

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

BUDGET SECTION

Wednesday, June 21, 2000
Senate Chamber, State Capitol
Bismarck, North Dakota

Representative Jack Dalrymple, Chairman, called the meeting to order at 9:05 a.m.

Members present: Representatives Jack Dalrymple, Ole Aarsvold, James Boehm, Merle Boucher, Rex R. Byerly, Ron Carlisle, Jeff Delzer, Robert Huether, James Kerzman, Ed Lloyd, David Monson, Mike Timm, Ben Tollefson, Francis J. Wald; Senators John Andrist, Bill L. Bowman, Tony Grindberg, Ray Holmberg, Aaron Krauter, Ed Kringstad, Elroy N. Lindaas, Gary J. Nelson, David E. Nething, Larry J. Robinson, Ken Solberg, Rod St. Aubyn, Harvey D. Tallackson, Steve Tomac

Members absent: Representatives LeRoy G. Bernstein, Al Carlson, John Dorso, Pam Gulleon, Serenus Hoffner, Ronald Nichols, Jim Poolman, Ken Svedjan, Janet Wentz; Senators Joel C. Heitkamp, Pete Naaden

Others present: See attached appendix

It was moved by Senator Robinson, seconded by Senator Nelson, and carried on a voice vote that the minutes of the March 9, 2000, meeting of the Budget Section be approved as distributed.

STATUS OF THE STATE GENERAL FUND

Chairman Dalrymple called on Ms. Pam Sharp, Deputy Director, Office of Management and Budget, who presented information on the status of the state general fund. A copy of the information presented is on file in the Legislative Council office. Ms. Sharp said 1999-2001 biennium general fund revenues through May 31, 2000, were 3.6 percent or \$24.7 million more than the 1999 legislative revenue forecast. Ms. Sharp presented the following information on the status of the state general fund, based on revenue collections through May 2000:

Unobligated general fund balance - July 1, 1999	\$61,114,425
Add	
Actual general fund collections through May 31, 2000	707,419,721
Remaining forecasted general fund revenues for the 1999-2001 biennium (based on the 1999 legislative forecast)	870,832,190
Total estimated general fund revenue for the 1999-2001 biennium	\$1,639,366,336
Less	
1999-2001 biennium adjusted general fund appropriations (legislative	1,585,324,063

appropriations of \$1,594,038,538 less 1999-2001 emergency appropriations of \$4,452,065 spent during the 1997-99 biennium and a contingent 1999-2001 appropriation of \$4,262,410, which is not anticipated to be spent)	
Estimated general fund balance - June 30, 2001 (\$42,723,417 more than the 1999 legislative estimate of \$11,318,856)	\$54,042,273

Representative Byerly requested that future reports presented to the Budget Section by the Office of Management and Budget include information on actual collections from gas taxes as compared to estimates by the Department of Transportation. Ms. Sharp said future reports presented by the Office of Management and Budget will include the information requested.

TOBACCO SETTLEMENT PROCEEDS

Ms. Sharp presented information on the status of tobacco settlement proceeds received by the state. A copy of the information presented is on file in the Legislative Council office. Ms. Sharp said \$30 million to date has been received by the state as a result of the tobacco settlement and deposited in the tobacco settlement trust fund. She said the \$30 million was apportioned among the community health trust fund, common schools trust fund, and water development trust fund, pursuant to 1999 House Bill No. 1475:

Fund	Amount Transferred From the Tobacco Settlement Trust Fund
Community health trust fund (10%)	\$2,995,461
Common schools trust fund (45%)	13,479,574
Water development trust fund (45%)	13,479,574
Total transfers from the tobacco settlement trust fund	\$29,954,609

Ms. Sharp presented information regarding the tobacco settlement reimbursements for costs incurred by the Attorney General's office. She said the amount requested by the Attorney General's office for attorney fees was \$674,217 with an additional \$64,237 requested for expenses. She said the actual amount received as reimbursement was \$590,763, and it is not known if the difference of \$147,691 will be

received. She said the actual costs incurred by the Attorney General's office for attorney fees were \$187,136 with an additional \$150,312 for expenses. She said the reason the actual expenses incurred of \$150,312 was more than the amount requested of \$64,237 was due to additional costs incurred by the Attorney General's office since the date of request for reimbursement.

In response to a question from Senator Andrist, Ms. Sharp said she believes the actual attorney fee expenses represent only in-house attorneys, and she is unaware of any additional attorneys hired.

Senator Holmberg asked what impact the tobacco settlement funds deposited in the common schools trust fund have had on the tuition apportionment payments. Ms. Sharp said she did not have that information, but she would provide the committee with the information. The Legislative Council staff distributed a handout dealing with the projected impact of tobacco settlement money on common schools growth and distributions, a copy of which is on file in the Legislative Council office.

