NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

BUDGET COMMITTEE ON GOVERNMENT SERVICES

Wednesday, Thursday, and Friday, April 15-17, 1998
International Peace Garden, MSU-Bottineau, and Forest Service
Bottineau, North Dakota
Minot State University, North Central Research Extension Center,
State Fair, and Dakota Boys Ranch
Minot, North Dakota

Representative Janet Wentz, Chairman, called the meeting to order at 12:00 noon at the International Peace Garden.

Members present: Representatives Janet Wentz, James O. Coats, Jeff W. Delzer, April Fairfield, Richard Kunkel, Edward H. Lloyd, Jon O. Nelson, Carol A. Niemeier, Al Soukup, Elwood Thorpe; Senators Elroy N. Lindaas, Rolland W. Redlin

Members absent: Representatives James A. Kerzman, Amy N. Kliniske

Others present: David O'Connell, State Senator, Lansford

Karen K. Krebsbach, State Senator, Minot

Andrew G. Maragos, State Representative, Minot

See attached appendix for additional persons present

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

Mr. Gerald O. Sveen, State Representative and President of the International Peace Garden, presented information on the International Peace Garden. He said the International Peace Garden Board consists of 20 members, 10 of which are Canadian and 10 of which are from the United States. Mr. Sveen said one year ago the board hired Mr. Rob Schultz as its new executive director. He said the Peace Garden has five permanent employees and hires approximately 50 temporary employees during the summer. He said the Peace Garden currently receives $182,500 per year in support from the state of North Dakota. He said the board is seeking more funding from foundations and private sources in order to rely less on state funds in the future.

Mr. Sveen said the state of North Dakota provided up to $55,000 from the general fund for the 1997-99 biennium to construct a maintenance building at the Peace Garden if matching funds were provided by Canada. He said the Peace Garden did receive the matching funds from Canada and expects to complete the maintenance facility by September 1, 1998.

Mr. Rob Schultz, Executive Director, International Peace Garden, presented information on the programs of the Peace Garden. Mr. Schultz said the Peace Garden is currently developing an interpretive center on the grounds in order to provide visitors with a history of the Peace Garden. He said the interpretive center will be located in a facility previously used as a gift shop on the Peace Garden grounds. He said the Peace Garden will now have one rather than two gift shops.

Mr. Schultz said over a long-term period the Peace Garden hopes to develop an enhanced interpretive center in a larger facility, expand its campground facilities, and add new features to the formal gardens.

Mr. Schultz said the International Peace Garden has applied for a grant from Aurora Foods, makers of Log Cabin Syrup. He said if approved, the grant would provide funding to restore the historic lodge building on the grounds.

Representative Nelson asked for the number of campsites at the International Peace Garden. Mr. Schultz said the Peace Garden currently has 38 camping sites.

Representative Thorpe asked for information on the types of visitors to the International Peace Garden. Mr. Schultz said the last formal count was conducted in 1995 at which time 250,000 people visited the International Peace Garden. He said the largest group of visitors were between the ages of 45 and 70. He said 58 percent of the visitors were from the United States and 42 percent from Canada.

The committee toured the International Peace Garden including the interpretive center facility, gift shop, and the greenhouses.

The committee traveled to MSU-Bottineau.

Dr. Erik Shaar, President, Minot State University, welcomed the committee to MSU-Bottineau. Dr. Shaar indicated that because of a Board of Higher Education meeting he will be unable to attend when the committee visits the Minot campus on Thursday, April 16.

Dr. Shaar commented on the partnership that has developed between Minot State University and MSU-Bottineau. He expressed support for the cooperative venture between the two campuses and indicated that it has benefited both campuses.

Dr. Kathleen Corak Sund, Dean, MSU-Bottineau, commented on the programs and activities of MSU-Bottineau. She said fall 1997 headcount enrollment totaled 421 students, 22 more than fall 1996 enrollment of 399. However, she indicated that approximately 25 percent of MSU-Bottineau students are actually attending Minot State University in Minot but are receiving two-year courses provided by the Bottineau campus.

Dr. Corak Sund said the Bottineau campus has begun delivering instruction courses over the Interactive Video Network (IVN). She said in 1997-98, the Bottineau campus provided 10 courses to Bismarck, Dickinson, Fort Yates, Williston, Devils Lake, and Minot.

Dr. Corak Sund provided the following examples of the interactions between faculty on the Minot and Bottineau campuses:

1. The Minot campus technical crew wired the buildings of the Bottineau campus for technology.
2. Discussions between faculties across all disciplines synchronize course content, measurement, and quality.
3. The development of the Bottineau campus as a field station for Minot campus students.
4. Grant writing technical assistance.
5. Memorandums of understanding between departments regarding the transfer of coursework.

