NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

BUDGET SECTION

Wednesday, March 19, 2008
Senate Chamber, State Capitol
Bismarck, North Dakota

Senator Ray Holmberg, Chairman, called the meeting to order at 9:00 a.m.

Members present: Senators Ray Holmberg, Bill Bowman, Randel Christmann, Tom Fischer, Tony Grindberg, Ralph L. Kilzer, Aaron Krauter, Karen K. Krebsbach, Elroy N. Lindaas, Tim Mathern, Carolyn Nelson, Larry J. Robinson, Tom Seymour, Bob Stenehjem, Harvey D. Tallackson, Rich Wardner; Representatives Larry Bellew, Merle Boucher, Ron Carlisle, Al Carlson, Jeff Delzer, Mary Ekstrom, Eliot Glassheim, Pam Gulleson, Keith Kempenich, James Kerzman, Matthew M. Klein, Gary Kreidt, Joe Kroeber, Ralph Metcalf, David Monson, Jon Nelson, Chet Pollert, Bob Skarphol, Blair Thoreson, Francis J. Wald, Alon Wieland, Clark Williams

Members absent: Senator David O'Connell; Representatives Ole Aarsvold, Rick Berg, Kathy Hawken, Bob Martinson, Kenton Onstad, Ken Svedjan

Others present: Jim Kasper, State Representative, Fargo

Jim W. Smith, Director, Legislative Council

See attached appendix for additional persons present.

It was moved by Senator Robinson, seconded by Senator Fischer, and carried on a voice vote that the minutes of the October 30, 2007, meeting be approved as distributed.

STATUS OF THE STATE GENERAL FUND

Chairman Holmberg called on Ms. Pam Sharp, Director, Office of Management and Budget, to present a report on the status of the general fund. A copy of the information presented is on file in the Legislative Council office.

Ms. Sharp said the consumer price index in February 2008 was 4 percent. She said the consumer price index is expected to average 3 percent during 2008. She said North Dakota's unemployment rate for December 2007 was 3.2 percent compared to the national rate of 4.8 percent.

Ms. Sharp said North Dakota oil production in January 2008 was nearly 137,000 barrels per day. She said the average price for North Dakota crude oil was $85 per barrel in November 2007, $82 per barrel in December 2007, and $84 per barrel in January 2008. She said the current oil price is over $101 per barrel and the rig count is 61, 28 more rigs than were operating in the state one year ago.

Ms. Sharp presented the following information on the status of the state general fund for the 2007-09 biennium based on revenue collections through February 2008:

Unobligated general fund balance - July 1, 2007	$295,541,176
Add	
General fund collections through February 2008	893,130,270
Forecasted general fund revenue for the remainder of the 2007-09 biennium (based on the 2007 legislative forecast)	1,467,639,932
Total estimated general fund revenue for the 2007-09 biennium	$2,656,311,378
Less	
2007-09 biennium general fund appropriations	2,456,973,956
Estimated general fund balance - June 30, 2009 ($180,681,243 more than the 2007 legislative estimate of $18,656,179)	$199,337,422

Ms. Sharp said North Dakota Century Code (NDCC) Section 54-27.2-02 provides that any end-of-biennium general fund balance in excess of $65 million must be transferred to the budget stabilization fund, up to a maximum of 10 percent of general fund appropriations beginning July 1, 2009.

Ms. Sharp presented the following information on the status of the permanent oil tax trust fund for the 2007-09 biennium:

Beginning permanent oil tax trust fund balance - July 1, 2007	$143,270,662
Add	
Revenue collections through February 2008	75,726,562
Forecasted revenues for the remainder of the 2007-09 biennium (based on the 2007 legislative forecast assumptions for oil price and production)	140,034,294
Total estimated permanent oil tax trust funds available for the 2007-09 biennium	$359,031,518
Less expenditures and transfers	145,716,541
Estimated permanent oil tax trust fund balance - June 30, 2009	$213,314,977

Ms. Sharp said the ending balance may be $300 million by June 2009 if oil prices and production remain steady.

In response to a question from Representative Carlson, Ms. Sharp said current estimates of June 30, 2009, balances include $200 million in the budget stabilization fund, $200 million in the general fund, and $200 million in the permanent oil tax trust fund. Potentially, she said, an additional $100 million may be in the general fund and $100 million in the permanent oil tax trust fund if oil prices and production remain at current levels. She said the combined estimated June 30, 2009, balances of these funds could be approximately $800 million.

