NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

BUDGET COMMITTEE ON GOVERNMENT FINANCE

Tuesday, January 20, 1998
Harvest Room, State Capitol
Bismarck, North Dakota

Senator David E. Nething, Chairman, called the meeting to order at 9:00 a.m.

Members present: Senator David E. Nething; Representatives Rick Berg, Roy Hausauer, Keith Kempenich, Matthew M. Klein, Ronald Nichols, Elwood Thorpe, Ben Tollefson, Gerry Wilkie

Members absent: Senators Rod St. Aubyn, Bob Stenehjem, Harvey D. Tallackson; Representatives Jeff W. Delzer, Bette Grande, William E. Kretschmar

Others present: Gary J. Nelson, State Senator, Casselton

See attached appendix for other persons present.

It was moved by Representative Berg, seconded by Representative Thorpe, and carried on a voice vote that the minutes of the previous meeting be approved.

Mr. Rod Backman, Director, Office of Management and Budget, presented a report on the status of the general fund. Mr. Backman said the June 30, 1999, general fund balance is currently estimated to be $26.4 million, $15.5 million more than projected at the close of the 1997 legislative session. Mr. Backman said the additional $15.5 million has been generated primarily from increased collections of individual income tax, corporate income tax, departmental collections, and mineral leasing fees. A copy of the report is on file in the Legislative Council office.

Mr. Paul R. Kramer, Senior Fiscal Analyst, Legislative Council, presented a report on oil tax revenues, oil production, and oil market prices for the 1997-99 biennium. Mr. Kramer said oil and gas production tax collections through November 1997 are $174,376 less than estimated. He said oil extraction tax collections for the same period are $896,054 less than estimated. Mr. Kramer said oil production for the period July through October 1997 has been 520,041 barrels more than projected; however, he said, the price per barrel for this same period has averaged $1.75 less than estimated. He said the average price for the first half of January was $13.33 per barrel.

Mr. Kramer commented on committee questions from the previous meeting. Regarding the tax changes made affecting oil drilling on reservation land, he said, exploration has not yet begun because the federal government needs to approve legislation which would allow oil drilling to occur with approval from a majority of landowners rather than all landowners. Regarding the balance in the foundation aid stabilization fund, he said, as of January 9, 1998, approximately $4.2 million is in the fund as a result of transfers from oil tax collections.

Chairman Nething asked that additional information be available on the effect oil prices have on the oil industry in North Dakota when this report is presented in the future.

BUDGET PROCESS STUDY

The Legislative Council staff presented a memorandum entitled *Budgeting Methods in North Dakota and Other States* which provides information on other states' budgeting methods, including legislative budget systems, involvement of legislators not directly involved in the budgeting process, and the fiscal note process.

The Legislative Council staff provided information on legislative budget systems in Arizona, Colorado, and New Mexico. The Legislative Council staff said that in Arizona, the legislative budget is prepared primarily by legislative staff and leadership from September through December prior to the legislative session. In Colorado, the legislative budget is prepared by the Joint Budget Committee, consisting of six members, from November through March by meeting three to four days per week. In New Mexico, the legislative budget is prepared by an interim legislative finance committee with the assistance of legislative staff from September through December prior to the legislative session.

The Legislative Council staff said most states are similar to North Dakota in the extent to which legislators not on Appropriations are involved in the budget development process. These legislators are generally provided budget information through caucus meetings and reports and information prepared by legislative staff. The Legislative Council staff said that in Iowa and Minnesota, most legislators serve in leadership, on Appropriations or a subcommittee of Appropriations, or the Finance and Tax Committee.

Regarding fiscal notes, the Legislative Council staff said that in two states, North Dakota and Wisconsin, state agencies are responsible for preparing fiscal notes; in two other states, the executive budget office with agency assistance is responsible; and in eight states, the legislative fiscal staff, generally with agency assistance, is responsible for preparing the fiscal notes. Most states' fiscal notes project cost or revenues from one to five years and include the impact on local government. None of the states contacted had a system in place to review fiscal note information at a later date to determine its accuracy.

