budget stabilization fund. Pursuant to Section 21 of 1997 House Bill No. 1015, the July 1, 1997, balance in the budget stabilization fund was transferred to the Bank of North Dakota.)	\$65,000,000

Actual general fund revenue collections through September 30, 1998, were 5.5 percent, or \$48 million, more than projected in the 1997 legislative revenue forecast. The committee reviewed the following information based on revenue collections through September 30, 1998:

Unobligated general fund balance - July 1, 1997	\$65,000,000
Add:	
General fund collections through September 30, 1998	915,371,818
Remaining forecasted general fund revenue for the 1997-99 biennium (based on the 1997 legislative revenue forecast)	567,764,203
Total estimated general fund revenue for the 1997-99 biennium (\$48 million more than the legislative estimate of \$1.5 billion)	\$1,548,136,021
Less:	
1997-99 biennium general fund appropriations	1,489,240,087
Estimated general fund balance - June 30, 1999 (\$48 million more than the legislative estimate of \$10.9 million - Based on actual revenue collections through September 30, 1998, and remaining forecasted revenue as estimated in the original 1997 legislative revenue forecast.)	\$58,895,934

1997 Flood Disaster

The committee received several reports on the estimated fiscal impact of the 1997 flood disaster and the amount of moneys borrowed by state agencies from the Bank of North Dakota, pursuant to NDCC Section 54-16-13. The reports indicated that the Office of Management and Budget expects the 1999 Legislative Assembly to receive \$15 to \$18 million of deficiency appropriation requests from state agencies to repay moneys borrowed from the Bank of North Dakota. Through September 30, 1998, four state agencies have been authorized to borrow from the Bank of North Dakota pursuant to Section 54-16-13: the Division of Emergency Management, \$16,696,400; the Adjutant General's office, \$10,050,000; the University of North Dakota, \$12,000,000; and UND-Lake Region, \$200,000. Through September 30, 1998, amounts that have been borrowed and will need to be repaid with state funds are as follows: The Division of Emergency Management, \$10,300,000; the Adjutant General's office, \$99,800; the University of North Dakota, \$952,095; and UND-Lake Region, \$200,000.

Fiscal Irregularities

Pursuant to NDCC Section 54-14-03.1, the Budget Section received a report from the Office of Management and Budget on irregularities in the fiscal practices of the state. Irregularities include the use of state funds to provide bonuses, cash incentive awards, and temporary salary adjustments for state employees. The report identified temporary salary adjustments provided to employees at the Office of Management and Budget, Secretary of State's office, the Department of Transportation, and the Workers Compensation Bureau.

HIGHER EDUCATION

Nonresident Tuition Rates

Pursuant to NDCC Section 15-10-18, the Budget Section approved nonresident tuition rates proposed by the State Board of Higher Education for the 1997-98 and 1998-99 school years. The nonresident tuition rates approved by the Budget Section did not include tuition rates for students from Minnesota and other surrounding states and provinces, which are governed by reciprocal or unilateral tuition agreements. The nonresident tuition rates approved by the committee were two and two-thirds times the resident tuition rate at each North Dakota institution. The approved nonresident rates are as follows:

	1998-99 Nonresident Tuition Rates	Increase Over 1997- 98 Nonresident Tuition Rates	1997-98 Nonresident Tuition Rates	Increase Over 1996- 97 Nonresident Tuition Rates
University of North Dakota and North Dakota State University				
Undergraduate	\$6,306	\$336	\$5,970	\$336
Graduate	\$6,868	\$336	\$6,532	\$338
Law	\$7,428	\$336	\$7,092	\$337
Medicine	\$26,834	\$2,216	\$24,618	\$2,030
Minot State University				
Undergraduate	\$5,234	\$240	\$4,994	\$240
Graduate	\$6,868	\$336	\$6,532	\$338
Dickinson State University, Mayville State University, and Valley City State University				
Undergraduate	\$4,892	\$202	\$4,690	\$204
Bismarck State College, UND-Lake Region, UND-Williston, State College of Science, and Minot State University - Bottineau				
Undergraduate	\$4,144	\$0	\$4,144	\$0

The committee discussed the continued need for the Budget Section to approve nonresident tuition rates set by the State Board of Higher Education, pursuant to NDCC Section 15-10-18. It was determined that if the Budget Section approval requirements of Section 15-10-18 were eliminated, the State Board of Higher Education would have increased flexibility to set nonresident rates, but that through the appropriation process, the Legislative Assembly would retain control over the total amount of nonresident tuition collected by the institutions of higher education. The Budget Section recommends [Senate Bill No. 2029](#) to amend Section 15-10-18 to eliminate the requirement that the Budget Section approve nonresident tuition rates at the institutions of higher education.

Funding Pool Allocations

Pursuant to Section 16 of 1997 Senate Bill No. 2003 and Section 6 of 1997 Senate Bill No. 2064, the Budget Section received reports from the University System on University System allocations for salaries and wages and technology and North Dakota State University allocations to agricultural research centers for salaries and wages. The funding pools provided by the 1997 Legislative Assembly to the University System were \$356 million (\$170.3 million from the state general fund) for salaries and

wages and \$23.6 million (all from the state general fund) for technology. The funding pool provided to North Dakota State University for agricultural research centers salaries and wages was \$40 million (\$25.4 million from the state general fund).

The University System recommended that for the 1999-2001 biennium, the appropriation to the University System office include funding pools for all institutional operating and capital improvement line items and that funding for operating and capital projects be accounted for in separate pools.

Capital Projects

During the 1997-99 biennium, the Budget Section received information relating to the following University System capital projects:

- University of North Dakota - Skywalk from the Johnstone-Fulton-Smith residence hall complex to the Squires-Hancock-Walsh residence hall complex.
- University of North Dakota - Biomedical research facility.
- North Dakota State University - Animal research facility.
- Williston Research Extension Center - Ernie French Center.
- University of North Dakota - Abbott Hall walkway.
- North Dakota State University - Engineering/architecture addition to Ehly Hall.
- University of North Dakota - "University village," including a building to be leased by Barnes & Noble, Inc.
- University of North Dakota - 42nd Street skywalk project.
- Dickinson State University - Student union renovation and addition.

Pursuant to NDCC Section 15-10-12.1, the Budget Section approved the expenditure of an additional \$100,000 of other funds for construction of the Ernie French Center at the Williston Research Extension Center, increasing the spending authority for the project from \$650,000 to \$750,000.

The Budget Section authorized the University of North Dakota to use up to \$1.2 million to be provided by the University of North Dakota Alumni Association and Foundation for the construction of a biomedical research facility, as authorized by 1997 Senate Bill No. 2003. The project is estimated to cost approximately \$6 million, funded through the following sources:

- State bonding proceeds, \$3 million.
- United States Department of Agriculture grants, \$600,000.
- University of North Dakota local funds, \$1.2 million.
- University of North Dakota Alumni Association and Foundation advance, \$1.2 million.