Dr. Corak Sund discussed the following critical issues facing the Bottineau campus:

1. Due to the technological changes in telecommunications and computers, additional investment is necessary in hardware and software in order for North Dakota higher education to remain competitive. She indicated that all faculty offices have been wired for Internet access but classroom facilities still need to be wired.
2. Salaries for faculty and staff are 12 to 33 percent behind regional averages. She suggested that additional salary increases are necessary in order to retain highly skilled human resources.
3. Although enrollment at the Bottineau campus has increased, approximately 25 percent of students are attending the Minot campus and receiving courses through Bottineau. Although it has lead to an increased number of enrolled students, she stressed the importance for the Bottineau campus to maintain a strong campus-based enrollment.
4. The continuing need to meet the requirements of the Americans with Disabilities Act (ADA) by providing additional funding for improvements to make buildings accessible and usable.
5. Campus infrastructure improvements are necessary relating to buried steam and condensate lines, electrical systems update, fire alarm systems upgrade, and maintenance of campus sidewalks, roads, and parking lots.

Senator Lindaas asked for the ratio of computers to students on the MSU-Bottineau campus. Mr. Jim Borkowski, Business Manager, MSU-Bottineau, responded that the Bottineau campus has one computer for every 10 students.

Mr. Borkowski provided information on the status of the 1997-99 appropriation. He said the campus is expecting a revenue shortfall of approximately $64,000 for the 1997-99 biennium. He said to make up for this shortfall, $17,000 of the 1995-97 carryover will be used, fiscal year 1998 expenses will be reduced by $25,000, and fiscal year 1999 faculty and staff funding pools will be reduced by $22,000 which will result in fewer temporary and part-time positions.

Mr. Borkowski presented capital improvement needs of the Bottineau campus. Mr. Borkowski said the fire alarm systems in most campus buildings are minimal and require updating to meet current fire and building codes. He said the cost for this project is estimated at $128,500, $68,500 of which would be requested from the general fund and $60,000 would be provided from local funds relating to dormitories.

Mr. Borkowski said because the campus is now used more extensively throughout the summer months, it is necessary to install air-conditioning in the library and computer labs on campus. He said to allow for installation of air-conditioning in

Thatcher Hall, which is the building that houses the library and computer labs, the electrical system for the building also needs to be upgraded. He said the estimated cost of this project totals $46,975, $35,000 of which relates to the air-conditioning system and $11,975 to upgrade the electrical supply. A copy of the MSU-Bottineau report is on file in the Legislative Council office.

Mr. Larry Kotchman, State Forester, presented information on the budget and programs of the Forest Service. Mr. Kotchman said the Forest Service administers six forestry programs--centennial trees, community forestry, forest resource management, fire management, information and education, and tree production.

Mr. Kotchman said the goal of the centennial trees program is to plant 100 million trees by the year 2000. He said this goal was developed as part of the state's centennial celebration in 1989. He said the official count as of Arbor Day 1997 is 48.9 million trees.

Mr. Kotchman said in 1997 the Towner nursery produced 1.2 million tree seedlings in over 40 different species.

Mr. Kotchman said the Forest Service owns and manages five state forests comprising approximately 13,000 acres. He said in 1997 over 16,600 people visited and utilized state forest properties for recreational activities.

Mr. Kotchman commented on the status of the Forest Service's 1997-99 budget. He said the 1997 Legislative Assembly appropriated $50,000 from the general fund for two capital projects--$21,700 for ADA projects and $28,300 for water well repairs. He said the ADA funding allows for completion of the second phase of the outdoor restroom replacement project at Strawberry Lake in the Turtle Mountains. He said the water well project includes replacing four water wells and repairing one existing well to comply with the Environmental Protection Agency's Safe Water Drinking Act at Hahns Bay and Strawberry Lake in the Turtle Mountains.

Mr. Kotchman commented on activities and needs for the 1999-2001 biennium. Mr. Kotchman said the Towner nursery depends on a large part-time work force during the summer to assist in lifting, grading, packaging, and shipping 1.2 million trees each year. He said because of federal minimum wage requirements and local employment competition, it is difficult to recruit summer staff at the Towner nursery. He said to alleviate these problems, the Towner nursery plans to mechanize the tree lifting, packaging, storing, and shipping operations to minimize strenuous tasks and reduce overall labor needs. He said to achieve this enhanced mechanization, the Forest Service needs to:

1. Acquire a skid steer loader and forklift to handle tree lifting, grading, and warehouse operations.
2. Acquire a mechanical mixer for greenhouse potting media.
3. Construct a refrigerated tree storage building for warehousing pallets of trees and orders packaged for United Parcel Service (UPS) shipment.