Ms. Sharp presented information on general fund revenue collections for February 2008 and the 2007-09 biennium to date. She said while sales tax collections were less than estimated for the month, individual and corporate income tax collections were more than forecast. She said for the biennium to date, total revenues have exceeded forecasted amounts by $103 million, largely due to sales tax and individual and corporate income tax collections being more than projected. A copy of the report is on file in the Legislative Council office.

In response to a question from Representative Carlson, Ms. Sharp said she would provide more information regarding the reasons for the positive corporate income tax collection variance at the next Budget Section meeting.

BUDGET STABILIZATION FUND STATUTORY PROVISIONS

Ms. Sharp presented information on the statutory provisions relating to the budget stabilization fund. Regarding transfers to the budget stabilization fund, she said, pursuant to NDCC Section 54-27.2-02, any end of biennium general fund balance in excess of $65 million must be transferred to the budget stabilization fund, up to the limits provided in Section 54-27.2-01. She said "end of biennium" means after cancellation of unexpended appropriations, which typically takes place in August. She said Section 54-27.2-01, effective July 1, 2009, limits the budget stabilization fund balance to no more than 10 percent of the current biennial state general fund budget, an increase from the 5 percent limit previously in effect. She said interest is deposited in the budget stabilization fund, up to the statutory maximum, after which it is deposited in the general fund.

With regard to transfers from the budget stabilization fund, Ms. Sharp said pursuant to NDCC Section 54-27.2-03, transfers from the budget stabilization fund may be made only if the director of the Office of Management and Budget projects general fund revenues at least 2.5 percent less than the legislative forecast. She said the Governor may order the transfer from the budget stabilization fund, but the transfer may not exceed the amount of the revenue shortfall, less 2.5 percent of the legislative forecast. She said any transfer must be reported to the Budget Section. A copy of the report is on file in the Legislative Council office.

OIL PRICE DISCOUNTS

Ms. Sharp presented information on the factors that create oil price discounts. She said transportation and refining capacity are two of the factors that determine North Dakota crude oil discounts. She said pipeline capacity is impacted by seasonal factors, such as cold weather, and other suppliers. She said when pipeline capacity is adequate, North Dakota oil is not discounted. She said items that affect refining capacity include the availability of crude oil, necessary blending of crude oil, refinery shutdowns, and seasonal demand for various refined products. A copy of the report is on file in the Legislative Council office.

Ms. Sharp provided information on North Dakota crude oil discounts by month for the period July 2005 through January 2008. She said generally the price of North Dakota crude oil averages approximately 90 percent of the NYMEX Price of West Texas Intermediate (WTI). For purposes of the report, she said, the discount is the amount by which the actual price of North Dakota crude oil is less than 90 percent of WTI. Ms. Sharp's report indicated the discount ranged from zero in 12 of the 31 months to as much as $11.43 per barrel in March 2006. She said the estimated total tax revenue loss resulting from the discounts was $19 million for this 31-month period. A copy of the report is on file in the Legislative Council office.

Chairman Holmberg called on Mr. Lynn Helms, Director, Oil and Gas Division, Department of Mineral Resources, to respond to a question from Senator Mathern. Mr. Helms said he will provide information to the Budget Section on the estimated reduction of oil royalty revenue due to price discounting.

FISCAL IRREGULARITIES

Pursuant to NDCC Section 54-14-03.1, Ms. Sharp presented information on irregularities in the fiscal practices of the state. A copy of the information presented is on file in the Legislative Council office. She said the following state agencies are being reported as having fiscal irregularities:

Agency	Amount	Reason
Veterans Home	$3,403	Settlement agreement
Workforce Safety and Insurance	$127,848	Settlement agreement
Job Service North Dakota	$77,300	Severance packages for 14 individuals whose jobs were eliminated when the JOBS program was terminated
Department of Transportation	$2,555	Retroactive pay for additional workload
Department of Mineral Resources	$33,500	Performance bonuses for 44 individuals which exceeded the limit of 12 full-time equivalent (FTE) positions or 25 percent of employees
Department of Transportation	$26,023	Overspent appropriation authority in the Driver and Vehicle Services program in the 2005-07 biennium

TOBACCO SETTLEMENT PROCEEDS

Ms. Sharp presented information on the status of tobacco settlement proceeds received by North Dakota. She said the state will receive its next tobacco settlement payment in April 2008. She anticipates the annual payment will be $35 million and this amount will remain stable for the next 10 years.

PROPOSED CHANGES TO THE 2009-11 BIENNIUM BUDGET DATA

Chairman Holmberg called on Ms. Sheila Peterson, Division Director, Fiscal Management, Office of Management and Budget (OMB), to present proposed changes to the 2009-11 biennium budget data pursuant to NDCC Section 54-44.1-07. She said OMB has expanded the report of budget changes to identify one-time items that have been removed and one-time items being requested by agencies for the 2009-11 biennium. She said one-time items in the executive recommendation will also be identified.

