

2009 HOUSE APPROPRIATIONS

HB 1483

## 2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1483

House Appropriations Committee  
Government Operations Division

Check here for Conference Committee

Hearing Date: 2/3/09

Recorder Job Number: 8426 and 8428

Committee Clerk Signature *Tonya Voegeli*

Minutes:

Chairman Delzer opened the hearing on House Bill 1483. Roll was taken at a previous hearing. The title was read.

Pam Sharp, Director of OMB, spoke in support of the bill.

**Pam Sharp, Director of OMB:** House Bill 1483 is one of those bills where a section of 1015 was taken out of 1015 and put into a separate bill. In this case it is just one section and it relates to the borrowing authority for the Centers of Excellence. In the current biennium, there was \$15million of funding for the Centers of Excellence and \$5million of borrowing authority for the Centers of Excellence for a total of \$20million of authority for Centers. What we are proposing for next biennium is \$15million of General Fund authority for Centers of Excellence and that is in HB 1015 and then also \$5million borrowing authority for the Centers and that is what is in this bill right now. It is pretty straight forward. In the current biennium just to kind of bring you up to date, projects totaling almost \$20million have been awarded for Centers projects. The total amount of that money has not yet been fully distributed because two years ago there was some legislative intent that gave the Department of Commerce some direction to monitor these centers and gave them some tools and one of the tools was to stagger the

distribution of that money so the Centers would have to submit plans and they would have to meet some milestones before they would continue to get all of the money. So the Department of Commerce is in that process right now. Tomorrow when you hear HB 1015 we will be bringing some amendments to enable that monitoring ability to make it a little bit easier because they are staggering the distributions, some of that money will cross over bienniums so we are going to propose that there be a Centers of Excellence fund that will have some continuing authority so that they will stagger the distributions and when it crosses bienniums it will be an easier tool to do that.

**Chairman Delzer:** You have expended the \$5million for this biennium correct?

**Pam Sharp, Director of OMB:** We have not borrowed the money yet but the money has been committed.

**Chairman Delzer:** Is there anything in the deficiency appropriation?

**Pam Sharp, Director of OMB:** There is \$5million in the deficiency appropriation.

**Chairman Delzer:** That is committed as to when?

**Pam Sharp, Director of OMB:** I am going to have to look at Shane as to the timing of when that is committed. The nearly \$20million has been committed in this biennium. All of the distributions will not be made in the current biennium because of the staggering distributions.

**Chairman Delzer:** We are going to need that number.

**Pam Sharp, Director of OMB:** This is one of the reasons why we are going to propose an amendment for a separate fund so we kind of keep all of the money together so it can be distributed as the Centers meet their milestones.

**Representative Glassheim:** Is this idea of the extra \$5million part of a political activity? It seems to me if we are willing to spend \$20million, why don't we just appropriate \$20million rather than go through this deal of borrowing it. Do you care one way or another whether you

have this or is that simply a legislative political decision that you felt more comfortable holding back \$5million. It seems like an odd financial arrangement to me.

**Pam Sharp, Director of OMB:** I believe it is because of the uncertainty of what the proposed new centers will be. Maybe there will Centers, maybe those requests will come in and \$15million will be warranted but maybe there will be more than that. I guess it's just do not appropriate more money than might be needed but to give us the ability to obtain more if there are Centers that warrant that funding.

**Chairman Delzer:** Our current expenditures to date is somewhere in the neighborhood of \$44million and we have some more that has been committed but not spent over and above that correct?

**Pam Sharp, Director of OMB:** I will let Shane address that.

**Shane Goettle:** The number that you are using is correct in a sense. Back in 2003 there were three centers that were directly appropriated. It included a Beef Center, The UND Center for Innovation and a project related to the technology part. Those were direct appropriations. That was before the current version of the Centers of Excellence program was passed in its original form in 2005. We then entered the 2005-07 biennium and there were \$20million of awards. So you take the three I just mentioned with the direct appropriations totaling nearly \$3million and then the \$20million from 05-07 and this biennium 07-09 there was another \$20million program and \$19.5million of that has been awarded to Centers. So what we have is about \$39.5million that has been awarded to Centers under the current version of the program plus those three direct appropriations that were prior to 2005. That is where you get the total number that you were using. We have committed the funds and have gone through the whole approval process for this biennium. Meaning they have gone through the Commission, the Foundation, the Board of Higher Ed, the Emergency Commission and the Budget Section. One of the tools we

are using is to stagger the distribution of the funds. So that we can track projects as they are unfolding and see that they are on track with their budget and with the project itself. We have distributed, this biennium, about \$10million. We need the other \$9.5million that we have committed to the projects that have already gone through that approval process. We won't be distributing all of these funds this biennium because of the staggered approach that we are now deploying as a tool to manage it.