Mr. Kotchman presented the following 1999-2001 extraordinary repair needs:

Repair security lights and fence at the Bottineau field office	$3,300
Repair storage building at the Towner nursery	10,000
Replace garage doors and openers at the Walhalla field office	7,000
Enlarge workshop and shop building at the Towner nursery	10,761
Total	$31,061

Mr. Kotchman presented the Forest Service's two highest priority capital projects:

1. Americans with Disabilities Act accessible outdoor restrooms - $21,700 - This project will construct the third phase of ADA accessible outdoor restroom facilities at Pelican, Sandy, and Twisted Oaks Recreation Areas during 1999-2001. The restrooms will be replaced with new commercial structures specifically designed for handicapped accessibility.
2. Tree storage building - $90,000 - A new construction project at Towner nursery for warehousing pallets of trees and orders packaged for UPS shipment. The refrigerated building is needed to provide space to facilitate mechanized transporting, storing, and shipping of trees.

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

Senator Lindaas asked for the number of employees at the Towner nursery. Mr. Kotchman said the nursery employs seven full-time positions and approximately 50 seasonal positions.

The committee toured the MSU-Bottineau campus and Forest Service facilities including computer labs and library in Thatcher Hall, the Nelson Science Center, Old Main, Milligan Hall, Mead Hall, Molberg Center, and the greenhouse.

The committee recessed at 5:00 p.m. and reconvened at 9:00 a.m. on Thursday, April 16, 1998, at Minot State University.

Dr. Nancy Hall, Dean of Institutional Planning, Minot State University, presented information on enrollments at Minot State University. Dr. Hall said the headcount enrollment at Minot State University for fall 1997 was 3,294 students, 8.5 percent less than the fall 1996 enrollment. She said the percentage of decline varied by enrollment groups--North Dakota student enrollment declined by 7.9 percent, North Dakota military enrollment declined by 10 percent, nonresident enrollment declined by 10.3 percent, and older than average student enrollment declined by 50 percent. Dr. Hall reviewed the number of graduates by program in recent years and the number of students majoring in the various programs. She said the largest programs at Minot State University include elementary education, general studies, management, criminal justice, psychology, accounting, communication disorders, prenursing, and social work.

Dr. Hall said students must meet minimum standards to be accepted at North Dakota's four-year institutions. She said the standards include taking an additional math and science course in high school over the minimum mandated by the Department of Public Instruction, maintaining a certain grade point average, and scoring at least 19 on the ACT test.

Representative Lloyd expressed concern that a student who meets North Dakota's minimum high school graduation requirements may not be accepted at a North Dakota four-year institution.

Dr. Hall said Minot State University did not accept 26 students who made application to attend Minot State University in the fall of 1997 because of failure to meet the minimum requirements. She indicated that some of these students were from out of state. She said all high school students graduating from a North Dakota high school may enter two-year programs in the University System.

Representative Soukup asked how students that are taking Bottineau campus courses on the Minot campus are counted in enrollment numbers. Dr. Hall said that because of the demand in Minot for two-year programs, Bottineau teaches two-year courses on the Minot campus. She said these students are counted as Bottineau campus students.

Mr. Larry Eide, Vice President for Administration and Finance, Minot State University, provided information on the campus master plan and capital improvement projects. Mr. Eide said the master plan includes an estimated $1 million of new construction. He said the new construction includes a small ceramics building, a physical plant storage building, and a locker room facility for the football program.

Mr. Eide said the next major renovation projection campus will be Phase 1 of Old Main. He said Phase 1 has an estimated cost of $2.8 million and includes updating the mechanical and electrical systems in the building.

Mr. Eide updated the committee on current capital improvement projects. He said the $1.5 million Student Union renovation project is very near completion as is construction of emergency exits on Old Main at a cost of approximately $800,000. He said the Moore Hall renovation project, with an estimated cost of $4,162,000, should be completed by fall 1999.

Mr. Eide said because of a fire in Harnett Hall in October 1997, $650,000 has been spent repairing the building. He said theater repairs are still remaining. He said all of these costs are being reimbursed by the fire and tornado fund.

Mr. Eide commented on the status of the current budget. Mr. Eide said that because enrollment has been less than projected, a number of budget reductions have been made including leaving approximately 10 full-time equivalent (FTE) positions vacant beginning in the fall of 1997.

Mr. Eide said Minot State University's major capital improvement project request for the 1999-2001 biennium is the $2.8 million mechanical and electrical systems upgrade to Old Main. He said other smaller projects that will be considered for the next biennium include a roof tunnel for making the third floor of Harnett Hall handicapped accessible, updating the coal handling system, updating the fire alarm systems, and closing 11th Avenue between Harnett Hall and the Dome.

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

The committee toured Minot State University, including the Student Union addition, 11th Avenue between Harnett Hall and the Dome, and Old Main's emergency exits, central stairwell, and the electrical and mechanical systems located in the tunnel under Old Main.

The committee traveled to the North Central Research Extension Center.

Mr. Jay Fisher, Director, North Central Research Extension Center, presented information on the programs of the center and on the status of the 1997-99 budget. Mr. Fisher said the center is involved in research activities, foundation seed production, and extension services. He said the center was appropriated $632,663 from the

general fund for the 1997-99 biennium, and its fiscal year 1997 seed sales totaled $191,055.

