NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

BUDGET SECTION

Tuesday, October 30, 2007
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, Carolyn Nelson, David O'Connell, Larry J. Robinson, Tom Seymour, Rich Wardner; Representatives Ole Aarsvold, Larry Bellew, Rick Berg, Merle Boucher, Ron Carlisle, Al Carlson, Jeff Delzer, Mary Ekstrom, Eliot Glassheim, Pam Gulleson, Kathy Hawken, Matthew M. Klein, Gary Kreidt, Joe Kroeber, Bob Martinson, Ralph Metcalf, David Monson, Kenton Onstad, Chet Pollert, Bob Skarphol, Ken Svedjan, Blair Thoreson, Francis J. Wald, Alon Wieland

Members absent: Senators Tim Mathern, Bob Stenehjem, Harvey D. Tallackson; Representatives Keith Kempenich, James Kerzman, Jon Nelson, Clark Williams

Others present: See Appendix A

It was moved by Representative Carlisle, seconded by Representative Thoreson, and carried on a voice vote that the minutes of the June 27, 2007, meeting be approved as distributed.

STATUS OF THE GENERAL FUND

At the request of Chairman Holmberg, Ms. Pam Sharp, Director, Office of Management and Budget, presented 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 September 2007 was 2.8 percent, which was up .8 percent for the month and up .7 percent compared to September 2006. She said the consumer price index is expected to average 2.8 percent during 2007. She said North Dakota's unemployment rate for August 2007 was 2.9 percent, nearly unchanged from the August 2006 rate. She said North Dakota's unemployment rate was considerably lower than the national rate of 4.6 percent in August 2007. She said personal income in North Dakota grew at a rate of 4 percent during the second quarter of 2007, slightly higher than the 3.8 percent average for calendar year 2006.

Ms. Sharp said North Dakota oil production in August 2007 increased from the July 2007 level of over 123,600 barrels per day to approximately 125,000 barrels per day. She said the average price for North Dakota crude oil was $61 per barrel in June 2007, $68 per barrel in July 2007, and $65 per barrel in August 2007. She said current oil prices are over $74 per barrel and the rig count is 50, 10 more rigs than were operating in the state one year ago.

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

Unobligated general fund balance - July 1, 2007	$295,541,176
Add	
General fund collections through September 30, 2007	265,823,298
Forecasted general fund revenue for the remainder of the 2007-09 biennium (based on the 2007 legislative forecast)	2,029,682,734
Total estimated general fund revenue for the 2007-09 biennium	$2,591,047,208
Less	
2007-09 biennium general fund appropriations	2,456,973,956
Estimated general fund balance - June 30, 2009 ($115,417,073 more than the 2007 legislative estimate of $18,656,179)	$134,073,252

In response to a question from Representative Delzer, Ms. Sharp said she would provide information regarding statutory provisions for the general fund transfer to the budget stabilization fund.

In response to a question from Representative Berg, Ms. Sharp said future status reports for the general fund will provide a breakdown of ongoing appropriations and one-time appropriations.

In response to a question from Representative Glassheim, Ms. Sharp said the current balance of the budget stabilization fund is $200 million and based on the actual general fund balance, there could be a transfer at the end of the 2007-09 biennium.

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
Less	
Transfer to the general fund - Section 12 of 2007 Senate Bill No. 2032	115,000,000
2007-09 appropriations - 2007 House Bill Nos. 1003, 1018, 1020, 1395; 2007 Senate Bill No. 2418	30,716,541
Add	
Transfers from the general fund - Oil and gas tax collections above the $71 million statutory general fund limit	146,017,945
Estimated ending permanent oil tax trust fund balance - June 30, 2009	$143,572,066

TOBACCO SETTLEMENT PROCEEDS

Ms. Sharp presented information on the status of tobacco settlement proceeds received by North Dakota. A copy of the information presented is on file in the Legislative Council office. Ms. Sharp said the status of the tobacco settlement trust fund remains unchanged from the June 2007 Budget Section meeting. She said the state will receive its next tobacco settlement payment in April 2008.

FINAL 2005-07 BIENNIUM GENERAL FUND REVENUES AND EXPENDITURES

Ms. Sharp presented the following information on the final status of the general fund for the 2005-07 biennium:

Unobligated general fund balance - July 1, 2005	$68,015,056
Add	
General fund collections through June 30, 2007	2,317,659,171
General fund turnback for the 2005-07 biennium	13,069,134
Total general fund revenue for the 2005-07 biennium	$2,398,743,361
Less	
2005-07 biennium general fund appropriations	1,989,452,623
Supplemental appropriations (2007 Senate Bill No. 2023)	11,084,451
Transfer to the budget stabilization fund	100,527,369
Cash certifications, adjustments, and changes in authorized carryover	2,137,742
Ending general fund balance - June 30, 2007	$295,541,176

Ms. Sharp said the $295.5 million ending balance should not be considered a surplus because the estimated ending balance at the end of the 2007 legislative session was $218 million, with $200 million of that amount appropriated for the 2007-09 biennium.

2005-07 BIENNIUM GENERAL FUND TURNBACK

Ms. Sharp presented information on the 2005-07 biennium general fund turnback amounts by agency. A copy of the information presented is on file in the Legislative Council office. Ms. Sharp said agency turnback to the general fund for the 2005-07 biennium totaled approximately $13 million.

STATUS OF 2005-07 BIENNIUM DEFICIENCY APPROPRIATIONS

Ms. Sharp presented information on the 2005-07 deficiency appropriation amounts by agency. A copy of the information presented is on file in the Legislative Council office.

In response to a question from Senator Krauter, Ms. Sharp said the Department of Corrections and Rehabilitation's deficiency appropriation of $4.1 million was based on population projections. She said the general fund turnback amount of $1 million for the Department of Corrections and Rehabilitation included approximately $573,000 from the Youth Correctional Center and Juvenile Services Division.

OIL REVENUE FORECAST PROCESS

Ms. Sharp provided information on the oil revenue forecast process. A copy of the information presented is on file in the Legislative Council office. Ms. Sharp identified the following steps used in the oil revenue forecast process:

- Historical information on oil prices and oil production is supplied to Economy.com.
- Economy.com forecasts national oil prices based on their current macroeconomic model.
- State forecasters prepare historical data and forecast data for review by the Revenue Advisory Committee.
- The Revenue Advisory Committee meets and reviews historical data and Economy.com forecast assumptions.
- The Revenue Advisory Committee members from the oil industry in North Dakota provide input on North Dakota-specific expectations of the industry.
- The Revenue Advisory Committee provides input on the forecasted North Dakota price and production levels.
- State forecasters use current tax law to translate price and production forecasts into tax revenue forecasts and distributions.