In response to a question from Representative Wald, Ms. Sharp said the tobacco settlement proceeds have been adjusted three percent for inflation and 14 percent for volume adjustment. She said the tobacco settlement payments are scheduled to be received until April 2025. She said the total estimated revenue to be received from the tobacco settlement through the year 2025 is \$775.4 million.

Representative Boucher commented that the \$674,217 of attorney fees is small in comparison to \$775.4 million of proceeds as a result of the settlement.

ASBESTOS ABATEMENT PROJECT Job Service North Dakota

Chairman Dalrymple called on Mr. Wayne G. Kindem, Administrative Support Area Manager, Job Service North Dakota, who presented information on the status of the Job Service asbestos abatement project. A copy of the information presented is on file in the Legislative Council office. Mr. Kindem said Job Service North Dakota was part of a joint lawsuit with several state agencies against an asbestos manufacturer. He said Job Service's share of the settlement was \$1.15 million. He said the asbestos abatement project is estimated to cost \$2.92 million, which is \$1.77 million more than the settlement proceeds. He said federal funds have been requested for the additional \$1.77 million. He said if federal funding is not provided, the cost could be financed from the agency Federal Advance Interest Repayment account. He said one of the authorized uses of the agency Federal Advance Interest Repayment account is to finance major agency facility renovation projects.

Department of Transportation

Chairman Dalrymple called on Mr. Tom Freier, Director, Department of Transportation, who presented information regarding the asbestos abatement project at the Department of Transportation. A copy of the information presented is on file in the Legislative Council office. Mr. Freier said the Department of Transportation's share of the settlement against an asbestos manufacturer was \$2.5 million. He said the final cost estimate of the abatement project is expected within two weeks. He said preliminary cost estimates are \$1.5 million for the relocation and are in excess of \$5 million for asbestos abatement and reconstruction. He said after the final cost report from the architectural and environmental firms is received, the department needs to make several decisions. He said a decision needs to be made on whether to wait until final funding is available and also if the project should be completed all at once or in phases. Mr. Freier said if the project is completed all at once, it would take 12 to 18 months for completion. He said if a phased approach is used doing one floor at a time, the project could last four to five years. He said the divisions that deal with the public such as the Driver's License and Motor Vehicle Divisions will need to be moved for the duration of the project. He said the cost of the abatement and reconstruction project is substantially more than the settlement and the amount appropriated for the 1999-2001 biennium. He said if the project is started this fall, the department will need to request in its 2001-03 budget additional funding for completion of the project.

In response to a question from Senator Andrist, Mr. Freier said the department has not considered the option of using schools during the summertime to relocate employees. He said the department has learned from similar abatement projects that construction costs are generally lower during the winter.

In response to a question from Senator Tallackson regarding the actual danger of asbestos, Mr. Freier said it would be difficult to justify to the employees not making the repairs after the lawsuit and settlement process has taken place.

Senator Tomac asked if the state is looking at long-term building needs for agencies that are in need of additional space such as the Workers Compensation Bureau, the State Department of Health, and the Department of Transportation. Mr. Freier said the Capitol Grounds Planning Commission is aware of the Department of Transportation's needs.

FEDERAL CLASS SIZE REDUCTION INITIATIVE GRANTS

Chairman Dalrymple called on Mr. Greg Gallagher, Education Improvement Team Leader, Department of Public Instruction, who presented a status report on the class size reduction program pursuant to Section 24 of 1999 Senate Bill No. 2013. A copy of the information presented is on file in the Legislative Council

office. Mr. Gallagher said the purpose of the class size reduction program is to help schools improve student achievement by reducing class size ratios in the earliest years, kindergarten through grade 3. He said the class size reduction program provides funds to school districts to recruit, hire, and train fully qualified teachers who are assigned to primary grade classrooms. He said all class size reduction program funds are provided to school districts; no administrative funds are retained by the state. He said the first priority for each district is to reduce teacher student ratios to 1 to 18 in all of its schools from kindergarten through grade 3. A district may use up to 25 percent of its total allocation for professional development and up to three percent of the allocation for administrative purposes. He said North Dakota was allocated \$5.6 million for school districts during 1999-2000. Of North Dakota's 229 public school districts, 186 applied to access their allocation; 43 did not apply. North Dakota was awarded \$6 million in class size reduction funding for 2000-01.

Representative Wald said the problem for a majority of North Dakota school districts is not enough students, not the need for additional teachers. Representative Wald asked if North Dakota could receive a waiver to use the grant money for other school district needs. Mr. Gallagher said it would be unlikely that North Dakota could receive approval for such a waiver.