Mr. Fisher said the Legislative Assembly authorized the center to construct a technology transfer center similar to those located at Carrington, Hettinger, and Williston for a total cost of $850,000. Of this amount, he said, the state is providing $350,000 and the center is responsible for raising $500,000. To date, he said, $341,000 has been raised.

Mr. Fisher said the center has hired a new weed scientist and a crop protection area extension specialist as authorized by the 1997 Legislative Assembly.

Mr. Fisher said major equipment needs of the center include a new tractor and field cultivator. Mr. Fisher presented the following major capital improvement needs of the center:

Pesticide storage, handling, and mixing facility	$30,000
Plot laboratory	$100,000
Machine storage building	$60,000
Land purchase	$320,000 to $480,000
Grain handling system improvement	$25,000
Four additional hopper bins	$20,000

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

The committee conducted a tour of the North Central Research Extension Center.

The committee traveled to the state fairgrounds.

Mr. Jerry Iverson, Manager, State Fair Association, presented information on the State Fair. He said fiscal year 1997 revenues totaled $2,871,000, while expenses for fiscal year 1997 totaled $2,884,000.

Mr. Iverson said capital projects in progress include a 40,000 square-foot addition to the All Seasons Arena financed by an additional one percent sales tax in the city of Minot. He said the tax will provide an estimated $7.5 million for the addition. Mr. Iverson said the State Fair has been approached by an organization that wants to build a $250,000 drag strip on the state fairgrounds. He said the Fair Board has yet to decide whether to approve this request. In addition, he said, the city of Minot plans to move the road just north of the fairgrounds further north which will allow for parking on the south side of the roadway rather than the north. He said this will result in improved safety for individuals parking in that area.

Mr. Iverson commented on the status of the 1997-99 budget and on 1999-2001 budget needs of the State Fair. He said the 1997 Legislative Assembly approved $320,000 from the general fund for youth premiums. In addition, he said, the state continues to provide $210,000 per biennium to assist in repaying a long-term note.

Mr. Iverson said anticipated needs for the 1999-2001 biennium budget request include:

Funding for premiums	$400,000
Loan repayment	$210,000
Asphalt repair	$325,000
Grandstand	$5,400,000
Natural resource center	$490,000

Mr. Iverson said the number of entries at the State Fair for 1997 totaled 35,568, 1,670 entries more than the 1996 State Fair of 33,898.

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

The committee toured the state fairgrounds including the All Seasons Arena and grandstand.

The committee discussed the facilities toured as part of the committee's budget tour responsibilities.

Representative Coats indicated that the committee has heard a number of concerns from agencies regarding the impact of the five percent budget reductions as directed by the Governor. He expressed concern regarding the impact the potential reduction may have on students attending public higher education institutions in the state.

Representative Lloyd suggested the Legislative Assembly consider appropriating funds for State Fair capital projects rather than for State Fair premiums.

Representative Thorpe indicated that funding for premiums is an important investment to make in the youth of North Dakota.

Senator Redlin suggested that the level of funding for premiums should be directly tied to the number of exhibits at the State Fair so funding is available to provide appropriate premiums for the number of exhibits each year.

Representative Delzer indicated that it is necessary to consider a 95 percent budget for the 1999-2001 biennium because the North Dakota economy is not projected to be as strong as it has been in recent years. He said previous Legislative Assemblies should have built cash reserves to be available when the economy weakens.

Representative Delzer expressed support for the 95 percent budget guideline. He said agencies should be reviewing programs and determining priorities as they develop their 1999-2001 budget request.

Representative Lloyd expressed concern regarding the reduction of federal funds being provided for basic research at land grant universities. He said because private industry is providing an increasing percentage of funding for agriculture genetics engineering, in the future, private industry may control the types of agriculture genetics engineering that is conducted at the land grant universities.

The committee recessed at 5:20 p.m. and reconvened at 8:00 a.m. on Friday, April 17, 1998, at the Dakota Boys Ranch, west of Minot.

Mr. Gene Kaseman, President, Dakota Boys Ranch, welcomed the committee to the Dakota Boys Ranch and said that residential child care facilities are an important link in the juvenile justice system in North Dakota. He said the Dakota Boys Ranch began accepting girls in 1997. Mr. Kaseman said the residential child care facilities would like the state reimbursement system to provide equity and parity.

Mr. Ron Hett, Chief Operations Officer, Dakota Boys Ranch, presented information on the Dakota Boys Ranch organization. He said over the years the children served by the Dakota Boys Ranch have become more challenging and more complex. He said the ranch is serving more children with serious emotional disorders, severe depression, and psychiatric problems. He said the facility operates programs in sexual responsibility, social responsibility, chemical dependency, independent living, spiritual life, and education. He said the facility also operates a therapeutic riding program and a transitional living program.