Representative Tollefson commented on the budget methods used in Colorado and Iowa which involve zero-based budgeting. Representative Tollefson suggested that North Dakota consider utilizing zero-based budgeting to some extent.

Mr. Chester E. Nelson, Jr., Legislative Budget Analyst and Auditor, indicated that North Dakota's budgeting system includes a number of zero-based budgeting features including requiring justification for funding and at times requiring budget requests to be submitted at 90 or 95 percent of current funding level.

Representative Tollefson indicated that although time limits may be a concern, he suggested performance-based budgeting and zero-based budgeting, which appear to complement each other, could be used more by the Appropriations Committees during the session.

Senator Nething asked for additional information on other states, including which states provide staff for each legislator, legislative staff sizes, and staff budgets.

Representative Berg asked for budget process information on Florida, Texas, Michigan, and Louisiana.

The Legislative Council staff presented a memorandum entitled *Legislative Budget* which includes procedures that could be involved in the development of a legislative budget. The Legislative Council staff reviewed additional budget-related activities that could occur during the interim and during the session to result in the completion of a legislative budget by the close of the legislative session:

1. **Interim Enhancements -** Expand interim budget-related activities of the legislative branch through the Legislative Council's committee structure. The Legislative Council budget committees could:
   a. Monitor the implementation of agency budgets, including legislative intent items.
   b. Conduct selected agency program reviews or studies.
   c. Conduct budget tours.
   d. Receive agency and public testimony regarding the implementation of the agency's current budget and development of the next biennial budget.
   e. Provide input for agency budget development.
   f. Review agency budget requests.
   g. Identify major budget issues and priorities.
   h. Request specific budget-related information to be prepared by agencies and presented to Appropriations Committees during the next legislative session.
   i. Make observations and report major budget findings.
   j. Make budget recommendations.
   k. Monitor revenue collections and be involved in preliminary revenue estimate development for the next biennium.
2. **Legislative Session -** The legislative budget would be completed by the close of the regular session:
   a. The Legislative Assembly would utilize the Legislative Council's budget report, agency budget requests, the executive budget recommendation, and analyses prepared by the legislative fiscal staff to develop the legislative budget by the close of the regular session.
   b. The Legislative Assembly would adopt or develop its legislative revenue forecast considering the recommendations of the Legislative Council and the executive budget revenue forecast recommendation.
   c. Appropriations bills as introduced will continue to contain the executive budget recommendations; however, the Appropriations Committees will have available for consideration in the development of the legislative budget agency budget requests, executive budget recommendation, Legislative

Council budget recommendations and priorities, legislative budget initiatives and priorities, and additional budget-related information prepared by agencies as a result of interim committee work.

d. At the close of the session, the legislative fiscal staff would prepare a report on the approved legislative budget which would include supporting information, including a comparison to the executive budget.

Senator Nething asked how the interim structure for the legislative budget would be developed. Mr. Nelson said the structure would remain flexible to allow leadership during the session to define the interim activities through a resolution or resolutions. During the interim, the Legislative Council could add areas of additional study as it deems necessary.

Senator Nething asked whether the current budget timetable would need to begin earlier. Mr. Nelson said the focus of the interim activity would not be reviewing specific agency budget requests but to discuss with agencies and others issues and long-term needs in order to identify key issues to be considered during the legislative session, to develop areas of focus, and to become more familiar with an agency's budget.

Senator Nething asked how the interim information and recommendations would be presented during the legislative session. Mr. Nelson said that because of legislative turnover and changes in party leadership, it would be difficult for a specific legislator or interim committee chairman to carry the recommendations and information through the session. He suggested that the interim work would be considered by the Appropriations Committees along with the executive recommendation and staff analyses when developing the legislative budget. He said staff could explain interim activities and recommendations and agency budget summaries now prepared by staff for each appropriations hearing could also include information on interim efforts.