Senator Bowman asked about the responsibility of paying for the additional teachers when or if these funds become unavailable. Mr. Gallagher said the state will not be expected to pick up any reduction in federal funding. He said it would be up to the school districts in their normal operations to make adjustments.

In response to a question from Representative Aarsvold, Mr. Gallagher said he is unsure why some school districts did not apply for the grants. He said some districts may be taking a "wait and see" attitude. He said the Department of Public Instruction tried to make the grant forms as straightforward as possible.

STATUS OF WATER PROJECTS

Chairman Dalrymple called on Mr. Dale L. Frink, Assistant State Engineer, State Water Commission, who presented information on the state water management plan and various water projects, pursuant to Section 9 of 1999 Senate Bill No. 2188. A copy of the information presented is on file in the Legislative Council office. Mr. Frink said the State Water Commission completed a bond sale on March 23, 2000. He said this bond sale totaled \$32.1 million, including \$23 million for Grand Forks flood control and \$4.5 million for the Southwest Pipeline Project. He said to date, Grand Forks has been provided \$7.6 million primarily for land acquisition and relocations. He said he expects the \$23 million included in this bond sale for Grand Forks will be

spent by the end of 2001, at which time another sale is anticipated. He said of the \$4.5 million raised for the Southwest Pipeline Project, \$2.8 million has been spent.

Mr. Frink said Devils Lake is currently about 15 inches lower than it was a year ago; however, one large rainfall could raise Devils Lake several feet. He said the State Water Commission is waiting for permit approval from the United States Army Corps of Engineers to lower the overflow section between Devils Lake and Stump Lake. He said Congress recently released \$2.2 million to the United States Army Corps of Engineers for continuing the environmental design studies of a west-end outlet. He said there still are major obstacles in Congress regarding this outlet.

PENDING REDUCTIONS TO THE NORTHEAST HUMAN SERVICE CENTER

Chairman Dalrymple called on Mr. Bob Sanderson, Director, Northeast Human Service Center, Grand Forks, who presented information regarding the planned reductions to the Northeast Human Service Center 2001-03 biennium budget request pursuant to Section 18 of 1999 Senate Bill No. 2012. A copy of the information presented is on file in the Legislative Council office. Mr. Sanderson said the major reason the Department of Human Services fought so hard for collocation was and still remains that it is in the best interest of the clients of the Northeast Human Service Center. He said the Department of Human Services never intended or stated it would be able to find \$500,000 of reductions to the general fund through efficiencies in the Northeast Human Service Center budget because that would be impossible without impacting the delivery of services. He said the Northeast Human Service Center did, however, intend on keeping a hold-even operating budget while achieving long-term departmentwide savings as a result of the collaboration among collocated agencies. He said the Northeast Human Service Center is concerned about the adverse impact the reductions called for in Section 18 of 1999 Senate Bill No. 2012 would have on the services in the region. He said in light of that, the center plans to request that the 2001 Legislative Assembly restore funding for these planned reductions.

Senator St. Aubyn said he is surprised with the comments that the Department of Human Services never intended to find \$500,000 of reductions to the center's general fund spending through efficiencies. He said during the 1999 Legislative Assembly, the Senate rejected the collocation, the House restored it, and as part of a compromise in the conference committee the Department of Human Services agreed to these budget reductions and efficiencies. He said he had a memorandum identifying savings that was signed by Mr. Sanderson and the county representatives. He said the county did not reflect any of the savings in its budget and now the Department of

Human Services wants to restore the planned reductions in its budget. Mr. Sanderson said the 1999 Legislative Assembly did reduce the Northeast Human Service Center budget by \$100,000 for the 1999-2001 biennium and the Department of Human Services does not plan to request the \$100,000 be restored in the budget request for the 2001-03 biennium. He said the Department of Human Services did not agree that the Northeast Human Service Center would find \$500,000 of reductions to its 2001-03 budget request, but hoped that through welfare reform and healthy families programs the Department of Human Services would realize savings. Senator St. Aubyn said the legislature agreed to collocation not just because of benefits to clients but also related savings. He said if the Department of Human Services did not intend to find general fund savings, then it should not have agreed to the compromise. Mr. Sanderson said the collocation is resulting in savings, but he does not have an exact dollar amount. He said the center has less travel, is combining training, is reducing equipment expenditures, is reviewing discretionary spending, and recently making a difficult decision not to provide services until a client has been seen by a physician and is determined eligible for medical assistance.

Senator Nelson said he would like to see specific savings identified and presented to the Budget Section. Representative Delzer said he hopes the Appropriations Committees in the 2001 Legislative Assembly look very carefully at implementing the cost-savings presented to the Budget Section. Senator Bowman said he feels the department was not truthful with the Legislative Assembly. Senator Tallackson said he has seen the human service center building and feels the collocation has worked out great. He said it has saved much time for the employees of the Northeast Human Service Center and for the people of Grand Forks.