Chairman Holmberg announced the tentative future meeting dates for the Budget Section will be June 18, 2008, and September 30, 2008.

NORTH DAKOTA STATE UNIVERSITY AND UNIVERSITY OF NORTH DAKOTA - NEW PRESIDENTS' HOUSES AND JODSAAS CENTER FINANCING CHANGE

Mr. Jim Miller, North Dakota State University (NDSU) Development Foundation and also representing the University of North Dakota (UND) Foundation, presented information on changes in funding sources for the presidents' home projects at NDSU and the UND and the Jodsaas Center project at UND. He said the Budget Section approved the acceptance of funds relating to the new homes at NDSU and UND and the gift of funds relating to the Jodsaas Center project at its October 2007 meeting. Since then, he said, both foundations have been approached by a donor who is willing to provide $200,000 per year to each foundation for a five-year period from fiscal year 2008 through fiscal year 2012 for the cost of each home. He said the foundations plan to finance the construction over a 30-year period and create an endowment with the donated funds that will meet bond payment obligations and provide for other foundation priorities, including student scholarships. A copy of the report and the financial summaries are on file in the Legislative Council office.

NORTH DAKOTA UNIVERSITY SYSTEM - CHANGE IN SCOPE OF PROJECTS

Chairman Holmberg called on representatives of the North Dakota University System to present information regarding requests for Budget Section approval of changes to the following project authorizations pursuant to NDCC Section 48-01.2-25.

North Dakota State University - Living Learning Residence Hall West and Ceres Hall

Mr. Prakash Mathew, Vice President for Student Affairs, NDSU, presented information regarding a request for Budget Section approval to increase the total project authorization for the Living Learning Residence Hall West and Ceres Hall from $12 million to $12.4 million. He said during the 2007 legislative session, NDSU received approval for the Living Learning Residence Hall West and Ceres Hall projects. He said the Living Learning Residence Hall West project is almost complete and Ceres Hall has been bid. He said the Ceres Hall project bids were more than the remaining total project funds.

Ms. Kate Haugen, Associate Vice President for Student Affairs, NDSU, presented the request to increase the total project authorization to complete the first phase of the Ceres Hall remodeling project. She said auxiliary funds will be used to provide the additional $400,000 needed for the project. A copy of the report is on file in the Legislative Council office.

In response to a question from Senator Holmberg, Ms. Haugen said auxiliary funds are used for a number of purposes, including local abatement, local project funds, career center, and book store.

In response to a question from Senator Christmann, Ms. Haugen said no changes have been made to the original project to cause the project cost increase.

North Dakota State University - Dickinson Research Extension Center

Mr. Kris Ringwall, Director, Dickinson Research Extension Center, presented information regarding a request for Budget Section approval to increase the project authorization for the waste management system at the Dickinson Research Extension Center - Manning Ranch site from $351,000 to $450,000. He said the center has been planning this project for six to eight years.

In response to a question from Representative Klein, Mr. Ringwall said the center will use oil royalty income to provide the additional funding needed for the project.

Bismarck State College - Schafer Hall

Mr. Dave Clark, Executive Vice President, Bismarck State College, presented information regarding a request for Budget Section approval to increase the project authorization for the Schafer Hall renovation project from $543,000 to $800,000. He said the cost increase is due to price escalation in the Bismarck/Mandan construction market, asbestos work not included in the original project, and furnishing costs not included in the original project. He said unanticipated tuition collections in the current academic year will provide funding needed for the increased cost. A copy of the report is on file in the Legislative Council office.

Williston State College - Service Rig Project

Ms. Brenda Wigness, Vice President of Business Affairs, Williston State College, presented information regarding a request for Budget Section approval to increase the project authorization for the service rig project from $700,000 to $810,000. She said funding for the project was provided from the permanent oil tax trust fund. She said bids received total $110,000 more than the approved funding. She said $55,000 of the additional cost will be provided from the State Board of Higher Education 2007-09 contingency and capital improvement fund and the remaining $55,000 will be provided from training revenue or possibly city grant funds. A copy of the report is on file in the Legislative Council office.