Ms. Sharp said the price of North Dakota crude oil generally averages approximately 90 percent of the New York Mercantile Exchange (NYMEX) price for West Texas intermediate crude oil. She said the benchmark for the discount of North Dakota crude oil is 90 percent of the West Texas intermediate price. She said the estimated lost tax revenue impact of the discounting of North Dakota oil, relative to the

benchmark, is approximately $16 million for the 2005-07 biennium.

In response to a question from Senator Holmberg, Ms. Sharp said it is not unusual for there to be premiums as well as discounts based on the price of the oil. She said the premiums are not quantified or reflected in the $16 million estimate.

In response to a question from Representative Berg, Ms. Sharp said she would provide information on the factors that create oil price discounts.

FISCAL IRREGULARITIES

Pursuant to North Dakota Century Code (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. Ms. Sharp said the state agencies with fiscal irregularities are:

Agency	Amount	Reason
Office of Management and Budget	$1,000	Retroactive pay for two employees for additional workload due to custodial vacancies throughout the 2005-07 biennium
Department of Human Services	$8,820	Settlement agreement
Department of Commerce	$500	Temporary increase due to vacancy in Division of Community Services
Department of Commerce	$1,125	Temporary increase due to vacancy of vice president of research
Commission on Legal Counsel for Indigents	$2,000	Pay for an extra project in addition to normal duties
Workforce Safety and Insurance	$500	Retroactive pay for additional workload due to vacancy in accounts payable
Information Technology Department	$1,245	Additional pay for part-time employee who worked additional hours during vacancy

UNIVERSITY OF NORTH DAKOTA - ACCEPTANCE OF DONATED FUNDS

Chairman Holmberg called on Mr. Rick Tonder, Associate Director of Facilities Planning, University of North Dakota, to present information regarding a request to accept and spend $1.3 million in donated funds for an addition to Harrington Hall pursuant to NDCC Section 15-10-12.1. Mr. Tonder said the Harrington Hall project includes an addition and renovation that will expand the academic and entrepreneurial function of the engineering school. He said it is being financed entirely by the University of North Dakota Alumni Foundation. He said the project will include approximately 2,000 square feet of new space and approximately 3,000 square feet of renovated space.

It was moved by Representative Glassheim, seconded by Senator Robinson, and carried on a roll call vote that the Budget Section, pursuant to NDCC Section 15-10-12.1, approve the University of North Dakota request to accept and spend $1.3 million in donated funds for an addition to Harrington Hall. Senators Holmberg, Bowman, Christmann, Fischer, Grindberg, Kilzer, Krauter, Krebsbach, Lindaas, Nelson, O'Connell, Robinson, Seymour, and Wardner and Representatives Aarsvold, Bellew, Berg, Carlisle, Carlson, Delzer, Ekstrom, Glassheim, Gulleson, Hawken, Klein, Kreidt, Kroeber, Martinson, Metcalf, Monson, Pollert, Skarphol, Svedjan, Thoreson, Wald, and Wieland voted "aye." No negative votes were cast.

UNIVERSITY OF NORTH DAKOTA - NEW PRESIDENT'S HOUSE

Mr. Tonder presented information regarding a request to accept a new president's house on the University of North Dakota campus. Mr. Tonder said the project will include demolition of the existing house which is approximately 55 years old and construction of a new house of approximately the same size. He said the new house will be constructed to be more efficient than the existing house and will serve new presidents for many years. He said the cost of approximately $900,000 will be funded entirely by the University of North Dakota Alumni Foundation.

In response to a question from Senator Christmann, Mr. Tonder said the site of a discovery of human bones on the campus is not directly related to construction of the residence and the construction site has been cleared for construction. He said the discovery was related to a steamline project that will supply an upgraded utility service to the campus as well as the new president's house.

In response to a question from Senator Krauter, Mr. Tonder said the utilities and upkeep for the existing home are fully funded by the University of North Dakota, as will the utilities and upkeep for the new home. He said upgraded and updated mechanical systems along with reduced deferred maintenance costs for the new home will result in lower costs for the state.

In response to a question from Senator Krauter, Mr. Tim O'Keefe, Executive Vice President/Chief Executive Officer, University of North Dakota Alumni Association and Foundation, said the project approved by the State Board of Higher Education includes $900,000 for construction of the new house

and the remainder will be used for furniture and other items that will make the house ready for use.

In response to a question from Representative Skarphol, Mr. Tonder said the actual planning for the replacement of the president's house began in early September 2007 and was not under consideration during the 2007 Legislative Assembly.

In response to a question from Representative Bellew, Mr. Tonder said the cost of the project allows for a private residential space and a public space to entertain moderately large groups. He said the new house will be comparable to the existing structure.

In response to a question from Senator Krauter, Ms. Laura Glatt, Vice Chancellor for Administrative Affairs, North Dakota University System, said some campuses, because of their size and alumni foundations, are better able to generate revenue. She said the campuses look at what is in the best interest for their institution as well as the state as a whole. She said the University System will be able to attract top quality candidates as a result of the foundations' gifts of the president homes. She said the homes are a very critical and pivotal piece of the package for recruiting top quality candidates. She said the University System looks at gifts from foundations or other sources as one-time gifts and determines how they can be used to support one-time activities because it is not known if the money will be available on an ongoing basis. She said using this kind of money for construction is appropriate because it is potentially a one-time gift.

In response to a question from Senator Krauter, Ms. Glatt said the State Board of Higher Education would prefer 100 percent of the presidents' compensation packages be paid through the general fund. She said the board has been creative in diversifying its revenue sources to help support the enterprises. She said this results in part of the compensation packages being funded by nonstate sources, essentially to be competitive in recruiting and retaining top quality presidents. She said the campuses have a growing number of employees that are being funded by nonstate sources.

In response to a question from Senator Christmann, Mr. Tonder said demolition of the existing house and disposal costs are included in the $900,000 cost.

In response to a question from Representative Delzer, Mr. Tonder said the consultant retained for the new president search indicated that the existing house is a liability in retaining a president. He said the quality of the president is a factor in the quality of education for the students.

Representative Hawken said the higher education institutions have been asked to be creative in finding other revenue sources and should not be punished for finding those other sources.

In response to a question from Representative Svedjan, Mr. O'Keefe said the University of North Dakota Alumni Foundation Board has committed unrestricted funds for the president's house project. He said the last two years have been record fundraising years with $36 million being raised in the current year. He said the board committed $13 million for items such as scholarships.

It was moved by Representative Wald, seconded by Senator Wardner, and carried on a roll call vote that the Budget Section, pursuant to NDCC Section 15-10-12.1, approve the University of North Dakota request to accept from the University of North Dakota Alumni Foundation a new president's house at a construction cost of $900,000. Senators Holmberg, Bowman, Christmann, Fischer, Grindberg, Kilzer, Krauter, Krebsbach, Lindaas, Nelson, Robinson, Seymour, and Wardner and Representatives Aarsvold, Berg, Boucher, Carlson, Ekstrom, Glassheim, Gulleson, Hawken, Klein, Kreidt, Kroeber, Martinson, Metcalf, Monson, Onstad, Pollert, Svedjan, Thoreson, Wald, and Wieland voted "aye." Senator O'Connell and Representatives Bellew, Carlisle, Delzer, and Skarphol voted "nay."

