

# NORTH DAKOTA LEGISLATIVE COUNCIL

## Minutes of the

### **BUDGET COMMITTEE ON GOVERNMENT SERVICES**

Wednesday and Thursday, July 10-11, 2002

International Peace Garden, Dunseith, North Dakota

North Central Human Service Center and State Fair Association, Minot, North Dakota

Representative Jeff Delzer, Chairman, called the meeting to order at 12:35 p.m., at the Errick F. Willis Pavilion in the International Peace Garden.

**Members present:** Representatives Jeff Delzer, Ron Carlisle, Rachael Disrud, James Kerzman, Frank Klein, Matthew M. Klein, Myron Koppang, Clara Sue Price, Dave Weiler, Robin Weisz; Senators Duaine C. Espeguard, Ralph L. Kilzer, Gary A. Lee, Judy Lee

**Members absent:** Representative Mark A. Dosch; Senators Elroy N. Lindaas, Harvey Tallackson

**Others present:** See attached appendix

**It was moved by Representative Carlisle, seconded by Representative Weiler, and carried on a voice vote that the minutes of the April 16, 2002, meeting be approved as distributed.**

#### **INTERNATIONAL PEACE GARDEN**

Chairman Delzer welcomed Representative Merle Boucher, Rolette, a member of the Legislative Council, to the meeting.

Following a luncheon provided by the International Peace Garden, Chairman Delzer called on Mr. John McQueen, Executive Director, International Peace Garden, who introduced the members of the International Peace Garden Board of Directors present at the meeting. Mr. McQueen distributed a copy of the December 31, 2001, audited financial statements and an informational brochure. A copy of each document is on file in the Legislative Council office.

Mr. McQueen said the International Peace Garden consists of 2,339 total acres--888 acres in North Dakota and 1,451 acres in Manitoba. He said the International Peace Garden was opened on July 14, 1932, with the dedication of the cairn. He said the International Peace Garden was created as a tribute to the peace and friendship between the people of Canada and the United States of America.

Mr. McQueen said the International Peace Garden receives approximately 150,000 visitors per year. He said over the last five years the park has experienced approximately a 2 percent annual decline in visitations primarily due to declining population in Manitoba and North Dakota. He said current year attendance through June 2002 has increased primarily due to the World Trade Center steel display.

Mr. McQueen said a two-week park survey of license plates indicated that approximately 30 percent of visitors are from North Dakota, 30 percent from Manitoba, and the remaining 40 percent from other

areas. He said approximately 60 percent of visitors are from the United States and 40 percent from Canada.

Mr. McQueen said through contributions and efforts provided by Canada, the International Peace Garden has a new display consisting of 10 pieces of steel from the destroyed World Trade Center. He said future plans are to use the steel as part of a memorial to the people who died in the September 11, 2001, terrorist attacks.

In response to a question from Representative M. Klein, Mr. McQueen said the initiative for the World Trade Center steel display came from the province of Manitoba. He said the International Peace Garden was chosen as the final site for the display. He said an architectural design competition will be conducted for the planned memorial.

Mr. McQueen said the 2001 Legislative Assembly provided a general fund appropriation of \$377,083--\$364,583 for the International Peace Garden and \$12,500 for a grant to the International Peace Garden Foundation for restroom renovations at the Peace Garden Music Camp.

In response to a question from Representative Delzer, Mr. McQueen said the International Peace Garden does not exchange currency. He said the park operates separate tills--Canadian currency and American currency.

In response to a question from Senator Espeguard, Mr. McQueen said several new buildings within the International Peace Garden have helped to keep maintenance costs low. He said a reserve account is established for major unplanned expenditures.

In response to a question from Representative Delzer, Mr. McQueen said the International Peace Garden has not conducted any recent fundraising drives.