It was moved by Representative Wald, seconded by Senator Robinson, and carried on a roll call vote that the Budget Section, pursuant to NDCC Section 48-01.2-25, approve the request to change the scope of the following North Dakota University System projects:

- **North Dakota State University - Increase the total project authorization for the Living Learning Residence Hall West and Ceres Hall from $12,000,000 to $12,400,000.**
- **North Dakota State University - Increase the project authorization for the waste management system at the Dickinson Research Extension Center - Manning Ranch site from $351,000 to $450,000.**
- **Bismarck State College - Increase the project authorization for the Schafer Hall renovation project from $543,000 to $800,000.**
- **Williston State College - Increase the project authorization for the service rig project from $700,000 to $810,000.**

Senators Holmberg, Bowman, Christmann, Fischer, Grindberg, Kilzer, Krauter, Krebsbach, Lindaas, Mathern, Nelson, Robinson, Seymour, Stenehjem, Tallackson, and Wardner and Representatives Bellew, Boucher, Carlisle, Carlson, Ekstrom, Glassheim, Gulleson, Kempenich, Kerzman, Klein, Kreidt, Kroeber, Metcalf, Monson, Nelson, Pollert, Skarphol, Thoreson, Wald, Wieland, and Williams voted "aye." Representative Delzer voted "nay."

CENTERS OF EXCELLENCE AUDIT REPORTS

Mr. Shane C. Goettle, Commissioner, Department of Commerce, presented information on the centers of excellence monitoring report and distributed the annual audit reports of the 11 centers of excellence under the jurisdiction of the Centers of Excellence Commission pursuant to NDCC Section 15-69-05(2). He said the centers of excellence program monitoring report is preliminary because it is pending an economic impact study detailing the centers' direct and secondary effects on the state economy.

Mr. Goettle said the total state investment of $23 million has been leveraged by nearly $100 million in matching funds from the private sector and other sources. He said 102 private sector companies are participating in the centers of excellence program and the program has resulted in 16 new or expanded businesses. He said 500 new direct jobs have been created, with an annual payroll of $21 million, and 2,500 new direct jobs are projected. A copy of the report is on file in the Legislative Council office.

Mr. Goettle said the centers of excellence statute requires each center to conduct an annual audit and provide it to the State Board of Higher Education, the Economic Development Foundation, and the Legislative Council. He said the audits are for the fiscal year ended June 30, 2007. He said of the 11 centers audited, 5 centers had no findings, and 6 centers had a combined nine findings. He said four of the nine findings have been corrected and the Department of Commerce is working with the centers to correct the remaining five findings. He said none of the findings in his judgment impact the scope or purpose of the project in any significant manner. Copies of the reports are on file in the Legislative Council office.

In response to a question from Senator Christmann, Mr. Goettle said the department is negotiating with NDSU for an economic impact study of the centers of excellence.

Senator Christmann expressed concern that NDSU may have a conflict of interest in evaluating the centers of excellence since some of the centers are associated with NDSU.

At the request of Chairman Holmberg, Mr. Goettle provided a document entitled time-line for fall 2008 round of centers of excellence funding, which provides the anticipated timeline for consideration of fall 2008 centers of excellence grant applications.

DEPARTMENT OF HUMAN SERVICES

Status of Medicaid Management Information System

Ms. Jennifer Witham, Director, Information Technology Services, Department of Human Services, presented information regarding the status of the Medicaid management information system project pursuant to Section 3 of 2007 Senate Bill No. 2024. She said the project is on schedule. She provided the following project funding summary:

Description	Budget	Spent Through January 2008	Remaining
General fund	$3,643,133	$241,297	$3,401,836
Federal funds	55,218,418	9,625,925	45,592,493
Other funds	3,667,820	1,007,597	2,660,223
Total project	$62,529,371	$10,874,819	$51,654,552

A copy of the report is on file in the Legislative Council office.

In response to a question from Representative Skarphol, Ms. Witham said the department has contracted with an independent verification and validation vendor. She said the cost for this service is estimated to be 8 percent to 12 percent of the total project cost. She said the contractor will review business processes and the system design, ensure the traceability of requirements, and oversee testing.

Status of Medicaid Reimbursements

Chairman Holmberg called on Ms. Maggie Anderson, Director, Medical Services Division, Department of Human Services, to respond to a question from Representative Delzer regarding the status of Medicaid reimbursements. She said the current number of outstanding Medicaid claims is under 40,000 claims compared to approximately 90,000 claims reported at the October 2007 Budget Section meeting.

In response to a question from Representative Kempenich, Ms. Anderson said the department's goal would be to have 20,000 or fewer outstanding claims. She said that would assure the department meets its goal of paying 90 percent of claims within 30 days.

STATE BOARD OF AGRICULTURAL RESEARCH AND EDUCATION

Mr. Jerry Effertz, Chairman, State Board of Agricultural Research and Education, presented information on the status of its activities pursuant to NDCC Section 4-05.1-19(10). He said agriculture continues to be a major factor in North Dakota's economy and is the state's No. 1 industry. He said North Dakota is the leader in production of over 14 commodities, making North Dakota a leader in food, fuel, and biobased energy in the nation.