STATUS OF THE HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT

Chairman Dalrymple called on Mr. Sheldon Wolf, Assistant Director, Medical Services Division, Department of Human Services, who presented information on the pending federal regulations to implement the Health Insurance Portability and Accountability Act of 1996 (HIPAA). A copy of the information presented is on file in the Legislative Council office. Mr. Wolf said HIPAA's goal is to reduce the cost and administrative burdens of health care by making possible the standardized, electronic transmission of health care data. He said it also creates standards for the security of electronically held health care data and provides standards for the protection of confidential health information. He said it is anticipated that implementation of these standards will be a very large undertaking in both fiscal and human resources as the standards are

lengthy, detailed, and will require a complete business analysis to ensure the department's computer systems, policies and procedures, and business processes meet these standards. He said other states are estimating the cost of implementing the standards may be as high as \$10 million. He said until the final rules are issued, it is almost impossible to reasonably estimate the cost of implementing the standards. He said the Health Care Financing Administration has issued regulations on five of the nine total standards with the remaining four to be issued by the end of 2000. Mr. Wolf said the 2001 Legislative Assembly will be kept informed of the status of the regulations and the impact they have on the department.

STATUS ON PROPOSED REDUCTION TO THE SOCIAL SERVICE BLOCK GRANT

Chairman Dalrymple called on Ms. Brenda M. Weisz, Director, Fiscal Administration, Department of Human Services, who presented information on the status of the current funding reduction proposed for the federal social services block grant. A copy of the information presented is on file in the Legislative Council office. She said proposed legislation in the United States Senate would decrease the overall social services block grant by as much as 66 percent. The block grant allocation to North Dakota is \$4.2 million. The proposed reduction would be approximately \$1.4 million for North Dakota. She said the Department of Human Services currently allocates 40 percent of its block grant to counties with the remaining 60 percent primarily going to regional human service centers. She said the argument being made for the reduction is that states should use their tobacco settlement dollars to offset the reductions. She said a bipartisan group from the House and the Senate has been formed to support the current funding level and argue against the block grant reductions. She said she will continue to inform this committee of any future actions regarding the funding level of the social services block grant.

HOME MORTGAGE FINANCE PROGRAMS AVAILABLE WITHIN INDIAN RESERVATIONS

Chairman Dalrymple called on Mr. Pat S. Fricke, Executive Director, North Dakota Housing Finance Agency, who presented information on the availability of affordable housing programs to North Dakota Indian reservations and tribal members. A copy of the information presented is on file in the Legislative Council office. Mr. Fricke said home mortgage finance program funding is now available within North Dakota Indian reservations. He said the program is funded through the sale and issuance of federally tax-exempt mortgage revenue bonds, the proceeds of which are used to purchase eligible home loans originated by participating North Dakota lenders. He said

a legal question arose regarding the use of these tax-exempt bond proceeds within North Dakota Indian reservations and the related tax-exempt status of the bonds. He said a private letter ruling was requested from the Internal Revenue Service in April 1996. He said a private letter ruling allowing the first-time home-buyer program to be available within North Dakota Indian reservations was received on March 14, 2000. He said the training sessions presented by the North Dakota Housing Finance Agency entitled *Home Ownership Finance in Indian Country* have been well attended and well received.

TOBACCO SETTLEMENT COSTS AND FEE RECOVERIES

At the request of Chairman Dalrymple, Mr. John Walstad, Code Revisor, Legislative Council, presented a memorandum entitled *Tobacco Settlement Costs and Attorneys' Fees*. The memorandum deals with the question of whether all moneys received by the state from the tobacco settlement, including cost and fee recovery moneys, were required by 1999 House Bill No. 1475 to be deposited in the tobacco settlement trust fund. If that is the case, cost and fee recovery moneys would not be available to fund gaming grants. Mr. Walstad said there are two plausible conclusions that can be reached concerning the appropriate handling of cost and fee recoveries under the tobacco settlement. The first conclusion is that cost and fee recoveries are part of all moneys received by the state pursuant to the judgment, and North Dakota Century Code (NDCC) Section 54-27-25 requires those funds to be deposited in the tobacco settlement trust fund. The second conclusion is the one reached by the Attorney General's office, which is that there is nothing in the legislative history suggesting or implying that cost or fee recoveries were intended to go to the tobacco settlement trust fund. The North Dakota Supreme Court has held that Attorney General's opinions are entitled to respect, and the court will follow them if they are persuasive. Mr. Walstad said in conclusion, an argument can be made either way.