In response to a question from Senator J. Lee, Mr. McQueen said the International Music Camp and Royal Canadian Legion Athletic Camp are separate entities from the International Peace Garden. He said the camps pay a per student rental rate of approximately \$19.50 per six-day period for use of International Peace Garden facilities. He said the International Music Camp also owns and maintains several buildings.

In response to a question from Representative Koppang, Mr. McQueen said the International Peace Garden has plans for a future development of an

international centre for peace. He said the facility would include a conflict resolution center able to handle international disputes. He said the facility would also include a museum, library, cafe, interpretative center, and security accommodations. He said the estimated cost of the facility is \$20 million.

The committee conducted a tour of the World Trade Center steel display, the interpretative center, the Civilian Conservation Corps lodge, the Quentin Burdick Center for Performing Arts, the Masonic Memorial Auditorium, the peace chapel, greenhouses, and the formal gardens. The committee recessed at 4:20 p.m. and traveled to Minot.

### **NORTH CENTRAL HUMAN SERVICE CENTER - BUDGET TOUR**

The committee reconvened at 8:30 a.m. on Thursday, July 11, 2002, at the North Central Human Service Center, Minot. Chairman Delzer called on Mr. David Snyder, Director, North Central Human Service Center, who welcomed the committee members.

Ms. Jean Burke, Program Director, North Central Human Service Center, provided an overview of the center's services. She said during fiscal year 2001, the North Central Human Service Center provided services to 3,936 clients, a 6.7 percent increase over fiscal year 2000.

In response to a question from Representative Delzer, Mr. Bruce Schwan, Director, Adult Addiction Services, North Central Human Service Center, said the North Central Human Service Center receives court-ordered referrals for addiction services. He said once the patient has completed the addiction services, the department sends a letter to the parole officer informing them of the completion.

In response to a question from Senator Espegard, Mr. Schwan said approximately 25 percent of the patients in addiction treatment services have previously completed the program. Ms. Burke said the center offers various types of treatment services, including day, residential, and outpatient treatment.

In response to a question from Senator J. Lee, Mr. Schwan said alcoholism is the most common addiction addressed by the North Central Human Service Center. He said there is an increasing number of individuals addicted to methamphetamine. He said most individuals in treatment are addicted to multiple substances.

In response to a question from Representative Price, Mr. Jim Knudsen, Program Director, Child, Adolescent, and Family Services, North Central Human Service Center, said there are some preliminary plans for the development of a drug court in Minot.

In response to a question from Representative M. Klein, Ms. Burke said social detoxification is a "drying out" program in a residential facility for monitoring individuals with a blood alcohol content of .2 percent or below. She said additional patient

medical considerations are also taken into account prior to admission.

In response to a question from Representative Price, Ms. Nancy Rubbelke, Developmental Disabilities Program Coordinator, North Central Human Service Center, said approximately 70 percent of the developmental disabilities clients served by the center are adults.

In response to a question from Representative Delzer, Ms. Burke said the center's adult services unit has approximately a 20 percent "no show" rate.

In response to a question from Representative Kerzman, Ms. Burke said the Oppen Home primarily provides foster care services for adolescent pregnant females. She said the Oppen Home also provides a place for supervised visitations between parents and children.

Mr. Keith Welsh, Business Manager, North Central Human Service Center, presented information on the status of the center's 2001-03 biennium budget. He said North Central Human Service Center's 2001-03 biennium budget is \$14.4 million, \$8.6 million of which is from the general fund. He said the center anticipates spending its entire 2001-03 biennium budget.

In response to a question from Senator Espegard, Mr. Welsh distributed a memorandum detailing the \$1.2 million increase in salaries and wages from the 2001-03 biennium as compared to the 1999-2001 actual expenditures. The memorandum also compared the 1999-2001 actual salaries and wages compared to budgeted salaries and wages. Mr. Welsh said actual salaries and wages for the 2001-03 biennium were \$4.5 million through May 2002. A copy of the information presented is on file in the Legislative Council office.