Mr. Effertz said North Dakota has attained this accomplishment through the collaborative role of research and field trials across the state. He said the board is in the process of analyzing the needs of North Dakota's agricultural community and developing strategies to generate solutions to these needs.

Mr. Effertz distributed a list of plant improvement projects totaling $3.5 million and a list of deferred maintenance projects totaling $4.4 million for the experiment stations. Copies of the lists are on file in the Legislative Council office.

WORKFORCE SAFETY AND INSURANCE - STATUS OF PERFORMANCE AUDIT RECOMMENDATIONS

Ms. Michelle Blumhagen, Director, Quality Assurance, Workforce Safety and Insurance, presented information regarding the status of the State Auditor's office performance audit recommendations pursuant to Section 5 of 2007 Senate Bill No. 2021. She said the performance audit contained 56 formal recommendations on which the department concurred or partially concurred. She said the department has implemented 45 recommendations and partially implemented 11 recommendations for an implementation rate of 80 percent. She said of the 11 remaining recommendations, 5 relate to Workforce Safety and Insurance management and 6 relate to the Workforce Safety and Insurance Board of Directors. She said the department's Internal Audit Division has validated 69 percent of the implemented and partially implemented recommendations. A copy of the report is on file in the Legislative Council office.

In response to a question from Senator Mathern, Ms. Blumhagen said audit recommendations were divided into four sections based on whose responsibility it would be to act on the recommendation. She said the department monitors implementation date, internal audit validation, and validation date. She said recommendations resulting from the recent claims audit and management review will also be monitored.

In response to a question from Representative Boucher, Ms. Blumhagen said of the 60 recommendations that were made as part of the performance audit, Workforce Safety and Insurance concurred in full or in part with 56.

Representative Boucher suggested the State Auditor's Office report to the Budget Section on the recommendations Workforce Safety and Insurance did not concur with at the time the audit was presented and that Workforce Safety and Insurance also report to the Budget Section on its consideration of those recommendations and any action taken.

ATTORNEY GENERAL - STATUS OF NEW CRIME LABORATORY BUILDING

Chairman Holmberg called on Mr. Thomas L. Trenbeath, Chief Deputy Attorney General, to present information regarding the status of the new Crime Laboratory building pursuant to Section 13 of 2007 Senate Bill No. 2003. Mr. Trenbeath said the project is two weeks ahead of schedule. He said the representatives of the contractors, architect, Attorney General's office, and State Department of Health meet each week to discuss the status of the project. A copy of the report is on file in the Legislative Council office.

Mr. Trenbeath said $1.26 million of the $4.9 million of appropriated funds for the project have been spent, and the project is on schedule to be completed in October 2008.

AGENCY REQUESTS AUTHORIZED BY THE EMERGENCY COMMISSION

Chairman Holmberg 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, 54-16-04.1, and 54-16-09. Information relating to the requests was provided to the Budget Section prior to the meeting and is on file in the Legislative Council office.

Chairman Holmberg said Emergency Commission Requests #1658 and #1659 relating to the Veterans Home would be considered later in the meeting.

It was moved by Senator Mathern, seconded by Senator Robinson, and carried on a roll call vote that, pursuant to NDCC Sections 54-16-04, 54-16-04.1, and 54-16-09, the Budget Section approve the following requests which have been approved by the Emergency Commission:

- **Adjutant General (Request #1656) - For $52,100 from the state contingencies fund appropriation for costs incurred by the National Guard for assisting residents of Northwood with necessary repairs to damaged homes ($48,000), providing the Department of Transportation with diesel fuel supply assistance ($2,236), and providing operational support in Mandan during a natural gas pipeline break ($1,851).**
- **State Department of Health (Request #1657) - To increase the salaries and wages line item by $74,000 of federal funds from the Centers for Disease Control and Prevention, to maintain North Dakota immunization information system (NDIIS) data, enhance the data quality in the NDIIS, and conduct statistical analysis of NDIIS data. The funding is for one FTE epidemiologist II. This position is included in a five-year grant which ends December 31, 2012.**
- **Department of Agriculture (Request #1660) - To increase federal funds spending authority by $264,365 for the salaries and wages line item ($132,832) and operating expenses line item ($131,533). The federal funds are received through the United States Department of Agriculture to conduct a survey related to potato cyst nematode.**
- **Secretary of State (Request #1661) - To increase spending authority by $575,000 to accept federal funds from the United States Election Assistance Commission for the Help America Vote Act election reform fund and for funding of $30,263 from the state contingencies fund appropriation for the 5 percent state match required to obtain the $575,000 of federal funds.**