In response to a question from Representative Byerly, Mr. Walstad said it is not evident in the Attorney General's appropriations bill if the cost and fee reimbursements from the tobacco companies were included in the Attorney General's 1999-2001 appropriation.

At the request of Chairman Dalrymple, Mr. Allen H. Knudson, Assistant Legislative Budget Analyst and Auditor, Legislative Council, presented a memorandum entitled *Local Gaming Enforcement Grants - 1999-2001*. The memorandum deals with the Emergency Commission request presented by the Attorney General to increase the grants line item by \$197,714 of other funds for providing additional local gaming enforcement grants. The source of the other funds would be from legal costs and fee recoveries received

related to the tobacco settlement case. The \$197,714 is the reimbursement received by the Attorney General in excess of the actual legal expenses incurred in the tobacco settlement. Mr. Knudson said a review of the legislative records indicates that the 1999 Legislative Assembly did not specifically consider or address the issue of providing additional other funds that may become available for local gaming enforcement grants; therefore, there is no indication of legislative intent that would preclude the use of other funds for gaming enforcement grants if approved by the Emergency Commission and Budget Section.

Senator Nething said a discussion of any additional funds does not show up in any of the legislative records because nobody thought there would be any additional funds.

Chairman Dalrymple said the Attorney General's Emergency Commission request was tabled from the March 2000 Budget Section meeting. He said if the Budget Section does not take action on this request, there is a statutory provision that says moneys in the refund fund that are uncommitted be transferred at the end of each fiscal year to the general fund. He said with the lack of any action, the transfer would be made as of June 30, 2000.

It was moved by Senator St. Aubyn and seconded by Representative Wald that the Budget Section ask that the chairman of the Legislative Council request the Attorney General's office retain in the Attorney General refund fund the \$197,714 received from excess tobacco settlement legal cost and fee recoveries; that the funds be identified as required for gaming enforcement as provided for in subsection 5 of Section 54-12-18 of the North Dakota Century Code; and that these moneys remain in the Attorney General refund fund until appropriated by the 57th Legislative Assembly.

In response to a question from Representative Carlisle, Senator St. Aubyn said it is anticipated the 2001 Legislative Assembly would appropriate the \$197,714 for gaming. Senator Krauter said there is nothing stopping the 2001 Legislative Assembly from making changes to the \$197,714, and that amount could be reduced.

Representative Huether said for the 1997-99 biennium, there was over \$1 million available for the gaming enforcement grants. He said this amount was reduced significantly for the 1999-2001 biennium. He said because there are moneys available at this time, the committee should go ahead and provide the funds to the cities in need of these gaming enforcement grants.

Senator Nelson said the 1999 Legislative Assembly appropriated the amounts requested by the Attorney General for gaming grants. He said the proposed motion informs the cities that they will get the gaming enforcement grants. He said he feels the

intent of the Legislative Assembly was that the Attorney General generate general fund savings from within its own budget for gaming grants.

Senator Tomac said the \$197,714 does not mean there will be an additional \$197,714, it means the committee is starting at "ground zero," and the \$197,714 will be used for the 2001-03 biennium. He said when this transfer was presented to the Emergency Commission meeting, it was passed unanimously. He said a demonstrated need is out there, and the committee needs to make the funds available.

Senator Nething said this motion is only a request to the Attorney General, and the chairman of the Legislative Council will not direct the Attorney General to do anything. He said the motion will reflect the wishes of a majority of the Budget Section. He said he believes the Attorney General will abide by the committee's request.

Representative Boucher said the committee is, in effect, earmarking \$197,714 in the refund fund for gaming enforcement grants. He said he is very concerned with the precedence established by this motion.

Senator Krauter said the statute provides that at the end of the fiscal year the money is to be transferred to the general fund. He said the Budget Section is requesting the Attorney General to hold these moneys even though the request does not comply with the statutory provision. He expressed concern that the next audit report for the Attorney General's office will contain a finding that the Attorney General has violated state law.

The motion carried on a roll call vote. Representatives Dalrymple, Boehm, Byerly, Carlisle, Delzer, Lloyd, Monson, Timm, Tollefson, and Wald and Senators Andrist, Bowman, Grindberg, Holmberg, Kringstad, Nelson, Nething, Solberg, and St. Aubyn voted "aye." Representatives Aarsvold, Boucher, Huether, and Kerzman and Senators Krauter, Lindaas, Robinson, Tallackson, and Tomac voted "nay."

LEGISLATIVE COUNCIL BIENNIUM REPORT ON AGENCY COMPLIANCE WITH LEGISLATIVE INTENT - 1999-2001 BIENNIUM

At the request of Chairman Dalrymple, Mr. Knudson presented the Legislative Council report entitled *1999-2001 Biennium Report on Agency Compliance With Legislative Intent*. The report provides information regarding agency compliance with the legislative intent included in the agencies' 1999-2001 appropriations. The report also includes information on the status of selected special funds which are included in the appendices. The report reflects agency activity through December 31, 1999, and later, as appropriate. Copies of the report are available in the Legislative Council office.