NORTH DAKOTA STATE UNIVERSITY - NEW OR RENOVATED PRESIDENT'S HOUSE

Chairman Holmberg called on Mr. John Adams, Vice President for Finance and Administration, North Dakota State University, to present information on the North Dakota State University request to accept a renovation and addition to the university president's house or a new president's house. Mr. Adams said a report from an engineer said the existing structure is sound but has several deficiencies. He said public entertainment and private areas, including the guest bedroom and garage, are insufficient. He said the footprint of the existing structure will not accommodate required remodeling. He said the engineer's recommendation is to tear down the existing house and build a new house because the cost of renovation would be too high.

In response to a question from Senator Christmann, Mr. Adams said the cost of demolition is included in the $900,000 project cost.

Representative Delzer said he does not support the project because it has not been heard by the Legislative Assembly. He said he believes the decision to approve this project goes beyond the scope of the Budget Section.

In response to a question from Representative Carlson, Mr. Adams said North Dakota State University is in the early stages of this project and was asked by the State Board of Higher Education to bring the project forward with the University of North Dakota president's house project.

Representative Boucher said the institutions need to move forward to be competitive in recruiting presidents. However, he said, even though the process involves foundation money, the process is circumventing the legislative and appropriation process.

Mr. Adams said the president's house has been an issue for the development foundation for at least 10 years and the foundation passed a resolution 2 years ago to make a decision regarding the house.

In response to a question from Senator Seymour, Mr. Adams said State Board of Higher Education policy requires the presidents of North Dakota State University, the University of North Dakota, and Dickinson State University to live in a home provided by the university.

In response to a question from Representative Pollert, Mr. Adams said the State Board of Higher Education amended the request for renovation and an addition to the president's house to include the option of accepting a new house.

It was moved by Senator Wardner, seconded by Senator Nelson, and carried on a roll call vote that the Budget Section, pursuant to North Dakota Century Code Section 15-10-12.1, approve the North Dakota State University request to accept from the North Dakota State University Foundation a new president's house at a construction cost of $900,000. Senators Holmberg, Bowman, Christmann, Fischer, Grindberg, Kilzer, Krauter, Krebsbach, Lindaas, Nelson, O'Connell, Robinson, Seymour, and Wardner and Representatives Aarsvold, Berg, Boucher, Carlson, Ekstrom, Glassheim, Gulleson, Hawken, Klein, Kreidt, Kroeber, Martinson, Metcalf, Onstad, Pollert, Svedjan, Thoreson, Wald, and Wieland voted "aye." Representatives Bellew, Carlisle, Delzer, and Skarphol voted "nay."

NORTH DAKOTA STATE UNIVERSITY - CHANGE IN SCOPE OF PROJECT

Mr. Adams presented information on North Dakota State University's request to change the scope of the material handling facility project from $3.5 million to $4 million. Mr. Adams said the material handling facility was approved by the 2005 Legislative Assembly. He said bids for the project came in higher than the project budget amount resulting in removing from the project the storage/management area for new laboratory chemicals coming to the campus. He said the project was rebid and bids again came in higher than the project budget amount. He said the project will be completed in two phases. He said the first phase will consist of a 10,443-foot building that includes a storage area for agricultural chemicals, a cell block area for other types of materials, a mechanical room, administrative offices, and restrooms. He said the second phase will include the storage/management area that was removed after the first bid process. He said the estimated cost for the second phase is approximately $2 million. He said the additional $500,000 for Phase 1 of the project will be provided through 2007-09 biennium capital assets funding for extraordinary repairs and utility sales revenues. He said the use of extraordinary repair funding will cause the university to reprioritize other projects on the campus and delay repair to a leaking steamline on campus. He said it is possible the university will request $500,000 during the 2009 Legislative Assembly to cover the additional cost of the first phase of the project, in addition to requesting funds for the cost of the second phase.

In response to a question from Representative Pollert, Mr. Adams said the project was not considered by the 2007 Legislative Assembly because bids were not received until after the legislative session adjourned.

In response to a question from Senator Christmann, Mr. Adams said funds will be deferred from projects that are not considered critical.

It was moved by Senator Nelson, seconded by Senator O'Connell, and carried on a roll call vote that the Budget Section, pursuant to NDCC Section 48-01.2-25, approve the North Dakota State University request to change the scope of the material handling facility project to spend $4 million for Phase 1 of the project. Senators Holmberg, Bowman, Fischer, Grindberg, Kilzer, Krauter, Krebsbach, Lindaas, Nelson, O'Connell, Robinson, Seymour, and Wardner and Representatives Aarsvold, Berg, Carlisle, Carlson, Gulleson, Hawken, Klein, Kreidt, Kroeber, Martinson, Metcalf, Monson, Onstad, Pollert, Skarphol, Svedjan, Thoreson, Wald, and Wieland voted "aye." Senator Christmann and Representatives Bellew and Delzer voted "nay."

DICKINSON STATE UNIVERSITY - CHANGE IN SCOPE OF PROJECT

Chairman Holmberg called on Mr. Alvin Binstock, Vice President of Business Affairs, Dickinson State University, to present information on a change in the scope of the Whitney Stadium project. A copy of the information presented is on file in the Legislative Council office. Mr. Binstock said Dickinson State University received spending authority of $8 million from the 2007 Legislative Assembly for the Whitney Stadium renovation and addition project. He said programming for the proposed facility progressed and an alliance between the university and several community and regional entities supports an expanded multipurpose facility which can be used year round and is projected to cost $16 million. He said the additional $8 million will be obtained through philanthropic gifts and contributions from local entities.

In response to a question from Senator Seymour, Mr. Binstock said a facility needs assessment was conducted which resulted in an expanded vision for the project.

In response to a question from Senator Bowman, Mr. Binstock said the proposed facility will be distinctly different from the recreational facility located in Dickinson. He said the proposed facility will have a large academic component and the concourse area will offer opportunities for exhibitions and trade shows.

In response to a question from Senator Christmann, Mr. Binstock said the university along

with the school district will have a priority for primary use of the facility pursuant to the joint powers agreement. He said it must be recognized that a large portion of the contributions will be brought forth by the entities in the joint powers agreement.

It was moved by Senator Krauter, 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 Dickinson State University request to change the scope of the Whitney Stadium project to spend $16 million on the project. Senators Holmberg, Bowman, Christmann, Fischer, Grindberg, Kilzer, Krauter, Krebsbach, Lindaas, Nelson, O'Connell, Robinson, Seymour, and Wardner and Representatives Aarsvold, Bellew, Berg, Carlisle, Carlson, Delzer, Glassheim, Gulleson, Hawken, Klein, Kreidt, Kroeber, Martinson, Metcalf, Monson, Onstad, Pollert, Skarphol, Svedjan, Thoreson, Wald, and Wieland voted "aye." No negative votes were cast.