Representative Berg asked for the benefits of implementing a legislative budget process. Senator Nething suggested that because of the interim activities, Appropriations Committee members may be more familiar with the budget information which could potentially speed up the process during the session. Mr. Nelson said that at times leadership is put in a position of reacting to changes made to the executive budget rather than speaking to a legislative position. He said a legislative budget system may allow legislative initiatives to be considered equally with the executive budget. Mr. Nelson said the executive budget would continue similar to the current process, but a change would be made in how legislative action is reported. He suggested that legislative action not be reported as a change to the executive budget but as progress in developing the legislative budget. Senator Nething commented on the possibility of a legislative state employee salary recommendation that could be made at the same time as the executive budget recommendation. He said this may lead to more open consideration by the Legislative Assembly of a state employee salary decision.

Representative Berg suggested that appropriations bills could be introduced with the appropriation for the previous biennium as a starting point and the executive recommendation and Legislative Council recommendations could be considered and made as amendments to these base levels.

Ms. Eileen Holwegner, Fiscal Officer, Office of Management and Budget, presented information on performance budgeting of the Office of Management and Budget. She said performance budgeting benefits the Office of Management and Budget by:

1. Requiring its various divisions to do strategic planning in order to develop specific measures relating to goals and objectives.
2. Requiring management to be accountable for fulfilling the purpose of the agency and achieving its goals in addition to being accountable for the amount of financial resources used.
3. Allowing management flexibility in using financial resources to achieve goals.
4. Assisting management in planning for future needs and identifying possible problems by tracing performance measures.

Ms. Holwegner said the cost of performance budgeting has been minimal for the Office of Management and Budget. She said most work has been done with existing staff. She said the cost of initial strategic planning was $12,530 and $9,130 was spent for updating the plans.

Ms. Holwegner said one concern of the program is in the area of the Office of Intergovernmental Assistance which relies heavily on federal funding for their programs. Therefore, she said, the ability of the division to meet its goals is largely tied to federal funding availability. Another concern, she said, is that some performance measures may not be the most meaningful indicators of results. A copy of the report is on file in the Legislative Council office.

Ms. Jodee Buhr, Office Manager, Insurance Department, commented on the Insurance Department's involvement in performance budgeting. Ms. Buhr reviewed the various divisions of the department and indicated that each division is very diverse from the others in services provided.

Ms. Buhr said that because the department was asked to combine a number of its strategies and outcomes, the measures do not accurately portray the Insurance Department's activities.

Ms. Buhr expressed support for the strategic planning process; however, she expressed concern regarding the amount of data collection and report preparation that is required for performance budgeting. She said the information is not meaningful and useful for the Insurance Department.

Ms. Buhr indicated the department is continuing to work with the Office of Management and Budget to determine whether more meaningful information and outcomes can be developed; however, she indicated that performance budgeting may not be appropriate for all agencies. A copy of the report is on file in the Legislative Council office.

Representative Berg suggested that more legislative input may be appropriate in setting measures. Ms. Buhr indicated the department would appreciate input for prioritizing its measures.

Representative Tollefson said it may be possible to include important measures and exclude those that are not meaningful.

Mr. Shannon Sauer, Financial Management Director, Department of Transportation, reported on the performance budgeting experience of the Department of Transportation. Mr. Sauer said performance budgeting has been difficult for the department. He said the department struggled to develop meaningful performance data that would be relevant to the budget process. As a result, he said, the department has made only limited use of the performance budgeting information. He did, however, indicate that as the process continues, the department is hoping to develop more meaningful and useful measures.

Mr. Sauer said the department believes a strategic business plan should be in place before implementing performance budgeting. He said the department's business plan was completed in the spring of 1997 and said that as a result, the department is developing measures at strategic, tactical, and operational levels that will assist the department in carrying out its strategic business plan.