Chairman Delzer called on the following employees of the North Central Human Service Center who presented information on the various programs provided by the center:

- Mr. Schwan presented information on the center's addiction and drug unit.
- Mr. Knudsen presented information on the center's child, adolescent, and family services unit.
- Mr. Orvin Lommen presented information on the center's adult services unit.
- Ms. Kim Fiskum provided information on the center's extended care and treatment services.
- Ms. Carol Laber presented information on the center's psychiatric and nursing services.
- Ms. Paula Bosh presented information on programs and services provided to children with serious emotional disorders.
- Ms. Mary Hermanson presented information on the center's regional supervision of county social service programs, including child protection services, child care licensing, foster care, adoption services, and family preservation service programs.

- Ms. Mari Don Sorum presented information on the center's aging services unit.

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

In response to a question from Representative Carlisle, the legislative budget analyst and auditor said each agency will determine where its budget reductions will be applied in order to meet the Governor's 1.05 percent allotment. He said additional allotments may be required by the Governor before the end of the 2001-03 biennium. He said the next official revenue forecast will be released in December, prior to the organizational session, as part of the Governor's 2003-05 biennium proposed budget.

In response to a question from Representative Carlisle, Mr. Knudsen said the use of inhalants is a major problem among youth. He said there is a substantial increase in marijuana use over the last several years by children.

In response to a question from Representative Koppang, Mr. Knudsen said the child, adolescent, and family services unit provides services for child abuse, neglect, delinquency, addictions, and emotional and behavioral disturbances. He said the average age of children receiving services is 11.

In response to a question from Representative M. Klein, Ms. Laber, Director, Nursing Services, North Central Human Service Center, said antidepressants are the most common medication dispensed by staff psychiatrists. She said she would provide the committee information on the number and cost of medications dispensed through the North Central Human Service Center. A copy of the information presented is on file in the Legislative Council office.

In response to a question from Representative Delzer, Ms. Bosh, Supervisor, Region II Partnership Program, North Central Human Service Center, said she would provide the committee information relating to the number of hospital bed days served and related costs for children with serious emotional disorders. A copy of the information presented is on file in the Legislative Council office.

In response to a question from Representative Delzer, Ms. Sorum, Aging Services Program Administrator, North Central Human Service Center, said the aging services unit at North Central Human Service Center receives referrals from a variety of sources, including hospitals, police, and social workers. She said approximately 80 to 90 percent of vulnerable adult investigations result in findings of abuse, neglect, or other problem.

## **RISK-ASSOCIATED BEHAVIOR PROGRAMS**

### **Risk-Associated Programs Survey**

The Legislative Council staff presented a memorandum entitled *Survey of Agency Alcohol, Drug, Tobacco, and Risk-Associated Behavior Programs*. The Legislative Council staff said the Budget Committee on Government Services reviewed the

risk-associated behavior programs survey and received comments from the agencies during its October 18, 2001, meeting. The Legislative Council staff said the survey was sent to nine state agencies that have funding for various risk-associated behavior programs and the memorandum is a compilation of survey responses received from the agencies. The Legislative Council staff said the total 2001-03 biennium funding for risk-associated behavior programs, excluding identified duplicated passthrough funds, is \$53 million, \$15.3 million from the general fund. Agencies were asked to identify sources of federal and special funds, program funding restrictions, available time period of funding, and anticipated uses of funds.

### **Community Health Grant Program**

At the request of Chairman Delzer, Ms. Arvy Smith, Deputy State Health Officer, State Department of Health, presented a report on the status of the implementation of the community health grant program pursuant to Section 2 of 2001 Senate Bill No. 2380. A copy of the information presented is on file in the Legislative Council office.

Ms. Smith said all 28 local public health units have applied for and were awarded community health grant program funds. She said \$10,721 remains unallocated due to one local public health unit not applying for its full allocation. She said the advisory committee notified local public health units of the remaining funds and they will be eligible to submit a plan for the remaining amount if interested. She said \$3,749,279 of the \$3,760,000 appropriated for school and community preventive health programs has been awarded to local public health units. She said five communities have requested funding for city-county employee cessation and education programs.