Pursuant to NDCC Section 15-10-12.1, the Budget Section authorized the North Dakota State University to spend up to \$1.6 million of other funds for the construction of an engineering/architecture addition to Ehly Hall, \$400,000 more than the amount authorized by the 1997 Legislative Assembly.

Pursuant to NDCC Section 15-10-12.1, the Budget Section authorized the University of North Dakota to construct a walkway from Abbott Hall to McCannel Hall at an estimated cost of \$190,000. The project will be funded through excess appropriation authority provided by the 1995 Legislative Assembly for the \$4.1 million Abbott Hall renovation project.

The Budget Section received information on the University of North Dakota's plan to develop approximately 150 acres of land adjacent to the campus. The development was referred to as a "university village," where businesses could locate to provide services to students and the Grand Forks community. The university discussed plans to construct a building to be leased by Barnes & Noble, Inc., for use as the university bookstore and other retail businesses. The university plans to construct the proposed building using proceeds from the sale of bookstore inventory, accumulated reserves for bookstore improvements, and the proceeds of revenue bonds issued by the University Alumni Foundation. The Budget Section recommends [Senate Bill No. 2030](#) to appropriate \$4.5 million from special funds and to authorize the construction of a building on the University of North Dakota campus for use as the university bookstore and other retail businesses.

The Budget Section received information on the University of North Dakota 42nd Street skywalk project, which due to increased labor and material costs as a result of the 1997 flood will cost approximately \$1.3 million, \$100,000 more than the amount authorized for the project. Pursuant to NDCC Section 15-10-12.1, the Budget Section increased the authorized amount of the 42nd Street skywalk project from \$1.2 to \$1.3 million of private funds.

The Budget Section received information on a proposed project at Dickinson State University to remodel and expand the student center. The project was authorized by the 1995 Legislative Assembly, but Section 10 of 1995 House Bill No. 1003 provided

authority for issuance of the bonds only during the 1995-97 biennium. The entire project, including the remodeling and addition, new furnishings, and asbestos abatement, is anticipated to cost approximately \$3.2 million. The proposed sources of funds for the project are:

Asbestos litigation funds	\$331,000
Auxiliary reserves	1,200,000
Proposed revenue bond proceeds	1,000,000
Oil production royalties	500,000
Private contributions	169,000
Total	\$3,200,000

The Budget Section requested the Legislative Council staff to prepare, for the committee's December 1998 meeting, a bill draft to authorize Dickinson State University to issue and sell self-liquidating, tax-exempt bonds in an amount not to exceed \$1.5 million for the purpose of renovating and expanding the student center at Dickinson State University.

Service, Access, Growth, and Empowerment (SAGE) Project

The Budget Section received information from the North Dakota University System on a proposed project to replace the University System's administrative and student records computer system with a new system, referred to as the SAGE project. The University System proposed financing the project and requesting state appropriations to allow repayment during the next four bienniums. The estimated cost of the project is as follows:

Licensing agreements for software	\$2,500,000
Consulting costs	10,800,000
Consultant travel	1,500,000
Personnel costs	1,700,000
University System travel and training	600,000
Five-year software maintenance costs	1,700,000
Hardware and data base costs	2,600,000
Third-party software	400,000
Five-year network upgrade costs	300,000
Total	\$22,100,000

Federal Emergency Management Agency Reimbursements to the University of North Dakota

The Budget Section received a report on flood damage at the University of North Dakota, reimbursements from the Federal Emergency Management Agency (FEMA), and the university's flood insurance coverage. The committee was informed that FEMA identified approximately \$8.6 million that the university should collect from insurance companies for damages relating to the flood. The Federal Emergency Management Agency deducted that amount from federal reimbursements paid to the university. Seventy-two buildings on the university's campus sustained damage during the 1997 flood. A total of 322 projects for a total of \$48.2 million have been approved or are being reviewed by FEMA as of September 1998. As a condition of receiving federal

assistance, the university was required by FEMA to obtain flood insurance for any buildings located in the 100-year floodplain and for other flood-damaged buildings for which insurance coverage was available. The university requested guidance from the Budget Section regarding the type of insurance coverage to purchase. The following options were presented to the Budget Section:

- Insure buildings at the lower of 80 percent of building value or \$500,000, which would provide flood and sewer damage coverage at an estimated cost of \$94,500 per year.
- Insure buildings at the level of reimbursement received from FEMA as required by federal regulations, which would provide flood but not sewer backup coverage at an estimated cost of \$56,360 per year.

The Budget Section encouraged the University of North Dakota to purchase the lowest cost insurance coverage available which would satisfy FEMA requirements.

DEPARTMENT OF HUMAN SERVICES

Computer Projects

The 1997 Legislative Assembly appropriated \$32.8 million (\$16 million from the state general fund) for computer system ongoing operations and new development at the Department of Human Services during the 1997-99 biennium. The department's five major technology projects during the 1997-99 biennium are:

- The training, education, employment, and management (TEEM) project.
- The State Hospital project.
- The medical/temporary assistance for needy families (TANF) project.
- The child care project.
- The child support enforcement system project.

The department reported that through October 7, 1998, it spent approximately \$4 million for the development of the child support enforcement system and anticipated spending approximately \$2.5 million more prior to October 1, 1999. Because the system was not federally certified by October 1, 1998, the department will be assessed a penalty of approximately \$160,000, which can be reduced by 20 percent if the system is certified by October 1, 1999. The following amounts were budgeted for the biennium and spent through October 7, 1998, for the following computer projects:

Project	Budget for 1997-99 Biennium	Amount Spent Through October 7, 1998
TEEM	\$1,770,248	\$419,412
State Hospital	\$1,800,000	\$720,938
Medical/TANF	\$2,917,229	\$9,353
Child care system	\$329,332	\$0

The Budget Section received information from the Department of Human Services on plans for operating computer networks within the department. The department's 1997-99 biennium appropriation included \$726,195 to operate the department's existing computer network. The information presented to the committee indicated that the department anticipates spending \$167,405 of this amount to provide additional access to the existing network.

The Budget Section also received information from the Department of Human Services on the Medicaid management information system (MMIS). The information presented indicated that the department determined it necessary to begin planning for the MMIS computer system to support anticipated changes in the Medicaid program. The department's plan was as follows:

1. Complete an analysis and evaluation of the current system and its limitations.
2. Complete a cost-benefit analysis of options.

3. Begin a basic system design.
4. Develop a project plan, including priorities and estimated costs.

The 1997 Legislative Assembly did not provide funding specifically for the MMIS computer system project. The Budget Section approved the department's proposal to begin planning, analysis, and design of a Medicaid management information system using existing staff and operating expenses appropriated for the Medicaid program for the 1997-99 biennium.