Senators Holmberg, Bowman, Christmann, Fischer, Grindberg, Kilzer, Krauter, Krebsbach, Lindaas, Mathern, Nelson, Robinson, Seymour, Stenehjem, Tallackson, and Wardner and Representatives Bellew, Boucher, Carlisle, Carlson, Delzer, Ekstrom, Glassheim, Kempenich, Kerzman, Klein, Kreidt, Kroeber, Metcalf, Monson, Nelson, Pollert, Skarphol, Thoreson, Wald, Wieland, and Williams voted "aye." No negative votes were cast.

VETERANS HOME - CHANGE IN SCOPE OF PROJECT

Mr. Mark B. Johnson, Administrator, Veterans Home, provided information regarding the status of the Veterans Home construction project, pursuant to Section 4 of 2007 Senate Bill No. 2418, and a request for Budget Section approval to increase the project authorization for the new Veterans Home construction project from $21,098,656 to $25,600,000 pursuant to NDCC Section 48-01.2-25. A copy of the report is on file in the Legislative Council office.

Mr. Johnson said the Veterans Home has completed Phases 1 and 2 of the environmental assessment and are now preparing to perform a cultural resource study to determine if there is any historical significance to the area under construction.

Mr. Johnson said the plans prepared last year did not address circulation space correctly, and it was not identified in the initial plan. He said the plan provided for a traditional nursing home design that would have cost approximately $24 million. He said the federal Veterans Administration did not approve of the traditional design and preferred a more household or neighborhood concept, where residents are grouped in smaller units or pods which has increased the cost. He said the federal Veterans Administration has committed to funding 65 percent of the cost of a 121-bed facility. He said the home is currently licensed for 150 beds and plans to build a 150-bed facility to meet the needs of North Dakota's veterans.

Mr. Johnson said the revised cost of the facility is $25.6 million for a 150-bed facility. He said the federal Veterans Administration will provide $13.4 million relating to the 121-bed portion of the facility, requiring a state match of $7.2 million. He said additional state funding of $5 million is needed to construct the additional 29 beds to provide a total of 150 beds. He said the 2007 Legislative Assembly appropriated $6.5 million from the permanent oil tax trust fund to match the federal Veterans Administration funding for the 121-bed facility and authorized $2.6 million in revenue bonds to provide additional funds for a 150-bed facility. He said to provide the additional state match of $700,000 required for the 121-bed portion of the project, the Veterans Home will use $75,000 from the Department of Commerce for a geothermal heating system, $150,000 from the veterans' postwar trust fund, and $394,000 of Veterans Home special fund revenue and are requesting Budget Section approval for $109,000 from the state contingencies appropriation. He said the Veterans Home plans to submit a request to the 2009 Legislative Assembly for $2.4 million in additional revenue bond authority for the increased funding needed for the additional 29 beds.

Mr. Johnson said the Veterans Home plans to bid the project in July and begin construction in September or October. He said federal funds should be received in October 2008 and the project's completion date is scheduled for June 2010.

In response to a question from Senator Grindberg, Mr. Johnson said the project includes a $160,000 contingency.

In response to a question from Representative Kreidt, Mr. Johnson said the new facility will have 4 double rooms and 94 private rooms in basic care and 52 private rooms in skilled care.

In response to a question from Representative Kreidt, Mr. Johnson said the design of the new home will require an increase in staff, possibly five to seven individuals. He anticipates revenue increases will provide for the additional cost.

Representative Kreidt expressed concern that costs of repaying the revenue bonds may increase the Veterans Home daily rate, which is already one of the highest in the state.

In response to a question from Representative Kreidt, Mr. Johnson said the Veterans Home is considering the possibility of requesting state funding for repayment of the revenue bonds.

The committee recessed for lunch at 11:50 a.m. and reconvened at 1:00 p.m.

It was moved by Senator Robinson, seconded by Senator Tallackson, and carried on a roll call vote that the Budget Section, pursuant to NDCC Section 48-01.2-25, approve the Veterans Home request to increase the project authorization for the Veterans Home project from $21.1 million to $25.6 million. Senators Holmberg, Bowman, Fischer, Grindberg, Kilzer, Krauter, Krebsbach, Lindaas, Mathern, Nelson, Robinson, Stenehjem, Tallackson, and Wardner and Representatives Bellew, Boucher, Carlisle, Carlson, Ekstrom, Glassheim, Kempenich, Kerzman, Klein, Kreidt, Kroeber, Metcalf, Monson, Nelson, Pollert, Skarphol, Thoreson, Wald, Wieland, and Williams voted "aye." No negative votes were cast.