Representative Coats asked whether the facility has developed any partnerships with the local community. Mr. Hett said the ranch contracts for some nursing services, psychiatric services, and psychological services with one of the medical facilities in Minot.

Representative Wentz asked what effect the spiritual life program has on the children. Mr. Hett said spiritual development has a very positive impact on these children.

Ms. Kasey Dupre, Admissions Director, Dakota Boys Ranch, presented information on the types of children served by the Dakota Boys Ranch.

Ms. Dupre said the ranch is licensed for 64 beds, 48 of which relate to the residential child care facility and 16 to the residential treatment center. She said the children range in age from 10 to 18 years. She said the ranch is currently serving 55 boys and 10 girls. She said the average length of stay for a child is 10 months. A copy of the report is on file in the Legislative Council office.

Mr. Gary Crowdus, Education Director, Dakota Boys Ranch, presented information on the education program at the Dakota Boys Ranch. He said the school at the ranch is named Dakota Memorial High School and employs 20 full-time and part-time staff. He said the school receives tuition income from the sending school district and the Department of Public Instruction. Mr. Crowdus expressed concern regarding the lack of teachers in the state which affects the school's ability to recruit education staff. He said the school uses the same salary schedule as Minot public schools.

The committee conducted a tour of Dakota Memorial High School at the Dakota Boys Ranch.

Mr. David Snyder, Director, North Central Human Service Center, presented information on the programs of the North Central Human Service Center, the status of its current budget, and budgetary needs.

Mr. Keith Welsh, Business Manager, North Central Human Service Center, reviewed the budget of the center. He said the 1997-99 budget totals $13 million, $6.1 million of which is from the general fund. He said current projections indicate the center's 1997-99 biennium expenditures will be $231,000 less than appropriated, $161,000 of which is from the general fund.

Mr. Welsh said although the Legislative Assembly authorized the North Central Human Service Center 103.35 FTE positions, the center currently has 107.35 FTE positions. The four additional FTE positions resulted from:

1. An FTE position was created for the mental health partnership secretarial position which previously had been contracted through First District Health Unit when it was the fiscal agent for the grant.
2. An FTE position was created in the vocational rehabilitation unit for a vocational rehabilitation counselor II. He said this position had previously been part a grant that expired in September 1997.
3. An addiction counselor II position was created as a result of an FTE position transfer from the State Hospital.
4. A registered nurse II position was created as a result of an FTE position transfer from the State Hospital.

Ms. Margo Barnes, Extended Care Unit Supervisor, North Central Human Service Center, commented on extended care services of the

human service center. She said the unit provides services to 357 individuals with serious brain disorder. She said the unit has 14 case managers and includes psychiatric nursing staff, an RIS coordinator, a residential coordinator, a homeless case manager, an aftercare coordinator, and extended care supervisor. She said psychiatric coverage for the center totals approximately 74 hours per week. She said the waiting time to see a psychiatrist has decreased from two months to two weeks.

Ms. Barnes commented on other services provided by the unit including residential services, supportive living services, psychosocial rehabilitation and vocational services, community companion/Rhinelander program, case management services, and medication monitoring services. She said the psychosocial rehabilitation center (Harmony Center) is contracted through the UniMed Medical Center and provides social, recreational, prevocational, and work opportunities for approximately 100 members. She said although the center did not receive specific funding for the community companion program for 1997-99, the center reallocated approximately $66,000 to provide this program because of its importance for the region. Ms. Barnes said future goals of the extended care unit include:

1. To increase funding for the Rhinelander program.
2. To increase funding for supportive living services.
3. To increase funding for additional representative payees.
4. To enhance the medication monitoring program.
5. To increase rental assistance funds.
6. To hire a position to coordinate and provide case management and care for dually diagnosed individuals.
7. To provide services for individuals who may not be eligible for other programs such as the traumatic brain injured, dementia, and fetal alcohol syndrome diagnosed individuals who do not qualify for developmentally disabled or mental health services.
8. To implement a support group for younger children whose parents are mentally ill.

Representative Delzer expressed concern that the community companion program at the North Central Human Service Center is being continued even though the Legislative Assembly did not provide funding for it. Mr. Snyder said although the program was not specifically funded by the 1997 Legislative Assembly, it was his understanding that the block grant concept of providing funds to the human service centers allowed the center flexibility to reallocate funds to priority programs within each center. Representative Delzer indicated that although he did not understand the block grant concept in that manner, that may be the result of it.

Ms. Mary Hermanson, Regional Representative for County Social Services, North Central Human Service Center, commented on foster care services in the north central region. Ms. Hermanson said as of April 1, 1998, the north central region had 109 children in foster care. She said four of these children are in out-of-state placements and three other children may need to be placed out of state in the near future.

Ms. Hermanson said children in foster care are generally delinquent, deprived, or unruly. She said most delinquent youth are placed under the custody of the Division of Juvenile Services, most deprived youth are placed with the counties, and unruly youth are placed either with the county or the Division of Juvenile Services. A copy of the report is on file in the Legislative Council office.