Pursuant to Section 19 of 1997 House Bill No. 1012, the committee received reports at each meeting on the status of the RESPOND computer system. Because of the interrelationship of the RESPOND and TEEM projects, costs associated with the RESPOND project were reported as part of the TEEM project.

Welfare Fraud Detection Programs

Pursuant to Section 30 of 1997 House Bill No. 1012, the Budget Section received reports from the Department of Human Services on welfare fraud detection programs. The reports indicated that during calendar years 1996 and 1997, \$396,188 was spent on welfare fraud detection programs and \$436,229 was recovered.

Additional FTE Positions at Department of Human Services Agencies and Institutions

Pursuant to Section 7 of 1997 House Bill No. 1012, the Budget Section received a report on FTE positions at human service centers, the State Hospital, and the Developmental Center. The report indicated that human service centers added 8.8 FTE positions at an estimated general fund cost of \$60,447 for the 1997-99 biennium, the State Hospital did not add any FTE positions above the legislatively authorized level, but transferred two FTE positions to human service centers and 8.5 FTE positions to the Department of Corrections and Rehabilitation for the James River Correctional Center. The report also indicated the Developmental Center added 20 FTE positions above the legislatively authorized level.

Pursuant to Section 7 of 1997 House Bill No. 1012, the Budget Section accepted the report presented by the department.

Adult Developmentally Disabled Children Subsidy Pilot Program

Pursuant to Section 25 of 1997 House Bill No. 1012, the Budget Section received a report from the Department of Human Services on efforts to seek federal waivers and establish a pilot program in one human service region to provide a subsidy on behalf of adult developmentally disabled children, age 22 and older, residing in their parents' homes. This section requires that the program:

- Be limited to no more than five adult developmentally disabled children.
- Be limited to \$500 per month per eligible adult developmentally disabled child.
- Be provided only to parents whose income is no more than the federal poverty level.

The report indicated that the department's request for a federal waiver was denied and that the department had two options in which to proceed:

1. Use the \$10,000 general fund appropriation (which was intended to match federal funds for the pilot program) to conduct a pilot program, on a smaller scale than originally anticipated, for the remainder of the 1997-99 biennium.
2. Develop an 1115 demonstration waiver request, which would require an expansion of the pilot project and would take one to two years to implement.

The Budget Section encouraged the Department of Human Services to proceed, at the department's discretion, to establish a pilot program, terminating on June 30, 1999, unless continued by the 1999 Legislative Assembly, to provide a subsidy on behalf of adult developmentally disabled children who reside in their parents' homes and to develop a request for a federal 1115 demonstration waiver.

Block Grant Accountability

Pursuant to Section 28 of 1997 House Bill No. 1012, the Budget Section received a report from the Department of Human Services on block grant accountability for human service centers, the State Hospital, and the Developmental Center. The 1997 Legislative Assembly provided appropriations in the form of block grants rather than specific line items for each human service center and institution. The report presented by the department included the following:

- For the period from July 1, 1997, to April 30, 1998, the employee turnover at the human service centers, State Hospital, and the Developmental Center averaged between 5.3 and 12.9 percent.
- As of April 30, 1998, there were 111.88 vacant FTE positions among the 1,947.55 FTE positions at the human service centers, State Hospital, and the Developmental Center.
- Block grant funding allowed the human service centers, State Hospital, and Developmental Center the flexibility to manage resources to maximize their effectiveness in serving clients through contractual arrangements or the direct provision of services.

WESTWOOD PARK ASSETS MANAGEMENT COMMITTEE

The Budget Section received a request, pursuant to NDCC Section 25-04-20, from the Westwood Park Assets Management Committee to approve an amendment to a letter of understanding entered into between the Westwood Park Assets Management Committee, the Department of Human Services, and the Retirement Housing Foundation. During the 1995-97 biennium, the Budget Section approved a letter of understanding that provided the Retirement Housing Foundation a six-month option to lease or purchase property at the Developmental Center for the development of retirement housing. The proposed amendment extended the term of the option for an additional six months, through November 30, 1997. Pursuant to Section 25-04-20, the Budget Section approved the proposed amendment to the letter of understanding entered into between the Westwood Park Assets Management Committee, the Department of Human Services, and the Retirement Housing Foundation.

The Budget Section received a subsequent report that the Retirement Housing Foundation intended to withdraw from the project, but that MetroPlains Development, LLC, was interested in pursuing the project. The committee received a request from the Westwood Park Assets Management Committee to approve a letter of understanding negotiated between the Westwood Park Assets Management Committee, the Department of Human Services, and MetroPlains Development, LLC. The letter of understanding provided that MetroPlains Development, LLC, has until December 31, 1998, to secure financing for the project. Pursuant to NDCC Section 25-04-20, the Budget Section approved the letter of understanding negotiated between the Westwood Park Assets Management Committee, the Department of Human Services, and MetroPlains Development, LLC, which provides for a contingent transfer of ownership to MetroPlains Development, LLC, of the North A, North B, and Refectory properties at Westwood Park, if financing can be obtained for the renovation of those buildings.

Pursuant to NDCC Section 25-04-20, the Budget Section also approved the sale of approximately 14.7 acres of Westwood Park property to the Walsh County Historical Society for the price of \$1 and provided that the sales agreement must include the provision that if the Walsh County Historical Society discontinues its operations, the property will revert to the state of North Dakota.

JOB SERVICE NORTH DAKOTA

Pursuant to NDCC Section 52-02-17, the Budget Section received reports from Job Service North Dakota on the balance of the job insurance trust fund. This section provides that if the balance in the job insurance trust fund is projected to fall below \$40 million, Job Service North Dakota must present a report to the Budget Section on the condition of the fund, the circumstances leading to the decrease in the fund balance, and a proposal on how to increase the fund balance to \$40 million. The report indicated that if no changes were implemented in administration, unemployment insurance tax rates, or benefit payments, the job insurance trust fund balance would decline to \$22.5 million by the end of 1998. Based on Job Service North Dakota's November 1997 projections, the trust fund balance is estimated to be approximately \$28.5 million at the end of 1998. Job Service North Dakota proposed the following three initiatives to increase the balance in the fund:

1. Administrative initiatives:
 - Provide additional assistance to claimants to reduce the duration of the benefit period.
 - Provide prompt assessments for displaced workers, including the development of a reemployment plan which may include skill training.
 - Change the unemployment benefits' duration schedule.
2. Executive action:
 - Increase unemployment insurance tax rates from an average of .86 percent to 1.09 percent. The tax rate change was projected to increase trust fund income by \$6.8 million in 1998.
3. Policy changes:
 - The agency will develop suggested policy changes for consideration by the Legislative Assembly in the following

areas:

- The taxable wage ceiling.
- Employer experience rating and the length of time necessary to establish a rating.
- Interest and penalties on delinquent accounts.
- Interpretation of suitability of work.