AGENCY REQUESTS AUTHORIZED BY THE EMERGENCY COMMISSION

Chairman Holmberg directed the committee to consider the Veterans Home Request #1659 which had been authorized by the Emergency Commission and forwarded to the Budget Section pursuant to NDCC Section 54-16-09. The information relating to the request was provided to the Budget Section prior to the meeting and is on file in the Legislative Council office.

It was moved by Representative Metcalf, seconded by Senator Nelson, and carried on a roll call vote that, pursuant to NDCC Section 54-16-09, the Budget Section approve the following request which has been approved by the Emergency Commission:

- **Veterans Home (Request #1659) - For $109,000 from the state contingencies appropriation and to increase the capital assets line item by $2,128,000.**

Senators Holmberg, Bowman, Fischer, Grindberg, Kilzer, Krauter, Krebsbach, Lindaas, Mathern, Nelson, Robinson, Stenehjem, Tallackson, and Wardner and Representatives Bellew, Carlisle, Carlson, Ekstrom, Glassheim, Kempenich, Kerzman, Kreidt, Kroeber, Metcalf, Monson, Nelson, Pollert, Skarphol, Thoreson, Wald, Wieland, and Williams voted "aye." No negative votes were cast.

Chairman Holmberg directed the committee to consider the Veterans Home Request #1658 which had been authorized by the Emergency Commission and forwarded to the Budget Section pursuant to NDCC Section 54-16-04.2. The information relating to the request was provided to the Budget Section prior to the meeting and is on file in the Legislative Council office.

It was moved by Senator Robinson, seconded by Senator Mathern, and carried on a roll call vote that, pursuant to NDCC Section 54-16-04.2, the Budget Section approve the following request which has been approved by the Emergency Commission:

- **Veterans Home (Request #1658) - To increase the salaries and wages line item by $133,500 from special funds available due to actual Veterans Home collections exceeding estimates. The increase will provide for three additional FTE certified medication aides and certified nursing assistants.**

Senators Holmberg, Bowman, Fischer, Grindberg, Kilzer, Krauter, Krebsbach, Lindaas, Mathern, Nelson, Robinson, Stenehjem, Tallackson, and Wardner and Representatives Bellew, Carlisle, Carlson, Ekstrom, Glassheim, Kempenich, Kerzman, Klein, Kreidt, Kroeber, Metcalf, Monson, Nelson, Pollert, Skarphol, Thoreson, Wald, Wieland, and Williams voted "aye." No negative votes were cast.

AGENCY REQUESTS AUTHORIZED BY THE EMERGENCY COMMISSION - REQUEST FROM OCTOBER 30, 2007

Chairman Holmberg directed the committee to consider the Information Technology Department Request #1645 which had been authorized by the Emergency Commission and forwarded to the Budget Section pursuant to NDCC Section 54-16-04.1.

Ms. Peterson presented information on Emergency Commission Request #1645 - statewide automated victim information and notification (SAVIN) system. She distributed a timeline of the SAVIN system, estimated costs associated with the initial development, and ongoing estimated SAVIN program cost. She said $1,410,160 of federal funds from the United States Department of Justice will be matched by in-kind funds of $1,474,328 for a total project cost of $2,884,488. She said ongoing SAVIN program costs are estimated to be $849,508 per biennium. She said the project is expected to have a two-year implementation cycle and grant funds must be spent by June 30, 2009, with the potential of a one-year extension. A copy of the report is on file in the Legislative Council office.

In response to a question from Representative Skarphol, Ms. Peterson said the federal funds are for the development of the system, but ongoing operating and maintenance costs are estimated at $850,000 per biennium that will be requested from the general fund.

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

- **Information Technology Department (Request #1645) - To increase special funds spending authority and the criminal justice information sharing line item by $1,410,160 to accept federal funds from the United States Department of Justice to implement a statewide automated victim information and notification (SAVIN) system.**

Senators Holmberg, Fischer, Grindberg, Kilzer, Krauter, Krebsbach, Lindaas, Mathern, Nelson, Robinson, Stenehjem, Tallackson, and Wardner and Representatives Bellew, Boucher, Carlisle, Carlson, Ekstrom, Glassheim, Kempenich, Kerzman, Klein, Kreidt, Kroeber, Metcalf, Monson, Nelson, Pollert, Skarphol, Thoreson, Wald, Wieland, and Williams voted "aye." Senator Bowman and Representative Delzer voted "nay."