CORRESPONDENCE FROM ETHANOL PLANTS

Pursuant to 1999 House Bill No. 1019, correspondence from North Dakota ethanol plants receiving production incentives from the state was distributed to committee members. The correspondence relates to the Alchem, Ltd., plant and indicates the plant did not produce a profit in calendar year 1999 after deducting the payments received from the North Dakota ethanol production incentive program. A copy of the correspondence is on file in the Legislative Council office.

HIGHER EDUCATION CAPITAL PROJECTS

Chairman Dalrymple called on Mr. Larry Isaak, Chancellor, North Dakota University System, who presented information concerning the flooding at North Dakota State University. Mr. Isaak said the library was flooded with contaminated water and experienced the most severe damage. He said the communications systems at the university were completely shut down as a result of the flood. He said there is extensive damage to steam tunnels. He said a dollar value has not been identified, but the damage will most likely be in the tens of millions. He said the Governor has talked to Mr. James D. Witt, Director, Federal Emergency Management Agency (FEMA), and he is confident FEMA assistance will be provided. He said North Dakota State University will need a line of credit from the Bank of North Dakota so repairs to the damage can begin as soon as possible.

Senator Nelson said a considerable amount of damage at North Dakota State University occurred because several windows blew out of buildings during the flood, and the design of these buildings needs to be reviewed.

Chairman Dalrymple called on Dr. Donna Thigpen, President, Bismarck State College, who presented information on the Bismarck State College Student Union project. A copy of the information presented is on file in the Legislative Council office. Dr. Thigpen requested that the budget for the Student Union renovation project be increased from \$500,000 to \$600,000 to allow for completion of meeting rooms in the basement. She said the \$100,000 would be committed from auxiliary reserves which are earmarked for the Student Union and other auxiliary enterprise types of projects.

Chairman Dalrymple called on Dr. Sharon L. Etemad, President, Lake Region State College, who presented information on the Lake Region State College auditorium renovation project. A copy of the information presented is on file in the Legislative Council office. She requested an additional \$190,000 spending authority to award the bid for the sound system and complete the "internal fit up" of the backstage area.

Chairman Dalrymple called on Mr. Larry Eide, Vice President for Administration and Finance, Minot State

University, who presented information on the north lobby/entrance addition to the Minot State Dome. A copy of the information presented is on file in the Legislative Council office. Mr. Eide said the estimated cost of the project, including the installation of an elevator, is \$378,000. He said sources of the funding are \$240,000 from the city of Minot, \$63,000 from the local dome improvement fund, and \$75,000 from the 1999-2001 Americans with Disabilities Act (ADA) general fund appropriations.

In response to a question from Senator Nething, Mr. Eide said the dome is currently ADA-accessible on all three floors from different entrances. He said the elevator will allow access to all three floors from one entrance.

It was moved by Senator Nething, seconded by Senator Robinson, and carried on a roll call vote that the Budget Section approve \$100,000 of local funds, pursuant to Section 10 of 1999 House Bill No. 1003, for the Bismarck State College Student Union renovation project, increasing the estimated cost of the project from \$500,000 to \$600,000; \$190,000 of local funds, pursuant to Section 8 of 1999 House Bill No. 1003, for the Lake Region State College auditorium renovation project, increasing the estimated cost of the project from \$994,544 to \$1,184,544; and \$378,000 of local funds, pursuant to NDCC Section 15-10-12.1, for the addition of a north lobby/entrance to the Minot State Dome. Representatives Dalrymple, Aarsvold, Boehm, Boucher, Byerly, Carlisle, Huether, Kerzman, Monson, Timm, Tollefson, and Wald and Senators Andrist, Bowman, Grindberg, Holmberg, Krauter, Kringstad, Lindaas, Nelson, Nething, Robinson, Solberg, St. Aubyn, Tallackson, and Tomac voted "aye." Representatives Delzer and Lloyd voted "nay."

UNIVERSITY OF NORTH DAKOTA SALE OF LEASE REVENUE BONDS

Chairman Dalrymple called on Ms. Peggy Lucke, Acting President of Finance and Operations, University of North Dakota, who presented information on the issuance of revenue bonds to refinance existing lease-purchase obligations and acquire additional aircraft. A copy of the information presented is on file in the Legislative Council office. Ms. Lucke said by refinancing the 1990 lease-purchase obligation, the debt service requirement will be reduced from \$760,000 to \$333,000 per year. She said there are 14 additional aircraft with existing leases that run through February 15, 2010, and refinancing will result in savings of approximately \$70,000. She said there are currently 13 aircraft scheduled for replacement between June and November 2000, as well as options on five aircraft for delivery in January 2001, pending review of enrollments for fall semester 2000. She said financing leases have typically been for 10 years at interest rates exceeding 6.7 percent. By

including these acquisitions with the refinancing, these aircrafts can be acquired at an interest rate of approximately 5.33 percent. She said the University of North Dakota has received final authorization from the State Board of Higher Education and is waiting for bond insurance quotes. She said she anticipates the transaction to be completed in July 2000.