The Budget Section requested that the chairman of the Legislative Council assign to an appropriate interim committee, the responsibility of receiving reports from Job Service North Dakota relating to any administrative changes, statutory changes, and changes in the unemployment insurance tax structure that may be proposed by the agency for consideration by the 1999 Legislative Assembly. Pursuant to the directive of the Legislative Council chairman, this duty was assigned to the Commerce and Agriculture Committee.

DEPARTMENT OF TRANSPORTATION AIRPLANE EVALUATION

Pursuant to Section 4 of 1997 Senate Bill No. 1012, the Budget Section received reports from the Department of Transportation on the department's evaluation of the continued use of a 1977 model Cessna airplane. The report indicated that increasing maintenance costs and maintenance time related to the 1977 Cessna model 421 aircraft has resulted in scheduling problems and the department has determined that to provide long-term aircraft service to the Governor's office and other state officials, a new aircraft must be leased or purchased. The report indicated that the department advertised a request for proposals for a two-year lease on a King Air 200 aircraft, with an option to buy the aircraft at any time during the contract. The department determined that of the lease proposals received, the lease proposed by Airfleet Capital, with monthly lease payments of \$66,650, offered the highest long-term cost benefit to the state.

CHILDREN'S SERVICES COORDINATING COMMITTEE

Grants

Pursuant to NDCC Section 54-56-03, the Budget Section received a report from the Children's Services Coordinating Committee on grants to be distributed by the Children's Services Coordinating Committee in addition to specific statewide grants approved by the 1997 Legislative Assembly. The report indicated that five grant applications, for a total of \$120,000, had been approved by the Children's Services Coordinating Committee and that each of the grants provided services to reduce the number of juveniles entering the criminal justice system. Pursuant to Section 54-56-03, the Budget Section authorized the Children's Services Coordinating Committee to distribute five grants for a total of \$120,000.

Administrative Costs

Pursuant to Section 6 of 1997 Senate Bill No. 1014, the Budget Section received reports from the Children's Services Coordinating Committee on administrative costs of the regional and tribal committees. Legislative intent included in Senate Bill No. 1014 provided that because of the relatively high administrative expenses compared to income of some regional and tribal children's services coordinating committees, the state Children's Services Coordinating Committee should conduct an analysis and develop a plan to reduce administrative costs by consolidation of regional and tribal committees. The report indicated that the Children's Services Coordinating Committee determined that it was not feasible to consolidate the local committees due to the geographic size of less populous regions of the state and the large population of other regions. The report indicated that of the \$1,080,000 provided by the 1997 Legislative Assembly for administrative costs of the regional and tribal committees, local committees spent \$505,619 during the first year of the biennium, \$34,381 less than the \$540,000 per year allocation. The report indicated that in addition to the \$505,619, local committees spent \$172,000 that was carried over from the 1995-97 biennium, pursuant to an Attorney General's opinion dated June 3, 1997.

VETERANS HOME MANAGEMENT, BUDGETING, AND ACCOUNTING PRACTICES

Pursuant to Section 3 of 1997 Senate Bill No. 1007, the Budget Section received reports from the Veterans Home on improvements in the management, budgeting, and accounting practices at the Veterans Home. The reports indicated that the home has taken steps to improve its budgeting and accounting procedures, including requiring department administrators to

explain any variances between actual and budgeted expenditures and outline a corrective plan of action, if necessary, to address the variances. The report also indicated that the fiscal year 1998 audit of the Veterans Home revealed no problems with the recording and reporting of financial transactions.

HISTORICAL SOCIETY SELF-ASSESSMENT

Pursuant to Section 4 of 1997 House Bill No. 1022, the Budget Section received a report from the State Historical Society on the results of an assessment of the programs and services of the State Historical Society. The report included the following conclusions:

- The State Historical Society has inadequate resources to meet public demands.
- The existing organizational structure is working efficiently.
- The State Historical Society needs to improve public information and marketing efforts.
- The State Historical Society has several needs related to the maintenance, expansion, or improvement of buildings.
- The agency needs to work cooperatively with other state agencies and other organizations to meet technology challenges relating to maintaining and providing public access to state records.
- The agency needs additional staff to seek grants, gifts, and endowments to supplement state funding.

ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS PLANNING GRANTS

Pursuant to NDCC Section 54-35.2-02.1, the Budget Section received reports on planning grants distributed to cities and counties by the Advisory Commission on Intergovernmental Relations. The reports indicated that at the July 9, 1997, meeting of the Advisory Commission on Intergovernmental Relations, the commission accepted final reports presented by the North Dakota League of Cities and the North Dakota Association of Counties regarding planning grants received from the commission. The reports also indicated that no new planning grant moneys have been appropriated by the 1995 or 1997 Legislative Assemblies, no additional grant funds are available to be distributed by the commission, and no grants are outstanding. The Budget Section was informed that the Advisory Commission on Intergovernmental Relations approved and recommended to the Legislative Council a bill to repeal Section 54-34.2-02.1, to eliminate the planning grant program and to remove the requirement that the commission report annually to the Budget Section.

WORKERS COMPENSATION BUREAU CRITICAL SALARY ADJUSTMENTS

Pursuant to Section 3 of 1997 House Bill No. 1026, the Budget Section received a report from the Workers Compensation Bureau on the expenditure of the \$350,000 appropriation provided for critical salary adjustments. The report indicated the following:

- During the 1997-99 biennium, no general pay increases were given to bureau employees.
- Individual pay increases ranged from one to nine percent, with an average of 4.75 percent, based on employee job performance.
- The bureau's pay-for-performance program has had a positive impact on employee morale and has reduced staff turnover from 22 percent in 1996 to 11 percent in 1997.

CORRESPONDENCE FROM ETHANOL PLANTS

Pursuant to 1995 Senate Bill No. 2026 and 1997 Senate Bill No. 2019, the Budget Section received reports from North Dakota ethanol plants receiving production incentives from the state. The Alchem, Ltd., plant was the only plant to receive production incentives from the state during calendar years 1996 and 1997. The correspondence indicated that after deducting payments received from the state, the Alchem, Ltd., plant did not produce a profit.

LEGISLATIVE HEARINGS FOR FEDERAL BLOCK GRANTS

The Budget Section reviewed a Legislative Council memorandum that indicated that of the 12 block grant programs listed in the 1998 catalog of federal domestic assistance, only the community services block grant will require a public hearing to be held by the Legislative Assembly. The required public hearing will be held as part of the appropriation hearing for the Office of Management and Budget during the 1999 legislative session.