2007-09 CENTERS OF EXCELLENCE APPLICATIONS

Chairman Holmberg called on Mr. Allen H. Knudson, Assistant Legislative Budget Analyst and Auditor, Legislative Council, to present a memorandum entitled *Summary of 2007-09 Centers of Excellence Applications - Round 1* (Appendix B).

Mr. Knudson said the 2007 Legislative Assembly appropriated $15 million from the permanent oil tax trust fund to the Office of Management and Budget for centers of excellence grants and authorized the Office of Management and Budget, as directed by the Centers of Excellence Commission and with Emergency Commission and Budget Section approval, to borrow up to $5 million from the Bank of North Dakota for providing additional funding for centers of excellence, if the $15 million is committed.

Mr. Knudson said the Budget Section approved 11 centers of excellence grants during the 2005-07 biennium totaling $20 million. He said there are also two centers of excellence provided for separately by the Legislative Assembly.

In response to a question from Senator Krauter, Mr. Shane C. Goettle, Commissioner, Department of Commerce, said in October 2006 the Centers of Excellence Commission adopted a reporting form that each center is required to fill out on an annual basis. He said the first annual reports are due in the Department of Commerce in December 2007. He said the reports will be summarized and a report on the status of the centers of excellence will be issued in 2008.

Mr. Goettle said there is a third center of excellence--the Beef Systems Center of Excellence--that received an appropriation during the 2005-07 biennium.

Mr. Mark Nisbet, Chairman, Centers of Excellence Commission, said the commission reviewed 12 applications totaling over $30 million. He said the commission recommends six applications totaling $10 million which were also approved by the Economic Development Foundation, State Board of Higher Education, and Emergency Commission. He said there are four general provisions a center of excellence must meet before funding is released:

1. Applicant signs an acknowledgement of its responsibilities under NDCC Chapter 15-69, including the requirement that the center provide annual audits and any information necessary for the commission to monitor any postactivities of the center.
2. Applicant agrees that there will be no subgrants, direct or indirect, of the funds or assets of the center to the private sector partner, with the exception of intellectual property or technology which is developed as a result of center activity.
3. Distribution of funds is contingent on sufficient documentation being provided to demonstrate that the match has been secured or committed by the private sector partners or other funding entities through the collaboration of private sector partners.
4. Applicant agrees to notify the Department of Commerce of any material changes to the center as represented in the application or any material changes to the facts on which the center was approved, including facts secured as part of the due diligence process.

North Dakota State University - Center for Agbiotechnology - Oilseed Development II

Mr. Nisbet presented information on the North Dakota State University center of excellence for agbiotechnology and oilseed development. He said the Centers of Excellence Commission recommends $1.5 million for the center. He said the private sector partners are Monsanto and Archer Daniels Midland. He said the center anticipates creating 160 direct jobs and several indirect jobs relating to agricultural services support. He said the grant will expand the current center of excellence for agbiotechnology and oilseed development.

In response to a question from Representative Pollert, Mr. Nisbet said the first centers of excellence grant for agbiotechnology and oilseed development did not receive full funding and, as a result, focused on one specific strain of plants. He said this grant will introduce strains of seeds that may be more drought tolerant. He said Archer Daniels Midland has invested millions of dollars in its plant and is providing a testing laboratory to the state to verify the oil content and help expand the growing territory.

In response to a question from Representative Pollert, Dr. Bill Wilson, Agribusiness, North Dakota State University, said the center of excellence will develop crossbreeding to improve the lines and accelerate the breeding program.

In response to a question from Senator Krauter, Dr. Wilson said canola has a high oil content and the target of the center is to increase yield and oil content per acre.

In response to a question from Senator Krauter, Dr. Wilson said a commercialization agreement is being developed with the private sector partners that will divide the profits associated with the improved germplasm.

Representative Berg said the private sector match is a major priority. He said as the centers of excellence program moves forward, consideration should be given to what level of true funding centers should receive from the private sector. He said five of the six applicants will receive approximately $130,000 in private sector match compared to $7.5 million from the state.

Representative Skarphol said the private sector cash contribution should be equivalent to the state contribution.

In response to a question from Representative Delzer, Mr. Justin Dever, Manager, Office of Innovation and Strategic Initiatives, Department of Commerce, said the annual audits for fiscal year 2006 are due in the North Dakota University System office on October 31, 2007, and will be available for the next Budget Section meeting.

It was moved by Representative Berg, seconded by Senator Krauter, and carried on a roll call vote that pursuant to NDCC Section 15-69-02 and 2007 House Bill No. 1018, Section 14, the Budget Section approve the following center of excellence funding award request which has been recommended by the Centers of Excellence Commission and considered by the Emergency Commission:

- **Centers of Excellence Commission (Request #1632) - North Dakota State University - Agbiotechnology - Oilseed Development II - $1,500,000.**

Senators Holmberg, Bowman, Christmann, Fischer, Grindberg, Kilzer, Krauter, Krebsbach, Lindaas, Nelson, O'Connell, Robinson, Seymour, and Wardner and Representatives Aarsvold, Bellew, Berg, Boucher, Carlisle, Carlson, Delzer, Ekstrom, Glassheim, Gulleson, Hawken, Klein, Kreidt, Martinson, Metcalf, Monson, Onstad, Pollert, Svedjan, Thoreson, Wald, and Wieland voted "aye." Representative Skarphol voted "nay."

North Dakota State University - Surface Protection

Mr. Nisbet presented information on the North Dakota State University center of excellence for surface protection. He said the Centers of Excellence Commission recommends $2 million for the center. He said the private sector partners are Praxair Surface Technologies, Technology Application Group, Sulzer Metco, Marvin Windows and Doors, and Akzo Nobel. He said the center anticipates creating 20 to 30 jobs. He said the center will work with private sector partners to address new materials development, address industrial product issues, and provide technical services.

Representative Skarphol said the 2009 Legislative Assembly should conduct an analysis of the in-kind match. He said the in-kind contribution from the private sector should not count unless it is in excess of the in-kind contribution provided by the institution.

In response to a question from Representative Svedjan, Dr. Phil Boudjouk, Vice President for Research, Creative Activities and Technology Transfer, North Dakota State University, said full funding at the beginning of the project would allow the center to establish relationships and establish timelines. He said the phased funding required some projects that were planned for the first phase to be delayed until the second phase.

Dr. Boudjouk said while private sector partners are not contributing equal cash, they are allocating resources, such as employee time and equipment. He said the private sector considers this to be a cash match. He said as the centers build relationships with the private sector, the private sector's views on in-kind matches should be considered.