GAME AND FISH DEPARTMENT LAND ACQUISITION REQUESTS

Mr. Roger Rostvet, Deputy Director, Game and Fish Department, presented information on land acquisitions in Williston and in Oliver County that require Budget Section approval pursuant to NDCC Section 20.1-02-05.1.

Mr. Rostvet provided information and a map of 2.18 acres of land adjacent to the department's shop and office facility in Williston. He said the Game and Fish Department is seeking approval to purchase the land for $12,500 primarily for parking and storage space. Copies of the report and map are on file in the Legislative Council office.

Mr. Rostvet provided information and a map of 208 acres of land adjacent to an existing wildlife management area in Oliver County already owned by the Game and Fish Department. He said the owner of the property has recently passed away and has given the Game and Fish Department first opportunity to acquire the property at appraised value, estimated at $481,600. He provided information on requirements relating to the sale which limits the department's future use of the land. He said funding for the purchase includes $200,000 from a federal wildlife grant, matched with $200,000 of game and fish funds, and the remainder from conservation group donations. Copies of the report and map are on file in the Legislative Council office.

In response to a question from Representative Delzer, Mr. Rostvet said the department has funds available within its capital assets line item for the purchase but will have to adjust other projects originally planned.

Senator Stenehjem expressed concern with the land use restriction included as part of the sale. Mr. Rostvet agreed and said the department plans to seek clarification before proceeding with the purchase. He said if the restriction is included it would likely reduce the value of the property.

It was moved by Senator Stenehjem, seconded by Representative Monson, and carried on a roll call vote that the Budget Section, pursuant to NDCC Section 20.1-02-05.1, approve the Game and Fish Department purchase of approximately 208 acres of land in Oliver County, subject to land use restriction provisions being removed or changed to the satisfaction of the Game and Fish Department. Senators Holmberg, Bowman, Fischer, Grindberg, Kilzer, Krauter, Krebsbach, Lindaas, Mathern, Nelson, Robinson, Stenehjem, Tallackson, and Wardner and Representatives Bellew, Boucher, Carlisle, Carlson, Delzer, Ekstrom, Glassheim, Kempenich, Kerzman, Klein, Kreidt, Kroeber, Metcalf, Monson, Nelson, Pollert, Skarphol, Thoreson, Wald, Wieland, and Williams voted "aye." No negative votes were cast.

It was moved by Senator Stenehjem, seconded by Representative Nelson, and carried on a roll call vote that the Budget Section, pursuant to NDCC Section 20.1-02-05.1, approve the Game and Fish Department purchase of 2.18 acres in Williston. Senators Holmberg, Bowman, Fischer, Grindberg, Kilzer, Krauter, Krebsbach, Lindaas, Mathern, Nelson, Robinson, Stenehjem, Tallackson, and Wardner and Representatives Bellew, Boucher, Carlisle, Carlson, Delzer, Ekstrom, Glassheim, Kempenich, Kerzman, Klein, Kreidt, Kroeber, Metcalf, Monson, Nelson, Pollert, Skarphol, Thoreson, Wald, Wieland, and Williams voted "aye." No negative votes were cast.

JOB SERVICE NORTH DAKOTA

At the request of Chairman Holmberg, Ms. Maren Daley, Executive Director, Job Service North Dakota, presented information regarding the status of the job insurance trust fund pursuant to NDCC Section 52-02-17. She said the trust fund balance was $120 million, the target for reserve adequacy was $69.6 million, and the projected trust fund balance was $118.6 million as of December 31, 2007. A copy of the information presented is on file in the Legislative Council office.

Ms. Daley said Job Service has exceeded the targeted reserve fund amount due to increased earnings in recent years and a reduction in the targeted reserve fund balance requirement.

Ms. Daley provided projected trust fund balances through 2016 to demonstrate how, through rate adjustments, Job Service plans to reduce the trust fund balance to the targeted reserve fund amount by December 31, 2016.

Ms. Daley said the targeted modified average high cost multiplier is currently .86 percent.

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

Representative Delzer expressed concern regarding Budget Section action on decisions that should be made by the Legislative Assembly.

Representative Skarphol asked the Legislative Council staff to compile a report listing Budget Section acting during the interim that will result in a need for future funding by the Legislative Assembly.

Representative Skarphol commented that although oil production in the Bakken Formation is increasing, there are indications that the formation may not meet earlier production projections.

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

Chairman Holmberg adjourned the meeting at 1:50 p.m.

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Sheila Sandness
Fiscal Analyst

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Allen H. Knudson
Legislative Budget Analyst and Auditor

ATTACH:1