The Budget Section recommends [Senate Concurrent Resolution No. 4001](#) to authorize the Budget Section to hold any public legislative hearings required for the receipt of federal block grant funds during the period from the recess or adjournment of the 56th Legislative Assembly through September 30, 2001.

FEDERAL FUNDS

The Budget Section reviewed a Legislative Council memorandum on federal funds anticipated to be received by state agencies and institutions for bienniums ending June 30, 1999, and June 30, 2001. The report indicated that for the 1997-99 biennium, state agencies and institutions anticipate receiving \$1.628 billion of federal funds, approximately \$177 million more than the amount appropriated. For the 1999-2001 biennium, state agencies and institutions anticipate receiving approximately \$1.604 billion of federal funds.

LEGISLATIVE COUNCIL REPORTS

The Budget Section received the following reports prepared by the Legislative Council staff:

- *An Analysis of the 55th Legislative Assembly Changes to Recommended Appropriations in the Executive Budget - 1997-99 Biennium.* The report included information on legislative appropriations, general fund revenues, special fund balances, and historical appropriation statistics for the 1967-69 through 1997-99 bienniums.
- *Capital Construction Projects - Authorization of Expansions by the Budget Section.*
- *Capital Construction Projects With a Required Local Match - 1989-91 to 1997-99 Bienniums.*
- *State and Federal Historic Building Preservation Laws.*

BUDGET TOUR REPORTS

The following Budget Section members were assigned to Budget Section tour groups:

Budget Section Northeast Tour Group

Members: Representatives Richard Kunkel (Chairman), Merle Boucher, John Dorso, Pam Gulleeson, Mike Timm, Francis J. Wald; Senators David E. Nething, Larry J. Robinson.

Institutions: Mayville State University, School for the Blind, University of North Dakota, Mill and Elevator, Developmental Center at Westwood Park.

Budget Section Southeast Tour Group

Members: Senators Ken Solberg (Chairman), Aaron Krauter, Pete Naaden, Gary J. Nelson, Rolland W. Redlin; Representatives Ole Aarsvold, James Boehm, Rex R. Byerly, Robert Huether.

Institutions: Valley City State University, Veterans Home, North Dakota State College of Science, North Dakota State University, Main Research Center, Agronomy Seed Farm.

In addition, budget tours were also conducted during the 1997-99 biennium by the Budget Committee on Government Finance, Budget Committee on Government Services, Budget Committee on Human Services, Welfare Reform Committee, and the Budget Committee on Long-Term Care.

The Budget Section reviewed memorandums summarizing the visitations of the budget committees and the budget tour groups. These memorandums will be compiled for submission to the Appropriations Committees during the 1999 legislative session.

The Budget Committee on Government Finance, Senator David E. Nething, Chairman, toured Bismarck State College, State Penitentiary, Missouri River Correctional Center, Youth Correctional Center, Roughrider Industries, and James River Correctional

Center.

The Budget Committee on Government Services, Representative Janet Wentz, Chairman, toured the South Central Human Service Center, State Hospital, James River Correctional Center, Badlands Human Service Center, Dickinson State University, Dickinson Research Extension Center, North Central Human Service Center, Minot State University - Bottineau, Forest Service, Minot State University, State Fair, North Central Research Extension Center, and Peace Garden. The Budget Committee on Government Services recommended that the 1999 Legislative Assembly provide funding for the State Hospital to purchase a new boiler, rather than to purchase a used one or repair the current boiler.

The Budget Committee on Human Services, Senator Timm Mathern, Chairman, toured the West Central Human Service Center, Southeast Human Service Center, and Northeast Human Service Center.

The Welfare Reform Committee, Senator Jim Yockim, Chairman, toured the Northwest Human Service Center, UND-Williston, and Williston Research Extension Center.

The Budget Committee on Long-Term Care, Senator Aaron Krauter, Chairman, toured the School for the Deaf, UND-Lake Region, and Lake Region Human Service Center.

AGENCY REQUESTS AUTHORIZED BY THE EMERGENCY COMMISSION

Pursuant to NDCC Sections 54-16-04, 54-16-04.1, and 54-16-04.2, the Budget Section considered agency requests that had been authorized by the Emergency Commission and forwarded to the Budget Section.

From the committee's June 18, 1997, meeting to the committee's October 7, 1998, meeting, the Budget Section considered 94 requests, all of which were approved.

The attached appendix provides a description of each agency request considered by the Budget Section.

OTHER ACTION

The Budget Section received a report from the Information Services Division of the Office of Management and Budget on guidelines developed by the division for use by state agencies in preparing information technology plans, as required by 1997 House Bill No. 1034.

The Budget Section received a report from Roughrider Industries on plans to convert its computer system from a mainframe-based system to a personal computer-based network system.

The Budget Section received a report from the Office of Management and Budget on possible changes to the economic forecasting service used by the Office of Management and Budget and the state of North Dakota. The Budget Section received a report from the Office of Management and Budget on the North Dakota risk management program. The report indicated that the Risk Management Division established an excess insurance program to provide protection for the risk management fund in circumstances in which the fund could be exposed to liability in excess of the statutory caps provided in NDCC Section 32-12.2-02. The Budget Section received a report from the Office of Management and Budget on actual-to-planned performance for the fiscal year ended June 30, 1997, for each of the agencies involved in the program-based performance budgeting pilot project.

The Budget Section received a report from the North Dakota University System on the State Board of Higher Education's study of alternative models for charging tuition. The current tuition model is referred to as a flat rate model, under which students pay a per credit hour rate for each credit taken up to 12 hours per semester and a flat tuition rate for credit hours over 12 per semester. The report indicated that the University System was studying two new tuition models, a per credit hour model that would require students to pay a uniform rate for each credit hour taken, and a combined per credit hour/flat rate model that would require students to pay a per credit hour rate for all credits taken up to 15 or 16 credit hours.

The Budget Section received a report from the Department of Human Services on the children's health insurance program. The report indicated that the children's health insurance program allows states to develop health insurance coverage for children of working families whose income is too much to qualify for Medicaid but is not adequate to purchase private health insurance. The department implemented Phase 1 of the program by expanding Medicaid coverage to 18-year old children whose family income is below 100 percent of the federal poverty level. This change was effective on October 1, 1998. Phase 2 of the program will be

addressed through legislation to be considered by the 1999 Legislative Assembly.

The Budget Section received a report from the Department of Human Services on the welfare-to-work program. The report indicated that the Department of Human Services plans to submit a state welfare-to-work plan to the federal government, which, if approved, will allow North Dakota to receive approximately \$2.7 million of federal funds during federal fiscal year 1998 and approximately \$2.5 million of federal funds during federal fiscal year 1999. The report indicated that \$1 of state match will be required for every \$2 of federal funds received. The department plans to use savings from reduced TANF caseloads to provide the state match. The state plan has been approved and the department plans to implement the program in November 1998 in cooperation with Job Service North Dakota.