Ms. Smith said contracts totaling \$4,779,171 have been approved and \$2,477,896 has been spent from the community health trust fund as of July 2002. She said the 2001 Legislative Assembly appropriated a total of \$5,344,755 from the community health trust fund for the 2001-03 biennium.

Ms. Smith said based on a behavioral risk factor survey conducted in North Dakota in 1999 and 2000, smoking rates among American Indians over age 18 is 45.4 percent, which is twice as high as nonnatives.

Ms. Smith said the Centers for Disease Control and Prevention (CDC) has reduced North Dakota's matching requirement from a dollar-for-dollar "hard" match requirement to a \$1 state to \$10 federal "hard" or "soft" match requirement for the period June 1, 2002, to May 31, 2003. She said the CDC has indicated the dollar-for-dollar matching requirement will be reinstated after May 31, 2003.

In response to a question from Representative Price, Ms. Smith said the CDC match is 1 to 10 for those states without dedicated tobacco prevention and control funding. She said the CDC postponed North Dakota's 1-to-1 matching requirement due to

the fact the state had little time to prepare for the change in the matching requirement. She said the State Department of Health believes future continuation of the 1-to-10 match requirement is unlikely.

In response to a question from Representative Delzer, Ms. Smith said during the 2001-03 biennium approximately \$400,000 to \$500,000 from the \$2.3 million CDC grant will fund five FTE positions within the State Department of Health relating to tobacco prevention and control. She said the CDC believes states that do not have dedicated tobacco control and prevention funding are unable to provide the funding. She said the CDC allows a 1-to-10 match for those states so that all available CDC money can be applied to tobacco prevention and control programs.

Ms. Smith said pursuant to Section 2 of 2001 Senate Bill No. 2380, the Community Health Grant Program Advisory Committee supports the following recommendations for legislation regarding the community health grant program:

- Clarification of the "minimum base" funding for communities pursuant to Section 1 of 2001 Senate Bill No. 2380 subsection 1b.
- Establishment of a statewide "quit line" to assist in providing cessation services to the rural areas of North Dakota.
- Provide funding to the State Department of Health from the community health trust fund for administration and provide technical assistance to local public health units for implementation of the community health grant program.

In response to a question from Representative Delzer, Ms. Smith said 2001 Senate Bill No. 2380 was "codified," with the exception of the appropriation and Legislative Council study sections of the bill.

In response to a question from Representative Price, Ms. Smith said approximately \$3,000 of the total \$100,000 appropriated in 2001 Senate Bill No. 2380 for the Community Health Advisory Committee has been spent as of July 2002. She said the remaining \$97,000 will be applied toward research and technical assistance. She said additional funding for technical assistance to the local public health units will be needed in future bienniums.

In response to a question from Representative Carlisle, Ms. Smith said the State Department of Health will be able to provide some preliminary results from tobacco cessation programs to the 2003 Legislative Assembly; however, many of the impacts from the programs take time and require extended study.

Senator J. Lee said Medicare does not cover costs for smoking cessation "patches." She said she would like to see the community health grant program provide funding for assistance to individuals who cannot afford "patches" or other smoking cessation medications.

In response to a question from Representative Delzer, Ms. Smith said smoking cessation programs are not eligible for CDC match funding.

Representative Price said the \$250,000 appropriated in 2001 Senate Bill No. 2380 for city and county tobacco cessation programs is for a pilot program to determine the most effective smoking cessation programs, which can then be used to develop a comprehensive statewide program.

Representative Kerzman said there are clear indications that the price of cigarettes is a major factor in usage. Representative Weisz said an increase in the price of tobacco results in a corresponding decrease in the number of tobacco users. Representative Carlisle said cigarettes can be purchased on reservations without being subjected to taxation and cost as much as 44 cents per pack less. He said there needs to be price parity on cigarettes sold in North Dakota.