Senator Grindberg asked the Legislative Council staff to provide a summary of changes in legislation relating to in-kind matching during the 2003, 2005, and 2007 legislative sessions relating to centers of excellence.

It was moved by Senator Nelson, seconded by Representative Klein, and carried on a roll call vote that pursuant to NDCC Section 15-69-02 and 2007 House Bill No. 1018, Section 14, the Budget Section approve the following center of excellence funding award request which has been recommended by the Centers of Excellence Commission and considered by the Emergency Commission:

- **Centers of Excellence Commission (Request #1633) - North Dakota State University - Surface Protection - $2,000,000.**

Senators Holmberg, Bowman, Christmann, Fischer, Grindberg, Kilzer, Krauter, Krebsbach, Lindaas, Nelson, O'Connell, Robinson, Seymour, and Wardner and Representatives Aarsvold, Bellew, Berg, Boucher, Carlisle, Carlson, Ekstrom, Glassheim, Gulleson, Hawken, Klein, Kreidt, Martinson, Metcalf, Monson, Onstad, Pollert, Svedjan, Thoreson, Wald, and Wieland voted "aye." Representatives Delzer and Skarphol voted "nay."

University of North Dakota - Biomedical Device Research

Mr. Nisbet presented information on the University of North Dakota center of excellence for biomedical device research. He said the Centers of Excellence Commission recommends $2.5 million for the center. He said the private sector partner is Enova Medication Technologies. He said the center will initially create six jobs with the potential for creating 200 jobs by 2012. He said over time the center will conduct

multiple concurrent projects for various biomedical companies in cities which will provide the potential for economic development throughout the state and region. He said the Centers of Excellence Commission requested the distribution of funds be contingent on documentation that Enova Medication Technologies raise sufficient capital to fund its match.

It was moved by Representative Bellew, seconded by Senator Wardner, and carried on a roll call vote that pursuant to NDCC Section 15-69-02 and 2007 House Bill No. 1018, Section 14, the Budget Section approve the following center of excellence funding award request which has been recommended by the Centers of Excellence Commission and considered by the Emergency Commission:

- **Centers of Excellence Commission (Request #1634) - University of North Dakota - Biomedical Device Research - $2,500,000.**

Senators Holmberg, Bowman, Christmann, Fischer, Grindberg, Kilzer, Krauter, Krebsbach, Lindaas, Nelson, O'Connell, Robinson, Seymour, and Wardner and Representatives Aarsvold, Bellew, Berg, Boucher, Carlisle, Carlson, Delzer, Ekstrom, Glassheim, Hawken, Klein, Kreidt, Martinson, Metcalf, Monson, Onstad, Pollert, Skarphol, Svedjan, Thoreson, Wald, and Wieland voted "aye." No negative votes were cast.

The committee recessed for lunch at 12:00 noon and reconvened at 1:00 p.m.

University of North Dakota - Unmanned Aircraft System

Mr. Nisbet presented information on the University of North Dakota center of excellence for unmanned aircraft systems. He said the Centers of Excellence Commission recommends $1.5 million for the center. He said the private sector partners are Lockheed Martin, Raytheon, Boeing, Northrup Grumman, AAI, Cirrus Design, SEO Precision, Killdeer Mountain Manufacturing, and others. He said the center anticipates creating 40 jobs. He said this is a continuation of an earlier center of excellence and will focus on the development of the integration of unmanned aircraft systems and human factors in flight performance.

It was moved by Representative Svedjan, seconded by Senator Wardner, and carried on a roll call vote that pursuant to NDCC Section 15-69-02 and 2007 House Bill No. 1018, Section 14, the Budget Section approve the following center of excellence funding award request which has been recommended by the Centers of Excellence Commission and considered by the Emergency Commission:

- **Centers of Excellence Commission (Request #1635) - University of North Dakota - Unmanned Aircraft System - $1,500,000.**

Senators Holmberg, Christmann, Fischer, Grindberg, Kilzer, Krauter, Krebsbach, Lindaas, Nelson, O'Connell, Robinson, Seymour, and Wardner and Representatives Aarsvold, Bellew, Boucher, Carlson, Ekstrom, Glassheim, Gulleson, Hawken, Klein, Kreidt, Martinson, Metcalf, Monson, Svedjan, Thoreson, Wald, and Wieland voted "aye." Representatives Delzer, Pollert, and Skarphol voted "nay."

Lake Region State College - Dakota Center for Technology-Optimized Agriculture

Mr. Nisbet presented information on the Lake Region State College - Dakota Center for Technology-Optimized Agriculture. He said the Centers of Excellence Commission recommends $400,000 for the center. He said the private sector partners are Agri ImaGIS Technologies, AGVISE Laboratories, Airborne Data Systems, Farmers Edge Precision Consulting, Packet Digital LLC, and Verdi-Plus. He said the center anticipates creating 26 jobs. He said the center will develop a towed-hose slurry manure variable rate applicator and related soil and nutrient sensors and software.

In response to a question from Representative Wald, Dr. Sharon L. Etemad, President, Lake Region State College, said the center is collaborating with the Carrington Experiment Station and hopes to have the station come on as a full partner in the future. She said the center is working on development and patent of a prototype that could be franchised to help with the cost of continuing the center.

It was moved by Senator Robinson, seconded by Senator Nelson, and carried on a roll call vote that pursuant to NDCC Section 15-69-02 and 2007 House Bill No. 1018, Section 14, the Budget Section approve the following center of excellence funding award request which has been recommended by the Centers of Excellence Commission and considered by the Emergency Commission:

- **Centers of Excellence Commission (Request #1636) - Lake Region State College - Dakota Center for Technology-Optimized Agriculture - $400,000.**

Senators Holmberg, Bowman, Fischer, Grindberg, Kilzer, Krauter, Krebsbach, Lindaas, Nelson, O'Connell, Robinson, Seymour, and Wardner and Representatives Aarsvold, Bellew, Boucher, Carlisle, Carlson, Ekstrom, Glassheim, Gulleson, Hawken, Klein, Martinson, Metcalf, Monson, Onstad, Pollert, Svedjan, Thoreson, Wald, and Wieland voted "aye." Senator Christmann and Representatives Delzer, Kreidt, and Skarphol voted "nay."

Minot State University - Great Plains Knowledge and Data Center

Mr. Nisbet presented information on the Minot State University Great Plains Knowledge and Data Center. He said the Centers of Excellence

Commission recommends $2.1 million for the center. He said the private sector partners are InfoTech-Minot Technology Center and SRT Communications. He said the center anticipates creating 70 jobs by June 30, 2010. He said this center will promote the development and advancement of knowledge-based business in the region. He said the center will consist of a production data center and research and development center. He said the distribution of funds is contingent on verification that InfoTech-Minot Technology Center has secured public or private sector contracts sufficient to fund its match for the budgeted life of the project.