This report presents Budget Section activities through October 1998. Because one of the major responsibilities of the Budget Section is to review the executive budget, which by law is not presented to the Legislative Assembly until after December 1, a supplement to this report will be submitted for distribution at a later date.

APPENDIX

Pursuant to North Dakota Century Code Sections 54-16-04, 54-16-04.1, and 54-16-04.2, the Budget Section considered 94 agency requests that were authorized by the Emergency Commission. All requests considered were approved by the Budget Section. The following is a list of agency requests approved through October 1998:

1. Department of Agriculture
 - o June 18, 1997 - To increase other funds spending authority and the Safe Send program line item by \$75,000 of federal funds from the Environmental Protection Agency for the collection and disposal of flood-damaged hazardous waste.
 - o June 18, 1997 - To increase other funds spending authority by \$100,400 for the agriculture disaster response center.
 - o December 3, 1997 - To increase other funds spending authority and the state waterbank program line item by \$500,000 from the Game and Fish Department for waterbank contracts, especially those in the Devils Lake Basin.
 - o December 3, 1997 - To increase federal funds spending authority and the Safe Send line item by \$182,295 for the collection and disposal of flood-damaged hazardous waste collected in the Red River Valley as a result of the 1997 flood.
2. Council on the Arts
 - o October 7, 1998 - To increase federal funds spending authority and the grants line item by \$231,824 from the National Endowment for the Arts (\$229,500) and carryover spending authority from the 1995-97 biennium (\$2,324).
3. Attorney General
 - o June 10, 1998 - To increase other funds spending authority by \$107,333 (\$30,000 for salaries and wages, \$60,000 for operating expenses, and \$17,333 for equipment) from the fire and tornado fund, the Federal Emergency Management Agency, and an insurance company relating to flood damage to the agency's Grand Forks office.
4. Bismarck State College
 - o June 10, 1998 - To increase other funds spending authority by \$250,668 (\$100,000 for equipment and \$150,668 for capital improvements) of additional tuition income for instructional equipment and various capital projects.
5. Department of Corrections and Rehabilitation
 - o June 18, 1997 - To transfer \$180,000 of spending authority from the operating expenses line item to the grants line item for federal grants to be distributed to local juvenile delinquency prevention programs.
 - o June 18, 1997 - To transfer \$150,000 of spending authority from salaries and wages to operating expenses for higher than anticipated inmate medical costs.
 - o October 8, 1997 - To increase federal funds spending authority and the capital improvements - medium security facility line item by \$1,351,445 for additional federal crime bill funds and to transfer \$150,160 of spending authority from salaries and wages to the capital improvements - medium security facility line item for the James River Correctional Center.
 - o October 8, 1997 - To increase federal funds spending authority and the capital improvements line item by \$15,761 from the Federal Emergency Management Agency for road repairs.
 - o October 8, 1997 - To transfer spending authority of \$162,200 from the operating expenses line item to the equipment line item for computer equipment for the information systems project which will combine the data bases of the Penitentiary and the Parole and Probation Division.
 - o October 8, 1997 - To increase other funds spending authority by \$91,051 for capital improvements (\$61,531) and operating expenses (\$29,520) for federal funds available from the Office of Intergovernmental Assistance and the Attorney General's office for a heating system project at the Missouri River Correctional Center and the housing of Penitentiary inmates in local jails.
 - o October 8, 1997 - To increase other funds spending authority by \$12,937 of federal funds available from the

Attorney General's office for operating expenses (\$7,137) and equipment (\$5,800) for the residential substance abuse treatment program.

- June 10, 1998 - To increase other funds spending authority and the operating expenses line item by \$12,000 of federal funds for drug and alcohol use prevention and awareness programs.
 - June 10, 1998 - To increase other funds spending authority by \$450,000 (\$50,000 for salaries and wages, \$200,000 for operating expenses, and \$200,000 for grants) of federal funds for temporary and overtime salaries, salary equity adjustments, the relocation of two community offices, computer support services, staff training, and grants to local entities.
 - June 10, 1998 - To increase other funds spending authority and the grants line item by \$1,567,900 of federal funds for community programs for juvenile offenders.
 - June 10, 1998 - To increase other funds spending authority and the salaries and wages line item by \$23,436 of federal funds for employment skills training for juveniles and the employment of adult supervisors for juvenile workers.
 - October 7, 1998 - To transfer spending authority of \$35,000 from operating expenses to salaries and wages and to increase federal funds spending authority and the salaries and wages line item by \$5,597 for a carpentry trades instructor and a part-time carpentry trades assistant.
 - October 7, 1998 - To increase federal funds spending authority and the capital improvements line item by \$9,300 for flood-related repairs to a gravel road.
 - October 7, 1998 - To increase other funds spending authority and the capital improvements - medium security facility line item by \$316,752 of federal funds (\$285,077) and special funds derived from Roughrider Industries operations (\$31,675) for the construction of a Roughrider Industries building at the James River Correctional Center.
 - October 7, 1998 - To increase federal funds spending authority by \$61,052 for salaries and wages (\$11,952) and equipment (\$49,100) and to transfer spending authority of \$15,400 from salaries and wages to equipment to expand the workplace and community transition training for incarcerated youth offenders program, to purchase computers, and to purchase an electronic fingerprint scanning unit.
6. School for the Deaf
- June 18, 1997 - To transfer \$76,640 from salaries and wages to equipment (\$1,840) and capital improvements (\$74,800) for closed circuit television for the dormitories, asbestos removal, and heating system improvements.
7. Dickinson Research Extension Center
- June 10, 1998 - To increase other funds spending authority and the operating expenses line item by \$150,000 of additional crop and livestock income for increased costs relating to equipment rentals and state fleet vehicle usage.
8. Dickinson State University
- October 7, 1998 - To increase other funds spending authority and the capital improvements line item by \$79,667 of excess income for projects including window replacements at Stoxen Library.
9. Department of Economic Development and Finance
- March 4, 1998 - To increase other funds spending authority and the operating expenses line item by \$225,000 to conduct and collect fees for economic development training activities.
10. Emergency Management
- June 18, 1997 - To increase other funds spending authority by \$496,200 for salaries and wages (\$441,200), operating expenses (\$30,000), and equipment (\$25,000) relating to Presidential disaster declarations for flooding.
 - October 8, 1997 - To increase federal funds spending authority by \$107,408,650 for disaster recovery programs.
 - October 7, 1998 - To increase federal funds spending authority by \$50,000 for salaries and wages (\$16,500) and operating expenses (\$33,500) for a program to promote disaster-resistant communities.
 - October 7, 1998 - To increase spending authority by \$7,052,500 (\$6,075,000 of federal funds, \$977,500 from a disaster loan) for salaries and wages (\$130,000), operating expenses (\$57,500), and grants (\$6,865,000) for disaster-related work.
11. Department of Health
- March 4, 1998 - To increase other funds spending authority by \$1,638,000 for grants (\$1,087,000), equipment (\$165,000), and operating expenses (\$386,000) for the STOP violence against women program, family violence programs, DUI analysis equipment, and to identify flood-related health problems.
12. Highway Patrol
- June 18, 1997 - To increase other funds spending authority and the field operations program line item by \$116,000 of federal funds to:
 - Purchase portable weigh scales for \$75,000.
 - Renovate a scale house for \$10,000.
 - Pay reimbursable flood emergency operations costs of \$31,000.
 - June 18, 1997 - To increase other funds spending authority and the field operations program line item by \$90,000 of federal funds for the operation of the motor carrier safety assistance program.
 - October 8, 1997 - To increase federal funds spending authority and the field operations line item by \$110,000 for federal funds which will be provided to the North Dakota State University Upper Great Plains Transportation Institute for the development of software for the motor carrier safety assistance program.
 - December 3, 1997 - To increase federal funds spending authority and the field operations line item by \$174,000 to conduct an analysis of United States Highway 52 and to develop a training agenda for motor carriers safety