Chairman Delzer called on Ms. Lisa Clute, Executive Officer, First District Health Unit, who provided a report on activities occurring in the communities served by the First District Health Unit as a result of the funding received from the community health grant program. She said the Community Health Grant Program Advisory Committee approved a grant in the amount of \$513,599 for the First District Health Unit. She said the First District Health Unit employs one FTE tobacco prevention coordinator, one FTE position to provide technical assistance to schools, and will hire a .5 FTE position to provide administrative support for the tobacco prevention program. A copy of the information presented is on file in the Legislative Council office.

In response to a question from Representative Delzer, Ms. Clute said the First District Health Unit receives \$50,000 from the CDC for staff salaries and wages.

In response to a question from Representative Weisz, Ms. Clute said tobacco settlement funds are not provided directly to counties; however, the counties contract with the local public health units to provide services.

In response to a question from Representative Price, Ms. Clute said the CDC "best practices" were addressed by the First District Health Unit in its community health grant plan.

In response to a question from Senator Kilzer, Ms. Clute said if the First District Health Unit provides smoking cessation services, a fee would be established based on the individual's ability to pay. She said the fee would be based on guidelines provided from the Board of Health. She said the First District Health Unit would prefer to contract with other entities to provide cessation programs.

Representative Koppang said he believes law enforcement needs to be involved in school tobacco prevention programs.

Chairman Delzer called on Dr. Nicholas H. Neumann, committee member, Community Health Grant Program Advisory Committee, who presented a report on the activities of the Community Health Grant Advisory Committee. A copy of the information presented is on file in the Legislative Council office.

Dr. Neumann said the Community Health Grant Program Advisory Committee has identified many challenges and opportunities, including:

- Develop closer relationships with local public health units and activists to facilitate implementation and coordination of the local plans.
- Identify activities and issues that might benefit from a more centralized approach.
- Work with local public health units to identify and track appropriate measurable indicators of success.
- Work with local public health units to refine their plans consistent with their allocation.
- Identify and track appropriate global measures of success for the grant program across the state.
- Find ways to support, develop, and maintain sufficient effective State Department of Health staff to carry out this program.

Dr. Neumann said actual measurable reductions in the incidence and prevalence of tobacco use or in the expenditures for tobacco-related illness and diseases will not be available in the short term. He said the awarding of community health grants on a noncompetitive basis has helped to promote broad statewide participation in the program.

Senator J. Lee asked the Legislative Council staff to provide the Community Health Grant Program Advisory Committee and the Valley City/Barnes County Board of Health a copy of the *Survey of Agency Alcohol, Drug, Tobacco, and Risk-Associated Behavior Programs*. She said it is important that the people involved with the community health grant program are made aware of additional funding and programs for alcohol, drug, tobacco, and risk-associated behavior programs.

Chairman Delzer called on Ms. June Herman, Vice President of Public Advocacy, American Heart Association, Jamestown, who presented information on other states' activities increasing cigarette taxes. A copy of the information presented is on file in the Legislative Council office.

In response to a question from Representative Carlisle, Ms. Herman said historically, states have not experienced revenue reductions from increases in cigarette taxes. She said individuals may travel or use the Internet to make volume purchases because of cigarette tax increases but eventually tend to revert back to the normal cigarette buying practices.

Chairman Delzer called on Ms. Sharon Leet, Tobacco Cessation Program Coordinator, City of Minot, who presented information on the city of Minot pilot tobacco cessation program. She said the program consists of individual support sessions, medication therapy, and family participation. She said a total of 44 individuals enrolled in the program. She said after three months 75 percent of the individuals have quit chewing tobacco or smoking. She said in addition, there has been a decrease in tobacco use by the individuals who did not quit.