Mr. Sauer stressed the importance of educating employees on the use of performance measures and to include employees in the development of measures. He said performance budgeting has been relatively inexpensive for the department to implement because the information was developed and monitored using existing staff, systems, and data. A copy of the report is on file in the Legislative Council office.

Ms. Arvy Smith, Budget Analyst, Office of Management and Budget, commented on the performance budgeting system. She said performance budgeting is working very well for some of the pilot project agencies, while others are struggling. Ms. Smith said the performance measures are an intricate part of the system. She said the Government Accounting Standards Board is in the process of developing a nationwide data base of performance measures that could be useful for agencies in developing their measures.

Representative Tollefson expressed support for the performance budgeting system because it causes agencies to evaluate their operations.

The Legislative Council staff presented a memorandum entitled *Comparison of Original Legislative Revenue Estimates for the Next Biennium Made at the Close of the Legislative Session to Actual Collections - General Fund* which reviews legislative revenue estimates from the 1981-83 biennium through the 1995-97 biennium. Percentage variances during this period ranged from (15.6 percent) to 3.8 percent.

The committee recessed for lunch at 11:45 a.m. and reconvened at 1:00 p.m.

INVESTMENT PROCESS STUDY

The Legislative Council staff presented a memorandum entitled *Bonding Fund and Fire and Tornado Fund - Investment Policies* which provides information on previous and current investment policies of the bonding fund and fire and tornado fund and includes projected returns based on alternative policies.

The Legislative Council staff presented the following schedules showing the asset allocation of these funds and total returns for the 1995-97 biennium:

Asset Class	Fire and Tornado Fund	Bonding Fund
Equities	10%	10%
Fixed income	30%	20%
Cash equivalents	60%	70%
Total	100%	100%

Total Return	Fire and Tornado Fund	Bonding Fund
Fiscal year 1996	6.45%	6.98%
Fiscal year 1997	9.67%	9.49%

The Legislative Council staff reported that the 1997-99 investment policy for the bonding fund and fire and tornado fund includes the following asset allocation:

Asset Class	Percentage
Large capital domestic equity	15
Small capital domestic equity	5
Convertible bonds	10
International equity	10
Fixed income	50
Cash equivalents	10
Total	100

The Legislative Council staff said the Retirement and Investment Office, effective July 1, 1997, established an insurance trust that consists of the commingled moneys of the insurance-related funds which the Retirement and Investment Office is responsible for investing. These funds include the fire and tornado fund, bonding fund, insurance regulatory trust fund, petroleum tank release compensation fund, risk management fund, National Guard tuition trust fund, and the workers' compensation fund. The value of the insurance trust as of November 30, 1997, totaled $637.2 million, $30 million of which is in cash equivalent investments.

The Legislative Council staff commented on options considered by the committee at its last meeting to potentially increase the investment returns of the bonding fund and fire and tornado fund. The Legislative Council staff said the short-term loan option considered by the committee at its last meeting which involved authorizing the Insurance Commissioner to obtain a short-term loan from the Bank of North Dakota to meet cash flow needs appears to not result in improved investment returns because of the insurance trust now established by the Retirement and Investment Office. Because the moneys in these funds are commingled with other insurance-related funds for investment purposes, the Retirement and Investment Office is easily able to make cash available for required distributions from these funds. The Legislative Council staff said that even very large distributions would unlikely cause the need for security liquidations because the current cash equivalent amount in the insurance trust is $30 million.

The Legislative Council staff said the committee also considered the possibility of lowering the statutory minimum balances of these funds which for the bonding fund is $2.5 million and for the fire and tornado fund is $12 million. The Legislative Council staff said that by lowering these minimum balances, a more aggressive investment strategy could be considered for these funds which could potentially increase returns beyond those projected under the current investment strategies; however, the potential for greater losses also increases. The Legislative Council staff reviewed three investment scenarios--scenario 1 is the current investment policy, scenario 2 is a somewhat more aggressive policy, and scenario 3 is even more aggressive. The committee reviewed projected returns of these scenarios under a normal investment environment, pessimistic environment, and an optimistic environment. Under these scenarios, the fire and tornado fund begins with the balance of $16,162,000 while the bonding fund begins with a balance of $4,038,000.