assistance program administrators.

- June 10, 1998 - To increase other funds spending authority and the field operations line item by \$11,000 of federal funds to remodel two weigh/inspection stations.
 - October 7, 1998 - To increase federal funds spending authority by \$88,000 for the field operations division (\$80,000) and the Law Enforcement Training Academy (\$8,000) for radar equipment, tire deflators, and training for local law enforcement officers.
 - October 7, 1998 - To increase federal funds spending authority and the field operations line item by \$303,000 for the mobile data communications system project (\$203,000) and the motor carrier safety assistance program (\$100,000).
 - October 7, 1998 - To increase other funds spending authority by \$33,000 for building improvements at a weigh station (\$3,000 - field operations line item) and replacement of a boiler at the Law Enforcement Training Academy (\$30,000 - Law Enforcement Training Academy line item).
13. Historical Society
- October 8, 1997 - To increase federal funds spending authority by \$21,760 for salaries and wages (\$2,000) and operating expenses (\$19,760) for training and professional development for persons dealing with historical records.
 - October 8, 1997 - To increase federal funds spending authority by \$261,600 for salaries and wages (\$49,800), operating expenses (\$77,100), and equipment (\$134,700) for shelving, collections movement, and a collections records management system.
14. Department of Human Services
- June 18, 1997 - To increase other funds spending authority by \$600,000 for the 1997-99 biennium to allow the department to continue to receive and spend federal funds for disaster-related mental health services previously approved by the Emergency Commission for the 1995-97 biennium.
 - October 8, 1997 - To increase federal funds spending authority and the operating expenses line item of the program and policy subdivision by \$361,000 of carryover funds from the 1995-97 biennium for completion of the substance abuse needs assessment project.
 - October 8, 1997 - To increase other funds spending authority by \$1,285,604 for the North Central Human Service Center (\$339,000) and the West Central Human Service Center (\$946,604) for carryover funds from the 1995-97 biennium and federal funds for the mental health partnership grant program and to transfer spending authority of \$932,526 from the program and policy subdivision to the West Central Human Service Center for the mental health partnership grant program.
 - October 8, 1997 - To increase federal funds spending authority by \$3,705,062 for the program and policy subdivision for crisis counselors to support disaster victims.
 - October 8, 1997 - To increase federal funds spending authority by \$201,300 for the economic assistance subdivision for grants to counties for computer equipment relating to the adoption assistance information system.
 - October 8, 1997 - To transfer spending authority of \$100,000 from the economic assistance subdivision to the management and councils subdivision for salaries and wages for an executive assistant position.
 - December 3, 1997 - To transfer one FTE position and salaries and wages of \$83,757 from the management and councils subdivision to the program and policy subdivision for the mental health information enhancement plan and to transfer \$124,540 from the grants line of the program and policy subdivision to the field services subdivision for the Northwest Human Service Center (\$68,880) and the North Central Human Service Center (\$55,660) to provide services through regional transition coordinators.
 - December 3, 1997 - To increase other funds spending authority by \$150,000 from the Children's Services Coordinating Committee for the West Central Human Service Center (\$50,000), North Central Human Service Center (\$50,000), and Southeast Human Service Center (\$50,000) for matching funds for the Medicaid program.
 - December 3, 1997 - To increase federal funds spending authority by \$1,764,616 for operating expenses (\$134,344), equipment (\$4,499), and grants (\$1,625,773) relating to refugee services, family preservation services, adoption services, and foster care.
 - December 3, 1997 - To increase federal funds spending authority by \$233,591 for salaries and wages (\$210,424) and operating expenses (\$23,167) for disability determination services.
 - December 3, 1997 - To increase federal funds spending authority and the grants line item of the program and policy subdivision by \$62,011 for flood-related assistance services to elderly individuals in the Grand Forks area.
 - March 4, 1998 - To transfer federal funds spending authority of \$652,000 from economic assistance to field services for mental health services.
 - March 4, 1998 - To transfer spending authority of \$290,449 from program and policy to management and councils for salaries and wages (\$258,426) and operating expenses (\$32,023) for a public information specialist and American Indian liaison.
 - March 4, 1998 - To transfer spending authority of \$58,430 from program and policy to field services for grants to provide transitional coordinators to assist disabled students.
 - June 10, 1998 - To transfer \$713,055 from operating expenses to capital improvements under the field services subdivision for capital improvements at the State Hospital.
 - June 10, 1998 - To transfer spending authority of \$10,084,294 (\$623,822 for salaries and wages and \$9,460,472 for operating expenses) from the economic assistance subdivision to the management and councils subdivision to consolidate the department's information management services within the management and councils subdivision.
 - October 7, 1998 - To increase other funds spending authority and the capital improvements line item of the

Developmental Center by \$31,962 to replace a dehumidifier in the center's swimming pool area.

