Legislative Council
600 East Boulevard Avenue, Bismarck, ND 58505

BUDGET SECTION - HUMAN RESOURCES DIVISION

Wednesday, September 30, 2026
Roughrider Room, State Capitol
Bismarck, North Dakota

Senator Dick Dever, Chairman, called the meeting to order at 1:03 p.m.

Members present: Senators Dick Dever, Sean Cleary, Jeffery J. Magrum, Tim Mathern; Representatives Bert Anderson, Mike Berg, Alisa Mitskog,* Eric J. Murphy, Jon O. Nelson, Gregory Stemen, Scott Wagner

Members absent: Senator Kyle Davison; Representative Matthew Ruby

Others present: Lindsey Ashley, Office of Management and Budget; Rebecca Askins, Krista Fremming, and Donna Aukland, Department of Health and Human Services; Colby Braun and Robin Thorstenson, Department of Corrections and Rehabilitation; Marjorie Jenkins,* University of North Dakota School of Medicine and Health Sciences; Raumi Kudrna, CHI St. Alexius Health, Bismarck; Joel Larson, Altru Health System; Theo Stoller, CHI St. Alexius Health, Williston

See Appendix A for additional persons present.

**Attended remotely*

It was moved by Representative Nelson, seconded by Representative Stemen, and carried on a voice vote that the minutes of the June 24, 2026, meeting be approved as distributed.

Ms. Raumi Kudrna, Market Chief Nursing Officer, CHI St. Alexius Medical Center, Bismarck, presented information (Appendix B) on the behavioral health facility project. She reviewed the project, design, progress, recruitment, and timeline with a completion date of June 2027.

In response to questions from committee members, Ms. Kudrna noted:

- CHI St. Alexius Health works with nursing students to introduce them to behavioral health careers.
- The project is ready to proceed once final design approval is received from the Department of Health and Human Services (DHHS).
- The facility will serve patients from across western North Dakota reducing the need for patients to travel further to access these services.

Mr. Theo Stoller, President, CHI St. Alexius Health, Williston, presented information (Appendix C) on the 10-bed behavioral health facility project. He reviewed the expenditures, timeline of the project, and provided a construction update with a completion date of February 2027.

In response to questions from committee members, Mr. Stoller noted:

- The facility may serve patients from Montana.
- Phase 1 construction is the outpatient unit and Phase 2 is the inpatient unit.
- The organization is currently recruiting for psychiatrists, one of which may work remotely, but the organization would also like to hire an onsite psychiatrist.
- Payments for services will be from various sources, including private insurance.

Mr. Joel Larson, General Counsel, Altru Health System, presented information (Appendix D) on the status of the behavioral health center expansion in Grand Forks. He noted the status of the construction, the amount expended, some construction materials are delayed, and the project will be completed by February 2027.

In response to questions from committee members, Mr. Larson noted the additional capacity allows for a total of 48 behavioral health beds.

Ms. Lindsey Ashley, Statewide Construction Manager, Office of Management and Budget, provided an update (Appendix E) on the construction of the new State Hospital. She noted the progress of the construction and modifications, an updated timeline with an expected opening date in May 2028, and a total expected cost of $293.7 million.

In response to a question from a committee member, Ms. Ashley noted the project is on time and on budget.

Mr. Colby Braun, Director, Department of Corrections and Rehabilitation, presented information (Appendix F) regarding the Heart River Correctional Center (HRCC), Missouri River Correctional Center (MRCC), and the James River Correctional Center (JRCC).

Ms. Robin Thorstenson, Talent Acquisition Manager, Department of Corrections and Rehabilitation, provided information on the staffing of the HRCC. She noted that hiring will begin in January 2027 for the HRCC and will consist of four phases, including internal transfers and external hires.

In response to questions from committee members, Mr. Braun noted that recruitment will be difficult regardless of the location and facility. Ms. Thorstenson noted the department has three employees that assist all facilities with hiring.

Mr. Braun noted:

- The growth of the male resident population.
- The design progress on the MRCC.
- The current evaluation of the JRCC study and the State Hospital campus.
- The options for JRCC include constructing a new facility on a new site, constructing a new facility on the current site, constructing a new facility and use the State Hospital's LaHaug Building, and continue to use the existing facility but address deferred maintenance.

In response to questions from committee members, Mr. Braun noted:

- The new MRCC will add approximately 315 beds to the total number of department-operated beds.
- The staffing for an 800-bed facility is about the same as the staff needed for 485 beds, if it is an efficient facility.
- A facility assessment is being completed by the Office of Management and Budget of the MRCC to determine the necessary changes to continue operating the facility.
- Once the JRCC study is complete, a recommendation will be forwarded for consideration by the 2029 Legislative Assembly.
- The site location on the State Penitentiary will not allow for a larger facility as there are requirements for recreation, treatment, and other necessary programming.

Dr. Marjorie Jenkins, Dean, University of North Dakota School of Medicine and Health Sciences, presented information (Appendix G) regarding the behavioral health workforce and the role of higher education training programs to assist with recruitment and retention. She noted a large part of the state has a shortage of mental health professionals, the University of North Dakota psychiatry residency includes six residents per year, and limited psychiatric clinical placement capacity is a concern for the Psychiatric-Mental Health Nurse Practitioner Program.