In response to a question from Senator Kilzer, Ms. Clute said a majority of the smaller public health units have been working cooperatively with other public health units to develop regional tobacco prevention and control plans.

In response to a question from Senator J. Lee, Ms. Smith said appropriated tobacco settlement trust funds that are not spent during the 2001-03 biennium would remain in the community health trust fund. She said the State Department of Health may request unspent funds be reappropriated to use in the 2003-05 biennium.

**Tobacco Settlement Trust Fund Collections**

The Legislative Council staff presented a memorandum entitled *Analysis of the Tobacco Settlement Trust Fund for the 2001-03 Biennium*. The Legislative Council staff said as of July 1, 2002, \$79.7 million has been received by the state and deposited in the tobacco settlement trust fund. During the first 12 months of the 2001-03 biennium, \$26.8 million of tobacco settlement collections have been received by the state. Tobacco settlement trust fund collections are projected to be \$53.3 million for the 2001-03 biennium and are allocated among the community health trust fund, the common schools trust fund, and the water development trust fund pursuant to NDCC Section 54-27-25 as follows:

Fund	2001-03 Actual Transfers to Date From Tobacco Settlement Trust Fund	2001-03 Projected Remaining Transfers From Tobacco Settlement Trust Fund
Community health trust fund (10%)	\$2,678,071	\$2,653,644
Common schools trust fund (45%)	12,051,320	11,941,400
Water development trust fund (45%)	12,051,320	11,941,400
Total transfers from the tobacco settlement trust fund	\$26,780,711	\$26,536,444

In response to a question from Senator J. Lee, the Legislative Council staff said the State Water Commission has hired a consultant and the Attorney General's office is reviewing legal issues associated with the assumption of the Section 404 program of the Clean Water Act.

**RECRUITMENT AND RETENTION BONUS PILOT PROGRAM**

The Legislative Council staff presented a bill draft [30092.0100] to extend the recruitment and retention bonus pilot program until June 30, 2005.

In response to a question from Representative Weiler, the legislative budget analyst and auditor said state agencies must fund recruitment and retention

bonus pilot programs from within the agencies salaries and wages appropriated budget.

Chairman Delzer said the committee will receive testimony from agencies participating in the recruitment and retention bonus pilot program during the October 2002 Budget Committee on Government Services meeting. He said the committee will consider recommending the bill draft during that meeting. The committee recessed for lunch at 12:10 p.m. and traveled to the State Fair.

## BUDGET MONITORING

Following a luncheon provided for committee members in the State Fair center, state fairgrounds, the committee reconvened at 1:15 p.m.

The legislative budget analyst and auditor distributed a report on the status of the general fund presented by the Office of Management and Budget to the Budget Section on June 26, 2002. A copy of the information presented is on file in the Legislative Council office.

The legislative budget analyst and auditor presented a memorandum entitled *Analysis of 2001-03 General Fund Budget Status*. The legislative budget analyst and auditor said due to significant reductions in estimated revenues for the 2001-03 biennium as reported by the Office of Management and Budget on July 9, 2002, the general fund balance on June 30, 2003, is projected to be a negative \$43.3 million rather than a positive \$12 million projected at the end of the 2001 legislative session. He said projected revenues are approximately 3.8 percent or \$65 million less than projected at the end of the 2001 legislative session. He said major areas of projected general fund revenue reductions compared to the original legislative forecast include:

- Individual income taxes - \$53.6 million or 11.9 percent reduction.
- Corporate income taxes - \$19.7 million or 18.9 percent reduction.
- Interest income - \$10.1 million or 48.1 percent reduction.

The legislative budget analyst and auditor said in order to address the projected \$43.3 million negative general fund ending balance and provide a positive June 30, 2003, balance, the Governor is proposing to:

- Utilize the contingent transfer of an additional \$25 million from the Bank of North Dakota as authorized in Section 12 of 2001 House Bill No. 1015, subject to Budget Section approval;
- Reduce executive branch agency general fund budgets by 1.05 percent through the budget allotment process to generate \$17.6 million of savings; and
- Ask the legislative and judicial branches to voluntarily reduce general fund spending by 1.05 percent to generate \$737,000 of savings in the form of general fund turnback.