Asset Class	Asset Allocation		
	Scenario 1	Scenario 2	Scenario 3
Large capital United States equity	15%	30%	35%
Small capital United States equity	5%	15%	20%
Convertible bonds	10%	10%	10%
International equity	10%	15%	15%
Fixed income	50%	20%	15%
Cash equivalents	10%	10%	5%
Total	100%	100%	100%

Environment	Years	Fire and Tornado Fund Scenario 1	Scenario 2	Scenario 3
Normal	1	$17,422,636	$17,551,932	$17,600,418
	2	$18,796,406	$19,054,998	$19,184,294
Pessimistic	1	$14,691,258	$14,044,778	$13,753,862
	2	$13,576,080	$12,396,254	$11,814,422
Optimistic	1	$18,521,652	$18,861,054	$19,038,836
	2	$21,253,030	$22,044,968	$22,465,180

Environment	Years	Bonding Fund Scenario 1	Scenario 2	Scenario 3
Normal	1	$4,352,964	$4,385,268	$4,397,382
	2	$4,696,194	$4,760,802	$4,793,106
Pessimistic	1	$3,670,542	$3,509,022	$3,436,338
	2	$3,391,920	$3,097,146	$2,951,778
Optimistic	1	$4,627,548	$4,712,346	$4,756,764
	2	$5,309,970	$5,507,832	$5,612,820

Representative Klein expressed support for most of the asset allocation changes made by the Retirement and Investment Office. He did, however, express concern with the amount of funds invested in international equity. Mr. Steve Cochrane, Investment Director, Retirement and Investment Office, indicated that all international equity investments are in nonspeculative-type investments in industrialized nations of the world. He said these investments are intended to stabilize returns over a long-term period.

Mr. Cochrane presented information on the investments of the fire and tornado fund and bonding fund. Mr. Cochrane presented information on the various types of investments as follows:

1. Large capital domestic equity - Invested in S&P 500 index fund and managed by State Street.
2. Small capital domestic equity - Managed by Nicholas-Applegate in growth companies that demonstrate earnings acceleration, sustainable growth, and positive relative price momentum.
3. Convertible bonds - Managed by the Trust Company of the West and invested in high quality fixed income instruments that are convertible to equity.
4. International equity - Managed by Capital Guardian Trust, which conducts extensive research and uses a portfolio management team system of segment specialists.
5. Fixed income - Managed by the Bank of North Dakota and Western Asset Management. Both managers are restricted to investment grade securities.
6. Cash equivalents - Managed by the Bank of North Dakota and involves money market securities that provide liquidity and risk reduction.

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

Representative Klein asked that the Retirement and Investment Office provide a listing of the holdings of the international equity funds and for the management fees paid to investment managers. Mr. Cochrane said this information would be provided to the committee.

Ms. Buhr asked if the information to be provided by the Insurance Department on the reasons for the substantial increase in fire and tornado fund claims in fiscal years 1995 and 1996 could be provided to committee members with the meeting minutes. She said the individual who was going to present the information is unavailable because of an illness. Vice Chairman Hausauer approved this request.

Mr. Robert Olheiser, Commissioner, Board of University and School Lands, presented information on the status of the board's investments, including information on its asset managers. Mr. Olheiser commented on fixed income assets of the permanent educational trusts. He said the purpose of these investments is to generate the long-term, predictable income and cash flows needed to meet the board's distribution goals. Mr. Olheiser said the fiscal year 1997 average yield on all fixed income investments was 7.79 percent.

Mr. Olheiser said the purpose of the board's equity and convertible securities investments is to provide the fund growth needed to increase both trust assets and distributions at a rate greater than or equal to inflation. Since the board implemented its asset allocation plan in August 1995, he said, the combined equity and convertible securities investments have experienced an annualized rate of return of 21 percent.