In response to a question from Senator Christmann, Mr. Nisbet said knowledge-based is a generic term used for computer-related work, including data processing, storage, and retrieval.

It was moved by Senator Robinson, seconded by Senator Nelson, and carried on a roll call vote that pursuant to NDCC Section 15-69-02 and 2007 House Bill No. 1018, Section 14, the Budget Section approve the following center of excellence funding award request which has been recommended by the Centers of Excellence Commission and considered by the Emergency Commission:

- **Centers of Excellence Commission (Request #1637) - Minot State University - Great Plains Knowledge and Data Center - $2,100,000.**

Senators Holmberg, Bowman, Christmann, Fischer, Grindberg, Kilzer, Krauter, Krebsbach, Lindaas, Nelson, O'Connell, Robinson, Seymour, and Wardner and Representatives Aarsvold, Bellew, Berg, Boucher, Carlisle, Ekstrom, Glassheim, Gulleson, Hawken, Klein, Kreidt, Martinson, Metcalf, Monson, Onstad, Svedjan, Thoreson, and Wald voted "aye." Representatives Carlson, Delzer, Pollert, Skarphol, and Wieland voted "nay."

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, 54-16-04.2, and 54-16-09. The information relating to the requests was provided to the Budget Section prior to the meeting and is on file in the Legislative Council office.

Representative Delzer requested Information Technology Department Request #1645 be discussed separately.

In response to a question from Representative Skarphol, Ms. Sheila Peterson, Director, Fiscal Management Division, Office of Management and Budget, said the $1.2 million included in the Department of Transportation Request #1649 includes grant funding for law enforcement and prevention programs.

It was moved by Senator Robinson, seconded by Senator Seymour, and carried on a roll call vote that pursuant to NDCC Sections 54-16-04, 54-16-04.1, 54-16-04.2, and 54-16-09, the Budget Section approve the following requests which have been approved by the Emergency Commission:

- **Attorney General (Request #1638) - To increase federal funds spending authority by $200,000 for salaries and wages ($49,500), operating expenses ($8,102), and capital assets ($142,398). The federal funds are received through the Department of Transportation from the federal National Highway Traffic Safety Administration for alcohol countermeasure programs (see Emergency Commission Request #1649).**
- **Adjutant General (Request #1643) - For $120,000 from the state contingencies fund appropriation for costs incurred by the North Dakota National Guard for providing operational support in Northwood following the August 2007 tornado.**
- **Information Technology Department (Request #1644) - To increase special funds spending authority and the geographic information system line item by $75,000 to accept federal funds from the United States Geological Survey to enhance a software program used to download aerial photographs and scanned maps from the state's geographic information system hub.**
- **Department of Transportation (Request #1648) - To increase the capital assets line item by $4,000,000 of special funds from charges to state agencies for State Fleet Services usage.**
- **Department of Transportation (Request #1649) - To increase the grants line item by $1,230,436 of federal funds from the National Highway Traffic Safety Administration.**
- **State Department of Health (Request #1651) - To increase spending authority by $170,000 to accept federal funds from the Centers for Disease Control and Prevention for the salaries and wages ($170,000) and approval of two full-time equivalent (FTE) positions for programs pertaining to influenza surveillance and testing along with enhancing detection of pandemic influenza.**

Senators Holmberg, Bowman, Christmann, Fischer, Grindberg, Kilzer, Krauter, Krebsbach, Lindaas, Nelson, O'Connell, Robinson, Seymour, and Wardner and Representatives Aarsvold, Bellew, Berg, Boucher, Carlisle, Carlson, Delzer, Ekstrom, Glassheim, Gulleson, Hawken, Klein, Kreidt, Martinson, Metcalf, Monson, Onstad, Pollert, Skarphol, Svedjan, Thoreson, Wald, and Wieland voted "aye." No negative votes were cast.

Ms. Peterson presented information on Information Technology Department Request #1645. She said 2007 House Bill No. 1219 authorized the Information Technology Department to implement a statewide automated victim information and notification (SAVIN) system. She said the department applied for and received a federal grant from the United States Department of Justice. She said the funding will be used in part to hire a manager for the development and operation of the SAVIN program. She said House Bill No. 1219 identifies criteria for victim notification.

In response to a question from Representative Wald, Ms. Peterson said the Budget Section can only authorize the FTE position through the 2007-09 biennium. She said the request identifies that once the program is in place, continued operating costs of $600,000 to $986,000 will need to be addressed by the 2009 Legislative Assembly.

In response to a question from Representative Skarphol, Ms. Peterson said the management of SAVIN should be a cooperative agreement that includes the Department of Corrections and Rehabilitation. She said the Department of Corrections and Rehabilitation will provide the information regarding change in status of inmates.

In response to a question from Representative Delzer, Mr. Knudson said the original fiscal note for 2007 House Bill No. 1219 included an estimated expenditure of $986,518 for the 2009-11 biennium. He said the fiscal note was changed to reflect no expenditures when language in the bill was amended to allow, but not require, a SAVIN system. He said the bill was also amended to include a section requesting the Legislative Council to consider studying, during the 2007-08 interim, the feasibility and desirability of establishing a SAVIN system.

In response to a question from Representative Delzer, the legislative budget analyst and auditor said the study was selected by the Legislative Council and assigned to the Judiciary Committee.

In response to a question from Representative Delzer, Ms. Nancy Walz, Director, Policy and Planning, Information Technology Department, said there will be planning sessions for the system before it is implemented to determine the costs. She said checkpoints could be established to determine if the project should go forward. She said the grant for the project began in July 2007 and ends in June 2009. She said the grant is on a reimbursement basis. She said there would be an obligation for ongoing funding for the program after implementation.

It was moved by Representative Delzer, seconded by Representative Kreidt, and carried on a voice vote that the Budget Section defer consideration of Information Technology Department Request #1645 until the first Budget Section meeting in calendar year 2008.

LOCAL FUNDS - HIGHER EDUCATION CONSTRUCTION PROJECTS

Chairman Holmberg called on Ms. Glatt to present information regarding the source of local funds received for construction projects of entities under the State Board of Higher Education pursuant to NDCC Section 15-10-12.3. A copy of the information presented is on file in the Legislative Council office. Ms. Glatt said there were three state-funded projects that were authorized for the 2005-07 biennium and included a legislatively mandated local match requirement associated with the state appropriation. She said the projects are located at the North Dakota State University Main, North Central, and Central Grasslands Research Centers. Ms. Glatt said the projects at the Main and North Central Research Centers were not completed in the 2005-07 biennium and will be carried over to the 2007-09 biennium. She said the Central Grasslands Research Center project was completed within the overall appropriation authority and within the local match requirement. She said there were no state-funded projects with a local matching requirement for any of the North Dakota University System campuses for the 2005-07 biennium.