In response to a question from Senator Espesgard, the legislative budget analyst and auditor said

Section 11 of 2001 House Bill No. 1015 provides for a \$60 million transfer from Bank of North Dakota profits to the general fund during the 2001-03 biennium. He said the estimated 2001-03 biennium profits for the Bank of North Dakota are \$64.3 million. He said the \$25 million contingent transfer will primarily consist of accumulated earnings. Senator Espesgard said the net projected June 30, 2003, estimated capital balance of \$149.8 million maintains the Bank at a strong capitalized rate of 8 percent. He said most large banks are capitalized as low as 6 percent. He said a large portion of the Bank of North Dakota's loans are guaranteed, including student loans.

In response to a question from Representative Delzer, the legislative budget analyst and auditor said preliminary estimates are that 2001-03 biennium deficiency appropriation requests could be at least \$16.2 million, consisting of \$12 million for the Division of Emergency Management for the 1997-2001 disasters and \$4.2 million at the University of North Dakota and North Dakota State University for the state's share of disasters.

In response to a question from Representative Kerzman, the legislative budget analyst and auditor said \$15 million of Bank of North Dakota profits are planned to be transferred every six months during the 2001-03 biennium to the general fund, for a total of \$60 million.

The Legislative Council staff presented a memorandum entitled *Oil Production, Oil Market Price, and Oil Tax Revenue Information for the 2001-03 Biennium*, which provides information on the statutory provisions relating to oil and gas gross production tax, oil extraction tax, the permanent oil tax trust fund, and information on oil production and oil market prices. The Legislative Council staff said through May 31, 2002, general fund revenues from oil and gross gas production taxes are \$2,557,151 below estimates. The Legislative Council staff said general fund revenues from the oil extraction taxes are \$3,087,362 below estimates for the same period.

The Legislative Council staff said in June 2002 the average price per barrel of oil was \$20.51, 34 cents more than the forecasted price of \$20.17 per barrel. The Legislative Council staff said oil production in April 2002 totaled 2,524,918 barrels, 265,892 barrels less than the estimated production of 2,790,810 barrels. The Legislative Council staff said through June 2002, 47 oil wells have been drilled in calendar year 2002, 44 of which are producing wells. The Legislative Council staff said the average number of oil rigs in North Dakota in June 2002 was 12.

The legislative budget analyst and auditor presented a memorandum entitled *Traumatic Brain-Injured Facilities in North Dakota*. North Dakota currently has two facilities providing services specifically for traumatic brain-injured (TBI) individuals--the High Soaring Eagle Ranch near Valley City providing services for up to 11 individuals and Dakota Pointe in Mandan providing services for up to 10 individuals.

He said in January 2002, the Developmental Center discontinued operating its TBI unit. The Department of Human Services determined the unit was not operating cost-effectively because of staffing requirements needed to maintain licensure as a skilled care unit. The four individuals served at the Developmental Center TBI unit have been transferred into the general population of the Developmental Center. The Developmental Center's TBI unit provided skilled care services to individuals with traumatic brain injury who also had behavioral concerns. The High Soaring Eagle Ranch and the Dakota Pointe facility provide a lower level of care than what would be needed to care for these individuals.

In response to a question from Representative Weiler, the legislative budget analyst and auditor said the High Soaring Eagle Ranch has historically been at maximum occupancy. He said he was uncertain as to the occupancy rate at the Dakota Pointe facility in Mandan.