In response to a question from a committee member, Dr. Jenkins noted challenges with establishing behavioral health residency rotations in North Dakota.

In response to questions from committee members, Ms. Donna Aukland, Chief Financial Officer, Department of Health and Human Services, noted she will check on the status of approval of the CHI St. Alexius Bismarck final behavioral health facility plan and she will followup with the Life Skills and Transition Center regarding the Assistive Equipment Division and services.

Ms. Aukland noted the department did not make any line item transfers for the current quarter and presented information (Appendix H) on the salaries and wages block grant. She noted that a number of department employees accepted the Voluntary Separation Incentive Program; therefore, are no longer employed by the department.

Ms. Aukland presented information (Appendix I) regarding the federal Rural Health Transformation Program. She noted:

- A director of the Rural Health Transformation Program has been hired.
- DHHS will be hiring anchor partners to manage grants and funding opportunities with the federal Centers for Medicare and Medicaid Services (CMS) considering the funding allocated to each partner as being obligated.
- Currently, DHHS has obligated $37.4 million and plans to award the remaining $161.6 million to the anchor partners by October 31, 2026, the federal government's obligation deadline for the year 1 funding.

In response to questions from committee members, Ms. Aukland noted:

- The anchor partners may receive an administration fee of up to 10 percent of the grant funds as allowed by the federal government.
- North Dakota was the only state not using anchor partners.
- The University of North Dakota Center for Rural Health will be one anchor partner.
- Anchor partners cannot award grants to themselves.
- CMS suggested North Dakota use anchor partners and some states are using other state agencies for anchor partners.

Ms. Krista Fremming, Interim Director, Medical Services Division, Department of Health and Human Services, presented information (Appendix I) on Medicaid provider revalidation strategy. She noted the areas of nonemergency medical transportation, 1915(i) behavioral health services and support, and qualified service providers must meet the enhanced enrollment requirements for revalidation.

In response to questions from committee members, Ms. Fremming noted the revalidation process was mandated by CMS. Ms. Aukland noted the department may be requesting a deficiency appropriation due to additional Medicaid expenditures this biennium resulting from higher utilization rates primarily in the areas of traditional Medicaid services, long-term care, and developmental disabilities. The state share is expected to be less than half of the expected shortfall of $200 million.

Ms. Rebecca Askins, Economic Assistance Director, Department of Health and Human Services, presented information (Appendix I) on the Supplemental Nutrition Assistance Program (SNAP). She noted:

- Nine human service zones were placed on a corrective action plan for having individual payment error rates that exceeded the national average.
- One in three errors are the result of miscalculated or unreported income.
- South Dakota's payment error rate was 2.47 percent for fiscal year 2025, compared to North Dakota's error rate of 9.89 percent.
- Client errors include income reporting being missing, delayed, or inaccurate; complex rules; and system barriers, including difficult paperwork.
- The five major factors that are affecting the payment error increase are:

  Workforce turnover resulting in an average of less than 5 years experience for eligibility workers.

  Implementation of the self-service portal and consolidated eligibility system (SPACES) software and creation of 19 human service zones at the same time in 2019.

  Determining the countable household income calculation.

  Program and federal rule complexity.

  Gaps in the application review process before approval.
- The department's plans to reduce errors include using artificial intelligence solutions, using electronic benefits transfer card fraud solutions, and strengthening quality assurance.

In response to questions from committee members, Ms. Askins noted:

- A corrective action plan for a human service zone involves additional supervisor training, supervisors being periodically involved in SNAP applicant interviews, and case file reviews.
- System interfaces are available for income verifications but are not always utilized.
- Errors are discovered later through quarterly income matches or through quality control team interviews.
- Improving the initial interview process will help to reduce the administrative errors.
- Both overpayments and underpayments affect the payment error rate.
- The human service zones have a zone director and a local board that selects the director.
- South Dakota's program is state administered and the supervisor to eligibility worker ratio is higher.
- Eligibility employees in the human service zones are not state employees.

Ms. Aukland presented information on the history of SPACES. She noted SPACES combined five different application systems and the department contracted with Deloitte, LLP to develop and implement the system. Deloitte, LLP was the only company to bid on the system and only one other state has combined systems. She noted:

- The system has been updated to meet new federal requirements and there are continual changes.
- Changes result in additional maintenance costs.
- Some of the maintenance costs are paid to other vendors, including the Information Technology Department.

In response to questions from committee members, Ms. Aukland noted the maintenance and operations contract with Deloitte, LLP has renewal options and the cost is in the department's base budget.

In response to questions from committee members, Ms. Askins noted:

- The broad-based categorical eligibility is a state option under federal SNAP rules that does not require households receiving the federal Temporary Assistance for Needy Families Program benefits to pass SNAP's standard asset test.
- SNAP payment error rate reporting began in 2014 and the penalty associated with error rate was included in the federal "One Big Beautiful Bill Act" approved by Congress in July 2025.

It was moved by Representative Nelson, seconded by Representative Wagner, and carried on a voice vote that the Legislative Council staff prepare a summary of the division's activities for the 2025-26 interim for inclusion in the Budget Section's report to the Legislative Management.

No further business appearing, Chairman Dever adjourned the meeting at 5:08 p.m.

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Adam Mathiak
Senior Fiscal Analyst

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Keith Mantz
Fiscal Analyst

ATTACH:9