DEPARTMENT OF HUMAN SERVICES

Status of Medicaid Management Information System

At the request of Chairman Holmberg, Ms. Jennifer Witham, Director, Information Technology Services, Department of Human Services, presented information on the status of the Medicaid management information system project. A copy of the information presented is on file in the Legislative Council office.

Ms. Witham said the project is on schedule in accordance with the detailed workplan. She said expenditures through September 30, 2007, total $9,042,960. She said the requirements phase of the project is complete and the effort to date in the 2007-09 biennium has been focused on Phase 2 planning, hardware/software configuration and environment setup, and documentation of the North Dakota-specific claim edits and audits. She said the Department of Human Services has finalized the contracts for the decision support system and the independent verification and validation.

Enhancement of County Eligibility Systems

Ms. Witham presented information on the enhancement of county eligibility systems. A copy of the information presented is on file in the Legislative Council office. Ms. Witham said the county eligibility systems are separate and independent from the Medicaid management information system. She said county eligibility workers use the following four distinct information systems:

1. Vision - For determining temporary assistance for needy families (TANF) and certain categories of Medicaid eligibility;
2. Technical eligibility computer system (TECS) - For determining food stamps and the remaining categories of Medicaid eligibility;
3. Low-income home energy assistance program (LIHEAP) - For determining low-income fuel assistance eligibility; and
4. A child care eligibility determination system.

Ms. Witham said the effort and expense associated with consolidating the four systems would be extensive and are not included in the Department of Human Services' 2007-09 biennium budget. She said the department will issue a request for information during the 2007-08 interim to determine the current cost of the four systems. She said the department will conduct a state-level market assessment to better understand recent procurements in other states. She said the assessment would allow the department to formulate a budget request for consideration by the 2009 Legislative Assembly.

Status of Medicaid Reimbursements

Chairman Holmberg called on Ms. Maggie Anderson, Director, Medical Services Division, Department of Human Services, to present information on the status of Medicaid reimbursements. A copy of the information presented is on file in the Legislative Council office. Ms. Anderson said the Department of Human Services is experiencing a Medicaid claims backlog that is significantly higher than normal. She said the department normally has between 20,000 and 25,000 claims in suspense but currently has approximately 90,000 claims in suspense.

Ms. Anderson said the high number of claims in backlog is primarily due to two federal changes. She said Medicare changed the process by which claims are submitted for individuals who are eligible for both Medicare and Medicaid. She said the change has lead to delays in the receipt and processing of Medicare/Medicaid claims and the department has recently determined that some claims have not reached the Medicaid management information system. The second change, she said, is that the National Provider Identification was required to be in production in May 2007 and this was a significant change to the system. She said this has resulted in thousands of claims being suspended or rejected.

Ms. Anderson said the Medical Services Division has been authorizing overtime for staff for over a year in an effort to process claims on a more timely basis. She said the division began mandatory overtime in September 2007 when it became evident that voluntary overtime was not reducing the backlog fast enough. She said the overtime is resulting in the processing of additional claims; however, the large volume of claims in suspense warranted the addition of six temporary staff.

Ms. Anderson said the department is monitoring the backlogs on a weekly basis and has issued payouts to providers in the past several months and will continue to arrange for the payouts until the backlog is reduced. She said the department has communicated with providers and provider groups regarding the payouts and to provide information about efforts to reduce the backlog.

In response to a question from Representative Wald, Ms. Anderson said the areas with the largest backlog are inpatient and outpatient hospital claims and other medical claims which include physician, laboratory, and physical therapy claims.

In response to a question from Representative Glassheim, Ms. Anderson said a claim is suspended if it has an error that is identified by one of the edits built into the system. She said the claim is neither paid or denied and must be reviewed manually to determine if more information is needed, if it is a duplicate claim and should be rejected, or if it should be paid. She said some of the inpatient and outpatient claims are a few months old due to the errors that are occurring with those claims and the difficulties the department is having in fixing those errors.

In response to a question from Senator Kilzer, Ms. Anderson said the backlog has been above the normal level since the spring of 2006.

INFORMATION TECHNOLOGY DEPARTMENT

Loan Request

Chairman Holmberg called on Mr. Mike Ressler, Deputy Chief Information Officer, Information Technology Department, to present information regarding a request for approval to borrow up to $6 million for the purchase of computer hardware and software and the associated implementation services necessary to host the Department of Human Services' Medicaid management information system applications pursuant to NDCC Section 54-59-05(4). A copy of the information presented is on file in the Legislative Council office. Mr. Ressler said Section 54-59-05 allows the Information Technology Department to finance the purchase of the hardware and software providing the financing agreement does not exceed five years and does not exceed 7.5 percent of the amount appropriated to the department during the biennium. Mr. Ressler said the department's 2007-09 biennium appropriation is $124,907,776 and 7.5 percent of the appropriation is $9,368,083. He said the 2007 Legislative Assembly provided the department with $6,017,443 of special funds spending authority for procuring hardware, software, and related services for the Medicaid management information system project.

Mr. Ressler said if the financing request is approved by the Budget Section, the department will issue a request for proposal for financing to obtain the best available rate. He said the department will bill the Department of Human Services a monthly hosting

fee that will include the principal and interest from the financing agreement.

In response to a question from Representative Bellew, Mr. Ressler said the $62 million approved for the Medicaid management information system project is for implementation costs and does not include hosting costs.

Representative Berg asked the Legislative Council staff to provide information on all costs associated with the Medicaid management information system project.

It was moved by Senator Seymour, seconded by Senator Robinson, and carried on a roll call vote that pursuant to NDCC Section 54-59-05(4), the Budget Section approve the Information Technology Department's request to finance up to $6 million for the purchase of computer hardware and software and the associated implementation services necessary to host the Department of Human Services' Medicaid management information system application. Senators Holmberg, Christmann, Fischer, Grindberg, Kilzer, Krauter, Krebsbach, Lindaas, Nelson, O'Connell, Robinson, Seymour, and Wardner and Representatives Aarsvold, Berg, Boucher, Carlisle, Carlson, Ekstrom, Glassheim, Hawken, Klein, Kreidt, Martinson, Metcalf, Monson, Onstad, Pollert, Skarphol, Svedjan, Thoreson, Wald, and Wieland voted "aye." Representatives Bellew and Delzer voted "nay."

Annual Report

Mr. Ressler presented information regarding the Information Technology Department's annual report on projects, services, and performance measures pursuant to NDCC Section 54-59-19. A copy of the report is on file in the Legislative Council office. Mr. Ressler said the Information Technology Department is focused on providing leadership to state agencies with regard to information technology and good customer service. He said the department has not reached its goal of a 90 percent customer satisfaction rating in all key performance categories. He said there were over 29,000 incidents resolved in fiscal year 2007. He said North Dakota's project management mentor program was honored as the National Association of Chief Information Officers 2007 winner in the project and portfolio management category. He said the department received $39 million in revenue in fiscal year 2007 for information technology services provided, compared to $34 million in fiscal year 2006.