The legislative budget analyst and auditor presented a memorandum entitled *Medical, Dental, and Optical Expenditures - State Hospital and Medicaid*. For the six-month period ending December 31, 2001, the State Hospital had spent \$357,855 for medical, dental, and optical services-related expenses, which was \$26,980 less than estimated expenditures of \$384,836. Actual expenditures were less than estimated due to purchasing fewer of these supplies and drugs during the first six months than anticipated. Fewer purchases were made because the State Hospital had a large inventory available as a result of purchasing a large quantity of medical, dental, and optical supplies, primarily drugs, at the end of the 1999-2001 biennium.

The legislative budget analyst and auditor said for the 2001-03 biennium, the Department of Human Services appropriation provides \$79.1 million for medical assistance drug expenditures, \$28.7 million more than the \$50.4 million provided for the 1999-2001 biennium. Based on medical assistance expenditures for drugs through March 2002, the Department of Human Services estimates that for the biennium, medical assistance expenditures for drugs will exceed the appropriated amount by \$5.6 million or 7 percent, of which \$2.3 million is from the general fund. Drug costs at the State Hospital are not increasing as much as drug costs in the medical assistance programs primarily because:

- The number of patients at the State Hospital is stable and not increasing as much as the number of individuals eligible for medical assistance.
- The types of drugs prescribed at the State Hospital are fairly constant while many more new types of brand name drugs are being prescribed in the medical assistance programs. These new brand name drugs are generally more expensive.

## **STATE FAIR ASSOCIATION - BUDGET TOUR**

Chairman Delzer called on Mr. Gerald Iverson, Manager, State Fair Association, Minot, who discussed the 2001 State Fair and an overview of the State Fair Association. Mr. Iverson said the 2001 State Fair generated \$3.3 million in revenues and had \$3.2 million in expenditures. Mr. Iverson said proposed funding requests for the 2003-05 biennium for the State Fair Association include:

1. Premiums and awards - \$425,000.
2. Capital improvements loan assistance - \$210,000.
3. Asphalt repairs - \$400,000.
4. Grandstand replacement - \$6.5 million.
5. Natural resource center - \$555,000.

Mr. Iverson said the State Fair and the All Seasons Arena have a combined annual budget of approximately \$3.7 million.

Mr. Iverson said for the 2001-03 biennium, the State Fair received a general fund appropriation of \$575,000, including \$365,000 for premiums and awards. He said the 2001 State Fair had 40,967 exhibit entries. He said a total of \$196,170 in premiums and awards was paid during the 2001 State Fair.

In response to a question from Representative Carlisle, Mr. Iverson said private businesses operate State Fair concessions and pay rent to the State Fair Association.

In response to a question from Senator Espgaard, Mr. Iverson said prior to 1965 North Dakota had multiple state fairs in Grand Forks, Fargo, Jamestown, and Minot. He said 37 years ago Minot was chosen as the exclusive home of the State Fair because of its central location and the value of the donated fairground property.

In response to a question from Senator J. Lee, Mr. Iverson said the State Fair Association purchases insurance for "major expense" acts. He said the insurance premium costs \$5,500 for a \$100,000 act. He said the insurance would reimburse the entire cost of the act if one-fifth of an inch of rain or more falls between 3:00 to 10:00 p.m. on the day of the act. He said cancellation is not required for reimbursement.

In response to a question from Representative Price, Mr. Iverson said the seating capacity of the State Fair grandstand is 5,600 individuals.

The committee toured the state fairgrounds, including the grandstands and drag strip.

## **COMMITTEE DISCUSSION AND STAFF DIRECTIVES**

Chairman Delzer said the final 2001-02 interim meeting of the Budget Committee on Government Services is tentatively scheduled for October 9, 2002. Chairman Delzer said at the October meeting the committee will receive a report on the status of the general fund, state investments (Bank of North Dakota, Land Department, and State Investment

Board), and the status of the community health grant program.

The committee adjourned subject to the call of the chair at 2:45 p.m.

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Donald J. Wolf  
Fiscal Analyst

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Jim W. Smith  
Legislative Budget Analyst and Auditor

ATTACH:1