Ms. Jean Doll, Foster Care Administrator, Department of Human Services, presented information on the status of proposed administrative rule changes affecting residential child care facilities in North Dakota. Ms. Doll said proposed administrative rule changes to North Dakota Administrative Code Chapter 75-03-15 affecting residential child care facilities were redrafted after the October 1997 public meeting. She said these rules are currently open for public comment. She said a public hearing is scheduled for Wednesday, April 22, 1998. A copy of the report is on file in the Legislative Council office.

The Legislative Council staff presented a memorandum entitled *Residential Child Care Facilities - Income and Effect on Income of Proposed Administrative Rules*. The Legislative Council staff presented the following schedule showing sources of income for these facilities in fiscal year 1997:

Revenue Source	Combined Fiscal Year 1997 Income	Percentage
Department of Human Services	$5,938,602	57.3
Fundraising/donations	1,690,601	16.3
Department of Public Instruction/schools (education or school lunch)	1,485,062	14.3
Private/third-party payers	545,537	5.3
Other states	479,754	4.6
Other sources	219,709	2.2

Total	$10,359,265	100.0

The Legislative Council staff said major costs that facilities believe are not adequately reimbursed by the state which result in the facility needing to raise additional funds privately include:

1. Salaries and wages - The reimbursement formula limits payroll projections that are eligible for reimbursement by the consumer price index. This limiting factor results in the facilities needing to rely on fundraising to support staff salaries and benefits.
2. Social service costs - The reimbursement formula provides for a maximum monthly reimbursement rate for a facility's social service costs of $300 per child per month. Because most facilities' costs for social service-related activities exceed the $300 maximum, facilities must rely on fundraising to support these activities at an appropriate level.

The Legislative Council staff said the facilities indicated that the majority of the proposed administrative rule changes being considered by the Department of Human Services will have a minimal effect on the facilities' reimbursement amount. However, the Legislative Council staff said a major concern expressed by the facilities is a substantial negative impact could occur under the proposed rules if a facility receives grant income from philanthropic organizations. The Legislative Council staff said the proposed rule provides that all income received from organizations or foundations and income received from individuals which is designated for a specific purpose would be offset to the appropriate costs in the year received. As a result, the expenses associated with these types of grants may not be included in the facility's reimbursement formula for the year the grant is received. Subsequently, in the year following the receipt of the grant, funding would not be provided by the state to pay for the expenses that were previously paid for by the grant income.

Ms. Diane Szudera, Business Manager, Home on the Range, presented testimony on behalf of the residential child care facilities in the state regarding the proposed administrative rule changes. Ms. Szudera said the proposed change using the consumer price index as an inflator rather than as a limit on salary projections would positively affect a facility that has a decrease or a very small increase in projected salaries; however, she said, this rarely occurs.

Ms. Szudera said the facilities support the proposed changes providing a consistent time for implementation of a new rate and increasing the administrative rate limit to 20 percent.

Ms. Szudera said a number of the proposed changes are of concern to the facilities. She said the proposed rules impose a financial penalty on a facility that does not file its cost report within a certain time. She said the penalty could be substantial for a facility.

Ms. Szudera said the proposed rules continue a ceiling on social service costs. She recommended that the ceiling be removed. She said appropriate social services are necessary to meet the mental health needs of the children placed at these facilities. She said these needs have increased and facilities need to provide more specialized therapy.

Ms. Szudera said the proposed regulation that would have the most negative effect on facilities relates to offsetting grant income from philanthropic agencies. She said this would result in facilities not being allowed to claim expenses that may have been paid for with grant income. She said this proposal would discourage facilities from pursuing grants for their programs. A copy of the report is on file in the Legislative Council office.

Representative Thorpe asked whether it is difficult for facilities to attract grants. Ms. Szudera said grants are available; however, the proposed rule would provide no incentive for facilities to seek grants.

Mr. Chester E. Nelson, Jr., Legislative Budget Analyst and Auditor, asked how the facilities interpret the term "philanthropic." Ms. Szudera said the term is not defined in the proposed rules but believes that it would be very encompassing.

Mr. Ed Zuern, Legal Counsel for the Residential Child Care Facility Association, commented on the proposed rules. Mr. Zuern said the association is concerned with current regulations that have been excluded in the proposed rules. He indicated current rules provide for due process and an appeal process for facilities that question departmental decisions. He said these regulations are no longer included in the proposed rules.

Mr. David Skalsky, Provider Audit, Department of Human Services, commented on the department's proposed rules. He said it is his understanding that the department's position regarding the provision for offsetting philanthropic grants relates to the fiscal impact to the state of continuing to pay for those costs that were allowed under the grant in future years. Regarding the penalty for filing a late cost report, he said, the financial penalty is very seldom

imposed and options are available allowing for extensions.