Mr. Ressler said the department has not been able to fill all new positions authorized by the 2007 Legislative Assembly, resulting in the department's use of consultants to supplement project teams. He said the use of consultants results in higher rates for services and the department loses the expertise of the consultant when the project is completed. He said the department is providing services cheaper than external sources.

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. A copy of the information presented is on file in the Legislative Council office. Mr. Trenbeath said the 2005 Legislative Assembly appropriated $3.65 million for a 13,000-foot expansion to the existing Crime Laboratory, which is co-located with the State Department of Health laboratory. He said after spending nearly $400,000 for design and engineering services, the resulting bids were far-exceeded the funds available and the project was delayed until the 2007 Legislative Assembly could address the issue of additional funding. He said the 2007 Legislative Assembly allowed the Attorney General's office to carry forward the existing bond proceeds and appropriated an additional $1.44 million from the general fund and $200,000 from special funds for continuation of the project as a new structure in close proximity to the existing laboratory. He said the project redesign of a 19,000-square-foot structure was completed and bids were opened August 22, 2007. He said successful bid amounts totaled $4.24 million or $225,000 over available funding. He said change orders have been issued to reduce costs.

AGRICULTURE COMMISSIONER

Status of State Meat Inspection Program

Chairman Holmberg called on Mr. Jeff Weispfenning, Deputy Agriculture Commissioner, Department of Agriculture, to present information on the status of the state meat and poultry inspection program. A copy of the information presented is on file in the Legislative Council office. Mr. Weispfenning said the 2007 Legislative Assembly provided a deficiency appropriation to the department for the 2005-07 biennium for anticipated federal fund shortfalls for fiscal years 2006 and 2007. He said there was no shortfall for fiscal year 2007 which resulted in a general fund turnback of $12,602.

Mr. Weispfenning said 2007 Senate Bill No. 2009 provided funding for four new FTE positions to meet the increased demands for state meat and poultry inspection services. He said the four new FTE positions include one FTE inspector that was approved by the Emergency Commission and the Budget Section in March 2006. He said the other positions include a supervising inspector, an inspector/grader, and an office staff person/relief inspector.

In response to a question from Senator Christmann, Mr. Weispfenning said the supervising inspector will also provide inspection services. He said there are 8.5 FTE meat inspectors in the program.

In response to a question from Senator Bowman, Mr. Weispfenning said the National Association of State Departments of Agriculture was successful in

getting interstate shipment of state-inspected meat into the United States Senate version of the farm bill and the issue is still under consideration in the farm bill.

Status of Endangered Species Program

Mr. Weispfenning presented information on the status of the endangered species program. A copy of the information is on file in the Legislative Council office. Mr. Weispfenning said 2007 Senate Bill No. 2009 provided 1.5 FTE positions and funding of $250,000 for an endangered species program. He said the .5 FTE position was combined with an existing vacant .5 FTE position from the noxious weed program to create an FTE geographic information system specialist position. He said the department has also hired an environmental scientist. He said an agreement will be formalized with the Environmental Protection Agency regarding the department's provision of information to the agency. He said the department will work with North Dakota State University to develop a pesticide use survey and with the State Department of Health to develop a pesticide monitoring program for surface water.

DEPARTMENT OF COMMERCE - ANNUAL AUDITS OF RENAISSANCE FUND ORGANIZATIONS

Chairman Holmberg called on Mr. Gordon La France, Administrator, Renaissance Zone Program, Department of Commerce, regarding annual audits of renaissance fund organizations pursuant to NDCC Section 40-63-04(9). A copy of the information presented is on file in the Legislative Council office. Mr. La France said there are 38 cities with a renaissance zone but only seven cities have a renaissance fund organization--Fargo, West Fargo, Casselton, Valley City, Jamestown, Hazen, and Mayville. He said the cities of Hazen and Mayville are doing their own management and the other five cities contract with Renaissance Ventures LLC in Fargo to manage their respective renaissance fund organization.

Mr. La France said the 1999 Legislative Assembly appropriated $2.5 million in tax credits for investments in a renaissance fund organization and the 2001 Legislative Assembly appropriated an additional $2.5 million. As of October 30, 2007, he said, there is $610,500 remaining from the original appropriation and the entire $2.5 million from the second appropriation is still available.

Mr. La France said total investments equal $3,779,000 for the renaissance fund organizations, total credits claimed equal $1,889,500, the number of investors for all years is 48, and no new investments were reported for 2006 and 2007 as of October 12, 2007.

WORKFORCE SAFETY AND INSURANCE - STATUS OF PERFORMANCE AUDIT RECOMMENDATIONS

Chairman Holmberg called on Ms. Jodi Bjornson, Legal Counsel, Workforce Safety and Insurance, to present information regarding the status of the State Auditor's office performance audit recommendations. A copy of the information presented is on file in the Legislative Council office. Ms. Bjornson said the performance audit contained 56 formal recommendations on which the department concurred or partially concurred. She said the department has implemented 43 recommendations and partially implemented 13 recommendations for an implementation rate of 88 percent. She said the department's Internal Audit Division has validated 66 percent of the implemented and partially implemented recommendations.

RISK MANAGEMENT WORKERS' COMPENSATION PROGRAM

Ms. Jo Zschomler, Director, Risk Management Division, Office of Management and Budget, presented information regarding the status of the risk management workers' compensation program. A copy of the information presented is on file in the Legislative Council office. Ms. Zschomler said 2001 legislation established a single workers' compensation account for all state entities. She said the Risk Management Division of the Office of Management and Budget administers the program. She said for coverage periods beginning July 1, 2001, the Risk Management Division entered into deductible contracts with Workforce Safety and Insurance for 143 consolidated accounts. She said the deductible amount selected was $100,000 per claim. Ms. Zschomler said the Risk Management Division has implemented programs to pass the savings onto agencies with effective risk management strategies. She said results for the six coverage years beginning July 1, 2001, through June 30, 2007, are:

Nonconsolidated guaranteed cost program premium and assessments		$24,917,925
Risk Management Division deductible premium paid to Workforce Safety and Insurance	$9,317,723	
Risk Management Division paid losses through June 6, 2006	7,110,453	
Risk Management Division pending losses (reserves)	1,393,515	
Risk Management Division combined deductible premium and losses		$17,821,691
Estimated savings for five-year period		$7,096,234

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

Chairman Holmberg said the next meeting for the Budget Section is tentatively scheduled for Wednesday, March 12, 2008.

It was moved by Senator Nelson, seconded by Senator O'Connell, 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 4:00 p.m.

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Becky Keller
Fiscal Analyst

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Jim W. Smith
Legislative Budget Analyst and Auditor

ATTACH:2