Mr. Olheiser presented the schedule below providing information requested by the committee at its previous meeting on turnover ratios, total return, realized income and gains, and expense ratios for each fund manager utilized by the Board of University and School Lands.

Manager	FY 1997 Turnover Ratio	FY 1997 Total Return	FY 1997 Realized Income and Gains	FY 1997 Expense Ratio
Bank of North Dakota - Fixed income	20%	10.30%	7.62%	0.04%
Bank of North Dakota - Farm loan pool	N/A	N/A	8.28%	0.40%
Payden & Rygel - Fixed income	3%	10.60%	7.49%	0.10%
Payden & Rygel - Coal	89%	6.38%	5.60%	0.10%
Payden & Rygel - Cash equivalent	157%	5.56%	5.57%	0.10%
Cutler & Co. - Large cap value	65%	37.74 %	32.13%	0.35%
Spare, Kaplan - Large cap value	22%	22.28%	12.12%	0.36%
NTGA - Mid/small cap	60%	20.38%	1.44%	0.76%
NTGA - International	87%	5.62%	1.20%	0.85%
TCW - Convertible securities	141%	16.20%	10.16%	0.50%
Average fee rate				0.31%

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

TRANSPORTATION FUNDING STUDY

Mr. Marshall Moore, Director, Department of Transportation, presented information relating to the state highway system and highway funding.

Regarding federal highway funds, Mr. Moore said the United States Congress approved a Surface Transportation Extension Act which provides North Dakota $50.5 million for the six-month period ending May 1998. He said of these funds, $13.3 million will be provided to cities and counties and $37.2 million will be used by the Department of Transportation.

Mr. Moore said because North Dakota has a relatively short highway construction season, the department is considering implementing a program of advanced construction which involves the department contracting for more highway projects than available federal funding. He said the state would need to provide the upfront money for the entire cost of the project with the assumption that the federal funds will be available for reimbursing the state for the federal share at a later date when the new highway bill is approved. He said the Department of Transportation is planning to use advanced construction for $26.5 million worth of projects during the summer of 1998.

Mr. Moore said as a result of the advanced construction plan and the federal funds available through the Surface Transportation Extension Act, the department should have $63 million available for projects through the May bid opening.

Mr. Moore said Congress is currently considering two separate proposals for highway funding, one in the House and one in the Senate. He said the House proposal would provide North Dakota annual funding of approximately $116 million per year for six years while the Senate proposal would provide North Dakota approximately $161 million per year over six years.

Mr. Moore commented on the distribution of federal funds received by North Dakota. He said 30 percent of the federal funds are allocated to the interstate system, 25 percent for remaining state highways, 11.6 percent to counties, 16 percent to urban areas, and 17.4 percent to miscellaneous programs. Mr. Moore said miscellaneous programs include bridge replacement on the state and urban system, rail signals, safety projects, transportation enhancements, state planning and research, and metropolitan planning.

Mr. Moore commented on the prioritization of highway construction projects. He said the following factors are considered when prioritizing highway projects:

1. Pavement condition.
2. Maintenance costs.
3. Truck volume.
4. Major traffic generators.
5. Low spring load restrictions to commercial and industrial facilities.
6. Route continuity resulting from spring load restrictions.
7. Public comments.

Mr. Moore commented on the urban transportation program. He said 13 cities with a population of 5,000 or more are considered urban areas in North Dakota. He said the annual allocation of federal funds to the urban areas is approximately $15 million. Mr. Moore said currently scheduled urban projects in fiscal years 1998 and 1999 total slightly over $37 million. He said federal funds will cover about $26 million of this amount with remaining costs being paid by the cities and the Department of Transportation.

In addition to the projects that are scheduled for the next two years, Mr. Moore said urban projects totaling $108 million have been identified but are not currently scheduled because of the unavailability of funds.

Mr. Moore commented on trucking issues. He said since the passage of the North American Free Trade Agreement, North Dakota has seen a tremendous increase in truck traffic at our border crossings. He said in 1997, 298,500 trucks entered North Dakota from Canada compared to 151,500 in 1990.