Representative Coats expressed concern regarding the services now provided by the residential child care facilities that may be in jeopardy if the facilities have no incentive to seek grant income.

Representative Delzer expressed concern that if facilities are allowed to include expenses paid for with grant income, the state would, in essence, be providing a similar grant to that facility in future years.

Mr. Walter Odegaard, Prairie Learning Center, commented on the proposed rules. He said it is difficult for small facilities to retain staff when larger but similar facilities provide enhanced benefits, including health insurance, and are reimbursed from the state for providing those benefits. He said it is very difficult for facilities to receive an unrestricted grant from a philanthropic organization.

Mr. Bud Perry, Charles Hall Youth Services, commented on the proposed rules. Mr. Perry said facilities would have no motivation for seeking outside grants to enhance or maintain their programs if the costs associated with the grant would be offset in the facilities' cost reports.

Ms. Doll presented information on children placed in foster care facilities during December 1997 and January, February, and March 1998. She said during this period, four children were placed out of state; however, the total number of children placed out of state has been reduced from 67 in September 1997 to 42 in March 1998.

Ms. Doll presented information on the movement of children between licensed North Dakota group and residential child care facilities. She presented information on 11 situations where movement occurred between facilities. She said in two situations the child needed less structure, and in the others, the child needed more structure.

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

Ms. Linda Schell, Director, Children and Family Services Division, Department of Human Services, presented information on the effect the federal Adoption and Safe Families Act of 1997 will have on foster care services provided in North Dakota.

Ms. Schell said the law became effective in November 1997; however, the Act provides that if state legislation is necessary to implement the Act, it must be implemented by the first federal quarter following the close of the next state legislative session. She said for North Dakota, this will be August 1999.

Ms. Schell said at the present time the federal government has not provided any draft or final rules nor any guidance on the implementation of the Act. She does not expect any information to be provided until late 1998 which will make it difficult for the state to draft its necessary legislation in time for the 1999 legislative session.

Ms. Schell said the emphasis of the Act is on the safety, permanence, and well-being of children. She said the Act views foster care as a short-term solution for the safety of children. She said it stresses that foster care is not the place for a child to grow up. To achieve this, Ms. Schell said the law requires child welfare staff to concurrently consider options for the child's future permanence from the first day the child enters the foster care system. Plans may include return home to parents, reside with extended family, be cared for in a guardian arrangement, or be placed for adoption. Ms. Schell said the child welfare system will focus on results and accountability. She said timeframes will be closely monitored and parents will be informed that a limited time is available for the child to return home making goal planning and decisionmaking keys to outcome. Emphasis will be placed on involving parents, extended family, and significant other persons in an immediate planning and decisionmaking process.

Ms. Schell said the Children and Family Services Division has begun planning for implementation of the Act by convening a working group that includes child welfare professionals, legal advisory staff, and the court system.

Ms. Schell presented summaries of the Act for the committee's information. A copy of the report is on file in the Legislative Council office.

The committee recessed for lunch at 11:45 a.m. and reconvened at 12:30 p.m.

Mr. Paul Ronningen, Administrator of Children's Mental Health, Department of Human Services, provided information on the partnership project, including its purpose, annual budgets, programs and services, and accomplishments.

Mr. Ronningen said the state of North Dakota received a demonstration grant in 1994 to develop community-based services for children with serious emotional and behavioral disorders and their families. The mission of the project is to support children with emotional and behavioral disorders in their home or community by using a family-based collaborative, cost-effective community-based system of individualized care that is unconditional, ongoing, and culturally relevant. He said approximately 300 children and their families receive services through the

partnership project in the Minot, Fargo, and Bismarck regions.

Mr. Ronningen said the 1997-99 biennium partnership budget totals $12.1 million, $1 million of which is from the general fund, $5.8 million of federal funds, $400,000 of local funds, and $4.9 million of in-kind match being provided by the regional children's services coordinating committees.

Mr. Ronningen reviewed the following items learned during the first three years of the project:

1. Disincentives exist for providing community-based care - It is easier to pay for out-of-home treatment services than community-based care because residential care is well-established, has a clear referral process and funding streams relate to the care plan.
2. Children with severe emotional disorders can be supported in the community - A reduction in the restrictiveness of placements has occurred for children receiving services under the partnership project.
3. Schools faced powerful forces to move children with emotional and behavioral problems to more restrictive care - These forces include fiscal incentives, social stigma, and a perceived lack of resources at the local level.

Mr. Ronningen reviewed the accomplishments of the partnership project. He said for 129 youth served by the partnership project, 60 had been hospitalized in a psychiatric hospital at least once during the year prior to enrollment. During the year after enrollment, only 30 were hospitalized at least once in a psychiatric hospital. He said this resulted in the total number of psychiatric inpatient days decreasing by 62 percent, which at a rate of $800 per day, amounts to reduced hospital costs of $732,000 for these 120 youth in one year.