In response to a question from Senator Solberg, Ms. Lucke said during the spring or fall of 1997, the University of North Dakota sold a number of airplanes. She said the amount generated from the downsizing of the fleet was \$2 million. She said since then there is a yearly review of aircraft needs for the university based upon enrollment in the aerospace program.

Chairman Dalrymple said the debt refinancing presentation by Ms. Lucke is for information purposes only, and the Budget Section does not need to take any action.

DEPARTMENT OF CORRECTIONS AND REHABILITATION REQUEST

Chairman Dalrymple called on Ms. Elaine Little, Director, Department of Corrections and Rehabilitation, who requested a transfer of appropriation authority from the Adult Services Division to the central office pursuant to Section 2 of 1999 House Bill No. 1016. A copy of the information presented is on file in the Legislative Council office. Ms. Little said at this time, it appears the salaries and wages budget for the central office will not be adequate for the 1999-2001 biennium. She said the central office budget also does not have adequate funds in its operating line item to request a transfer of funding between line items. She said she is requesting funds for an additional one percent salary increase to provide a three percent increase for eight central office employees. She said she is also requesting additional salary adjustments for the new information technology assistant, for an administrative assistant, and for the information technology administrator. She said additional expenses for the payoff of annual/sick leave for the previous information technology assistant, workers' compensation, and other appropriation shortfalls for July 1999 through June 2000 and temporary salaries for July 2000 through July 2001 bring the total request to \$15,000.

Additional 1% salary increase	\$3,900
Salary adjustment for new information technology assistant	3,350
Salary adjustment for administrative assistant	2,696
Salary adjustment for the information technology administrator	1,895
Other additional expenses	3,159
Total transfer request	\$15,000

In response to a question from Senator Nething, Ms. Little said there are a number of areas within the

budget where additional funds are available. She said the "alternative to incarceration" budget is an area which has experienced the greatest savings to date.

In response to a question from Senator Nelson, Ms. Little said there was no specific request to increase the salary of the administrative assistant during the 1999 Legislative Assembly. She said the department tries to increase salaries each fiscal year with moneys available but has fallen farther behind the market. She said the Department of Corrections and Rehabilitation is losing qualified people, and this is an effort to keep salaries in line with other state agencies and other industries.

In response to a question from Representative Dalrymple, Ms. Little said the salary increases are not a result of a classification change but a workload adjustment. She said the agency has previously made salary increases in addition to those provided by the Legislative Assembly based upon market conditions.

In response to a question from Senator Krauter, Ms. Little said throughout the Department of Corrections and Rehabilitation, similar salary adjustments have been made; however, in the central office, there is no flexibility within the budget to make adjustments. She said they have been losing critical employees and have difficulty filling those positions.

It was moved by Senator Nething, seconded by Senator Kringstad, and carried on a roll call vote that the motion to approve the request by the Department of Corrections and Rehabilitation to transfer \$15,000 of appropriation authority from the Adult Services Division to the central office pursuant to Section 2 of 1999 House Bill No. 1016. Representatives Dalrymple, Aarsvold, Boehm, Boucher, Byerly, Carlisle, Delzer, Huether, Kerzman, Lloyd, Monson, Timm, Tollefson, and Wald and Senators Andrist, Bowman, Holmberg, Kringstad, Lindaas, Nelson, Nething, Robinson, Solberg, St. Aubyn, Tallackson, and Tomac voted "aye." No negative votes were cast.

AGENCY REQUESTS AUTHORIZED BY THE EMERGENCY COMMISSION

Chairman Dalrymple directed the committee to consider agency requests which have been authorized by the Emergency Commission and forwarded to the Budget Section pursuant to NDCC Sections 54-16-04, 54-16-04.1, and 54-16-04.2. The information relating to the requests was distributed to the Budget Section members prior to the meeting and is on file in the Legislative Council office.