Mr. Moore said another factor that has resulted in increased truck traffic is a decline in the number of grain elevators in the state which requires grain to be shipped over longer distances by truck.

Mr. Moore presented the following comparison of annual fees charged to register an 80,000-pound tractor-trailer combination in North Dakota and other states:

State	Tax/Fee
North Dakota	$1,036
Minnesota	$1,760
Montana	$1,830
Nebraska	$1,981
South Dakota	$1,457
Wyoming	$1,950

Mr. Moore presented information on total vehicle registration fees collected and the amount provided from motor carriers. Mr. Moore said in 1997 total vehicle registration fees collected were $51.4 million, $11.2 million of which was from interstate motor carriers.

Mr. Moore presented information on motor fuel consumption which indicates that gasoline and gasohol consumption has declined by approximately nine percent from 1979 to 1996, even though the annual vehicle miles of travel have increased by almost one billion miles during this time. Mr. Moore said revenue from the sale of gasoline and gasohol has increased by 100 percent primarily because of increasing state motor fuel taxes from eight cents per gallon in 1979 to 20 cents per gallon in 1996. A copy of the report is on file in the Legislative Council office.

Representative Kempenich suggested that North Dakota consider increasing its farm truck registration fees to be more comparable with interstate motor carrier registration fees.

Senator Nelson asked for the department's progress in its road evaluation study. Mr. Moore said the department does not plan to prioritize its system by road but rather by a major system.

Mr. Mark Johnson, Executive Director, North Dakota Association of Counties, commented on county highway funding needs. Mr. Johnson presented a schedule showing the number of miles of nonstate road miles outside the corporate limits of cities and the estimated revenues available for county road projects. The schedule shows that in total, county roads comprise 75,484 miles and the estimated 1997 revenues available for maintenance and improvements on these roads totals $45,964,421 statewide. He said the information reflects that counties have an average of $600 of dedicated state and local revenue for every mile of road.

Mr. Johnson presented information on the number of bridges under county responsibility and the estimated maintenance costs of county roads. He said counties need an additional $15 million of revenues per year to meet their road and bridge maintenance needs. He said the annual estimated maintenance costs for roads and bridges in all counties totals $69.3 million and the estimated annual revenues available for these projects totals $54.5 million. A copy of the report is on file in the Legislative Council office.

Senator Nething expressed concern that over 5,000 miles of county roads are paved. He indicated that counties should be aware of the maintenance cost required on these paved roads when they undertake the projects.

Mr. Jerry Hjelmstad, North Dakota League of Cities, indicated to the committee that Ms. Connie Sprynczynatyk, Executive Director, North Dakota League of Cities, plans to comment on cities' transportation funding needs; however, because of a traffic mishap, she will be late in arriving. Chairman Nething indicated that if she is unable to attend this meeting, the information may be provided to the committee or time could be provided on the next meeting agenda for the information to be presented.

Mr. Curt Peterson, Associated General Contractors, expressed concern that highway fund moneys are being used for nonhighway purposes. He suggested that the Highway Patrol be provided funding from the general fund rather than the highway fund because the loss of these highway funds has a major impact on the Department of Transportation's ability to provide adequate maintenance and improvements on the highway system.

Mr. LeRoy Ernst, Motor Carriers Association, asked for time on the next committee agenda for comments by the Motor Carriers Association on highway funding needs.

Representative Tollefson asked that the Legislative Council staff prepare a report summarizing zero-based budgeting and its current use for the committee at its next meeting.

Chairman Nething announced the next committee meeting date has not yet been scheduled, but committee members will be informed when it is finalized.

The meeting was adjourned subject to the call of the chair at 3:30 p.m.

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Allen H. Knudson
Senior Fiscal Analyst

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Chester E. Nelson, Jr.
Legislative Budget Analyst and Auditor

ATTACH:1