15. Industrial Commission
 - o June 18, 1997 - To increase other funds spending authority by \$39,850 of federal funds from the Environmental Protection Agency for digitized topographical information relating to oil-producing counties.
 - o October 7, 1998 - To increase federal funds spending authority by \$58,000 for salaries and wages (\$47,500) and operating expenses (\$10,500) for geological survey projects.
16. Information Services Division
 - o June 18, 1997 - To increase other funds spending authority and the operating expenses line item by \$300,000 of additional revenue to be received during the 1995-97 biennium.
17. Job Service North Dakota
 - o October 8, 1997 - To increase federal funds spending authority and the operating expenses line item by \$15,000 for consultant fees and travel relating to implementation of the statewide "one-stop" system.
 - o October 8, 1997 - To increase federal funds spending authority by \$6,588,309 for salaries and wages (\$296,768), operating expenses (\$88,246), equipment (\$93,000), and grants (\$6,110,295) for the veterans' employment program, disaster unemployment assistance program, and emergency dislocated worker project.
 - o October 8, 1997 - To increase other funds spending authority by \$15,000 for salaries and wages (\$12,087) and operating expenses (\$2,913) for moneys to be provided by the University of North Dakota to provide employment-related services at the university.
 - o October 8, 1997 - To increase other funds spending authority and the operating expenses line item by \$10,000 for moneys to be received from the National Governors Association for contracted services and travel relating to an incumbent worker training project.
 - o December 3, 1997 - To increase other funds spending authority by \$46,735 for salaries and wages (\$1,735) and grants (\$45,000) for the continuation of a Department of Veterans Affairs grant which began in 1995-97.
 - o March 4, 1998 - To increase other funds spending authority by \$229,084 (\$184,081 for salaries and wages, \$45,003 for equipment) of federal funds to be received from the Department of Human Services for the job opportunities and basic skills (JOBS) program.
 - o March 4, 1998 - To increase federal funds spending authority by \$2,418,720 for salaries and wages (\$150,024), operating expenses (\$2,116,696), and equipment (\$152,000) for an interstate benefit inquiry system and to upgrade computer equipment and software for year 2000 processing.
 - o March 4, 1998 - To increase other funds spending authority and the new jobs program line item by \$37,209 for additional administrative revenue for the new jobs program.
 - o June 10, 1998 - To increase other funds spending authority by \$862,000 (\$231,414 for salaries and wages, \$153,786 for operating expenses, and \$476,800 for grants) of federal funds to provide services to dislocated farmers, ranchers, and their families.
 - o October 7, 1998 - To increase other funds spending authority and the grants line item by \$66,000 for the summer youth employment program in Grand Forks.
 - o October 7, 1998 - To increase federal funds spending authority by \$1,722,600 for salaries and wages (\$117,450), operating expenses (\$39,150), and grants (\$1,566,000) for temporary income to persons unemployed as a result of ground saturation disasters.
 - o October 7, 1998 - To increase federal funds spending authority by \$333,647 for operating expenses (\$262,647) and equipment (\$71,000) to install an interstate benefit inquiry system (\$26,000), pay for the unemployment insurance portion of a performance audit (\$54,847), implement law changes (\$167,000), and implement the North American industry classification system (\$85,800).
 - o October 7, 1998 - To increase other funds spending authority by \$1,368,438 for salaries and wages (\$850,206), operating expenses (\$284,328), equipment (\$40,000), and grants (\$193,904) for the welfare-to-work program.
18. State Library
 - o June 10, 1998 - To increase other funds spending authority by \$185,000 (\$115,000 for grants, \$20,000 for equipment, and \$50,000 for operating expenses) of federal funds for technology grants to school and public libraries and the purchase of computers, equipment, software, and reference materials.
19. Office of Management and Budget
 - o June 18, 1997 - To increase 1997-99 biennium spending authority by \$72,000 from the state contingencies appropriation to pay the United States Department of Health and Human Services its share of fire and tornado fund money previously transferred to the general fund.
 - o October 8, 1997 - To increase other funds spending authority by \$156,746 to be received from the Office of Intergovernmental Assistance for the replacement of fluorescent lighting ballasts in the State Capitol.
 - o October 8, 1997 - To increase other funds spending authority by \$70,534 to be received from the Office of Intergovernmental Assistance for heating and cooling system improvements in the judicial wing of the State Capitol.
 - o October 8, 1997 - To transfer spending authority of \$128,000 from the fiscal management division to administration to provide for a deputy director for the agency.
 - o June 10, 1998 - To increase other funds spending authority and the facility management line item by \$48,000 of other funds available from the Office of Intergovernmental Assistance to install a natural gas boiler system in the Liberty Memorial Building.
20. North Dakota State College of Science

- June 18, 1997 - To increase other funds spending authority and the operating expenses line item by \$125,000 of excess tuition income for utility costs which were higher than anticipated during the 1996-97 winter.
- 21. North Dakota State University
 - June 10, 1998 - To increase other funds spending authority by \$1 million of local funds anticipated to be collected for the skills and technology training center.
- 22. Department of Public Instruction
 - June 18, 1997 - To increase other funds spending authority and the teacher certification line item by \$70,000 to allow the transfer to the Educational Standards and Practices Board of certification fees collected by the department during the 1995-97 biennium.
 - December 3, 1997 - To increase federal funds spending authority and the operating expenses line item by \$1,037,791 for state mathematics assessments.
 - December 3, 1997 - To increase federal funds spending authority by \$3,125,000 for salaries and wages (\$69,895), operating expenses (\$86,355), and grants (\$2,968,750) for technology grants and related administration.
 - October 7, 1998 - To increase other funds spending authority and the grants - SENDIT line item by \$122,600 for Internet access fees paid by schools.
- 23. Public Service Commission
 - June 10, 1998 - To increase other funds spending authority by \$51,000 of federal funds for the elimination of safety hazards at an abandoned coal mine in Morton County.
- 24. Securities Commissioner
 - October 8, 1997 - To increase other funds spending authority and the securities protection line item by \$120,000 for moneys deposited in the securities protection fund.
- 25. Department of Transportation
 - March 4, 1998 - To increase other funds spending authority and the motor vehicle program line item by \$469,303 to be received from Unisys, Inc., relating to delays in completion of the vehicle registration and titling system.
 - March 4, 1998 - To increase other funds spending authority and the highway program line item by \$93,034,453 (\$74,137,335 of federal funds and \$18,897,118 of state special funds) for emergency work related to flooding in the Devils Lake Basin and other areas of the state.
- 26. UND-Lake Region
 - October 8, 1997 - To authorize the agency to obtain a \$200,000 loan from the Bank of North Dakota and to increase other funds spending authority and the capital improvements line item by the same amount for parking lot repairs and drainage improvements.
- 27. Veterans Home
 - June 18, 1997 - To transfer spending authority of \$209,000 from the capital improvements line item to salaries and wages (\$153,500) and operating expenses (\$55,500).
- 28. Water Commission
 - June 18, 1997 - To increase spending authority by \$128,000 from the state contingencies appropriation for the available storage acreage program in the Devils Lake Basin.
 - June 10, 1998 - To increase other funds spending authority and the operating expenses line item by \$50,000 of federal funds for travel expenses relating to providing flood assistance to eastern North Dakota.