Mr. Ronningen reviewed other program statistics as follows:

1. The percentage of children who attended school regularly after involvement in the partnership project increased by 18.3 percent.
2. The number of children who had no encounters with the law increased from 59.2 percent during the year prior to intake to 72.8 percent during the year after intake.
3. Children having two or more encounters with law enforcement decreased from 22.3 percent during the year prior to intake to 12.6 percent during the year after intake.

Mr. Ronningen said the amount of local and state matching requirements changes over the term of the grant. Mr. Ronningen presented the following schedule showing the matching requirements:

Year	Match	Federal	Local/State Match
1	3 to 1	$1,000,000	$333,333
2	3 to 1	$3,000,000	$1,000,000
3	3 to 1	$3,000,000	$1,000,000
4	1 to 1	$3,500,000	$3,500,000
5	2 to 1	$2,300,000	$4,600,000

Mr. Ronningen said the project will continue into year 6 with carryover funds that will have the same matching requirements as year 5.

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

Mr. Nelson asked how the partnership project will be incorporated into the department's budget request for the 1999-2001 biennium. Mr. Ronningen said the department intends to consider all funding available for children and then determine its priorities.

Chairman Wentz asked that information be provided to the committee at its next meeting by the Department of Human Services on how funding for the partnership project will be incorporated into the department's budget request for the 1999-2001 biennium.

Ms. Carlotta McCleary, Bismarck, provided testimony in support of the partnership project. She commented on the value of the program to her family and to her son who has been receiving services under the partnership project. She asked that the program be continued. A copy of her testimony is on file in the Legislative Council office.

Representative Delzer asked for the age of persons served by the partnership project. Mr. Ronningen said the persons served by the partnership project are 20 years old and younger.

Representative Delzer expressed concern that the level of services is not adequate to meet the needs of this population beginning at age 21.

Mr. Dan LeRoy, Director, Central Personnel Division, presented preliminary information on the state employee compensation report. Mr. LeRoy said the final report to the committee on state employee compensation will be presented at the next committee meeting and will address:

1. The cost of directly addressing compression problems.
2. A comparison of total compensation between the classified work force and relevant employment market.

3. A plan or plans to compensate employees in a fair and adequate manner.

Mr. LeRoy reviewed the current classified system. He said the state is making some progress in moving employees from the bottom half of salary ranges due primarily to the Legislative Assembly allowing agencies to provide some discretionary salary increases. He said in 1997, 63.8 percent of classified employees were in the bottom half of salary ranges compared to 69.4 percent in 1994.

Mr. LeRoy said a comparison of state classified employee salaries to the instate market for grades 5 through 20 and to 10 regional states in grades 21 through 42 indicates that in many grades North Dakota is falling further behind the market.

Mr. LeRoy presented a comparison of fringe benefits provided by the state of North Dakota to the private sector. He said the state fringe benefits package as a percentage of salary is slightly higher than the private sector.

Mr. LeRoy reviewed the division's proposals to address compression problems. He said a proposal that would provide for employees to be paid at the midpoint of their assigned salary range after 10 years of service would result in over 46 percent of state classified employees requiring a salary increase to reach their respective target position in the salary range. He said the cost of implementing this proposal for current employees would be approximately $408,000 per month. Due to the high cost of this proposal, he anticipated that it would not be recommended.

Mr. LeRoy said the second proposal to address issues facing employee compensation includes:

1. Recalculating all salary ranges to place the midpoints at 95 percent of the market rate.
2. Expand the ranges from the current level of 52 to 61 percent to 66 percent.
3. Reduce the number of ranges from 40 to 20 and increase the space between each range to improve the differentiation between grade levels.
4. Continue splitting appropriations by directing some general salary increases across the board with additional appropriations focusing on equity and performance.

Mr. LeRoy said the estimated cost of implementing this proposal would be $25,035 per month based on current salaries. He said the proposal would not require any statutory changes, but the Legislative Assembly would need to appropriate the additional funds to provide the salary increases necessary to implement the plan.

Senator Redlin expressed support for the proposal to increase salaries of lower paid state employees.

Representative Delzer suggested that fringe benefits be reflected in salary comparisons made to market.

Mr. LeRoy expressed concern that Job Service is planning to discontinue its North Dakota wage survey. He said Central Personnel uses this survey to compare state employee salaries to the instate market.

Representative Soukup asked that Central Personnel provide statistical information on state employee salaries and benefits to legislators for their information. Mr. LeRoy indicated that although the information changes over time, they would attempt to provide some general information for the committee at its next meeting.

Mr. Kevin Kiconas, North Dakota American Federation of State, County, and Municipal Employees, expressed support for Central Personnel's proposal and thanked the committee for considering the state employee compensation issue this interim.

Representative Soukup expressed support for budget tours being a part of an interim committee responsibilities.

The committee adjourned subject to the call of the chair at 2:30 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