It was moved by Senator Tallackson, seconded by Representative Carlisle, and carried on a roll call vote that the Budget Section approve the following requests that have been authorized by the Emergency Commission and forwarded to the

Budget Section pursuant to NDCC Sections 54-16-04, 54-16-04.1, and 54-16-04.2:

- **Dickinson Research Center (Request #1280) - To increase other funds spending authority by \$419,000 (\$239,000 to repair storm damage to buildings and equipment; and \$180,000 to make capital improvements to the Out Wintering Research Facilities).**
- **School for the Deaf (Request #1284) - To increase federal funds spending authority by \$125,006 (\$49,000 for salaries and wages, \$71,426 for operating expenses, and \$4,580 for equipment) for the North Dakota deaf/blind services project.**
- **Department of Health (Request #1285) - To increase federal funds spending authority by \$725,100 (\$85,800 for salaries and wages - FTE positions authorized by the Emergency Commission for duration of federal funding, \$12,500 for operating expenses, \$16,800 for equipment, and \$610,000 for grants for tobacco use prevention and bioterrorism programs).**
- **State Water Commission (Request #1286) - To increase federal and other funds spending authority by \$395,000 (\$325,000 of federal funds from the Division of Emergency Management; \$60,000 of other funds from Devils Lake area entities for the Devils Lake outlet awareness manager; and \$10,000 of federal funds from the Federal Emergency Management Agency for equipment related to dam safety).**
- **Department of Human Services (Request #1287) - To increase federal funds spending authority for grants by \$552,000 to use carryover federal funds from year five of the partnership program and to allow expenditure of those funds during the 1999-2001 biennium.**
- **Department of Human Services (Request #1288) - To increase federal funds spending authority by \$417,135 to accept a grant (\$360,000) and to utilize unspent funds carried over from the 1997-99 biennium (\$57,135) for operating expenses associated with programs to combat underage drinking.**
- **Department of Human Services (Request #1289) - To increase federal and other funds spending authority by \$2,193,860 (\$439,632 for operating expenses and \$1,754,228 for grants); to accept federal funds (\$439,632) for substance abuse and treatment, \$907,717 for expansion of services to the refugee population, and \$307,353 from the federal independent**

living program; and to accept other funds (\$539,158) from the Bush Foundation for training infant/toddler caregivers.

- Department of Human Services (Request #1290) - To increase other funds spending authority by \$2,218,429 from the health care trust fund to support the development of basic care facilities, assisted living facilities, and other alternatives to nursing facility care.
- Department of Agriculture (Request #1292) - To increase federal funds spending authority by \$289,583 (\$220,833 for operating expenses and \$68,750 for salaries and wages) from the Environmental Protection Agency for the dairy pollution prevention program.
- Highway Patrol (Request #1294) - To increase federal funds spending authority by \$720,000 for field operations to accept federal passthrough funds from the Department of Human Services to be used for programs related to the enforcement of underage drinking.
- Highway Patrol (Request #1296) - To increase federal funds spending authority by \$630,000 for field operations to accept federal funds for the Upper Great Plains Transportation Institute at North Dakota State University (\$500,000 for the development of a system related to border checks on drivers and vehicles; \$90,000 for the development of a business plan and study the feasibility of new technology relating to the motor carrier industry; and \$40,000 for a study of commercial vehicle accidents in North Dakota).
- Highway Patrol (Request #1297) - To increase federal funds spending authority by \$754,000 for field operations to accept federal funds for the Upper Great Plains Transportation Institute at North Dakota State University to develop Aspen, a computer software package, that will assist state and federal law enforcement agencies in the safety inspection of commercial vehicles.
- Secretary of State (Request #1298) - To increase other funds spending authority by

\$120,000 (\$56,300 for salaries and wages, \$39,700 for operating expenses, and \$24,000 for equipment) from the general services operating fund to provide better and faster services for the public.

Representatives Dalrymple, Aarsvold, Boehm, Boucher, Byerly, Carlisle, Delzer, Huether, Kerzman, Lloyd, Monson, Timm, Tollefson, and Wald and Senators Andrist, Bowman, Holmberg, Krauter, Kringstad, Lindaas, Nelson, Nething, Robinson, Solberg, St. Aubyn, Tallackson, and Tomac voted "aye." No negative votes were cast.

BUDGET TOUR REPORTS

Chairman Dalrymple asked if there were any questions on the budget tour reports as distributed. A copy of the information presented is on file in the Legislative Council office.

It was moved by Senator Robinson, seconded by Representative Byerly, and carried on a voice vote that the budget committee tour reports be accepted as distributed.

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

Senator Solberg said the Department of Public Instruction has recently retained a public relations person. He said he was not aware during the 1999 Legislative Assembly of the department's need for a public relations person. He said he would like the department to explain the rationale for and history of this public relations position at the next Budget Section meeting.

Chairman Dalrymple adjourned the meeting at 2:40 p.m.

Donald J. Wolf
Fiscal Analyst

Jim W. Smith
Legislative Budget Analyst and Auditor

ATTACH:1