**Chairman Delzer:** How much are you appropriating and distributing this biennium?

**Shane Goettle:** There is \$19.5million in awards this biennium plus there are some administrative expenses that we have the authority to tap into those funds for as well. I don't know what the total of those are. There may be some more before the end of the biennium.

**Chairman Delzer:** I am not talking awarded; I am talking about how much you spent and how much you are going to spend in the next biennium. I don't mean the \$15million and the \$5million. Out of what we currently have in this biennium's budget.

**Shane Goettle:** All of it. But we will not spend it all this biennium.

**Chairman Delzer:** I understand that but I want to know how much of it we plan to spend in the next biennium out of this \$20million that is in 07-09, because you are asking for that \$5million in the deficiency appropriation.

**Shane Goettle:** That is correct. I want to be clear that there is a portion of that that is for administrative expenses that we are anticipating may be necessary.

Representative Boucher spoke in support of the bill.

**Rep. Boucher:** As Ms. Sharp explained to you all, this particular bill is one of those bills that was extrapolated out of HB 1015, the budget bill and in turn became a matter of policy and was created into a policy bill. I might find it a little bit strange that the policy bill comes before

the appropriations subcommittee today but I guess that is the process. So here today I am here to speak on the policy aspects of this bill. What house bill 1483, in terms of policy, addresses is the concept that we have created Centers of Excellence. We have had them around for a period of time. We made a decision to support their existence and support their endeavors. What this particular bill does as Ms. Sharp pointed out to you very clearly is create a tool or mechanism whereby we don't necessarily have to appropriate all of the dollars and commit ourselves fully to an appropriation and I guess in essence tie up appropriation dollars because of that commitment but allows flexibility for the Centers of Excellence to go to the Bank of North Dakota with projects that may come up and gives them the borrowing authority of course identifying at a future time that that responsibility and that loan with the interest would be paid. So Mr. Chairman, I believe as a matter of policy I support the concept and I would respond to any questions that the committee may have.

There was no testimony in opposition or neutral of the bill.

The committee took a fifteen minute break.

**New recorder job 8428**

Chairman Delzer called the committee back to order

**Chairman Delzer:** Committee members I think we are going to take action on House Bill 1483. I think we have had some informal discussion and I guess my take on it is I don't see a reason to continue with borrowing authority with the Bank of North Dakota. I think our current financial situation is such that if we decided to fund it at this level, I think we should pay for it and it should be considered one time funding.

**Representative Dosch:** I tend to agree. Plus we have kind of obligated future legislators too.

With this program, like you said, we got the money and we should fund it now and not do these loan things.

**Representative Kaldor:** I agree I think we will be dealing with this in the other bill and then we can talk about the amount and what people are going to agree to. I don't really like the borrowing authority either.

**Chairman Delzer:** This bill is strictly the borrowing authority that we are talking about. It is not the Centers of Excellence. My take is if you vote against this you are not voting against the Centers of Excellence.

**Representative Glassheim:** Are you suggesting killing this and when we get to the other bill to limit it to \$15million?

**Chairman Delzer:** I don't know whether until we have the hearing and talk about whatever. I am not sure I want to limit it to \$15million, I am not sure I agree with any of it, I am not sure I agree with \$20million. That is an issue in that bill. This bill is just whether or not we want to give them borrowing authority. My take is that we fund it at whatever level we want to fund it at.

**Representative Glassheim:** I agree with you. My only hesitation would be I think, maybe in the last session, some people who were not sure what they wanted to do felt better about having it be fifteen plus five but they would not have voted for twenty. I am a little concerned. I would like to maintain the twenty. I agree with you that it makes no sense to borrow it.

**Chairman Delzer:** That is the policy issue with this whether or not we want to borrow it. What are the committee's wishes?

**A motion was made by Representative Kempenich, seconded by Vice Chairman**

**Thoreson for a DO NOT PASS recommendation to the House Appropriations Full**

**Committee. The vote was 7 yeas, 0 nays, 1 absent and not voting. Representative Kempenich will carry the bill to Full Committee.**

Chairman Delzer closed the hearing.



# 2009 HOUSE STANDING COMMITTEE MINUTES

## Bill No. HB 1483

House Appropriations Committee

Check here for Conference Committee

Hearing Date: February 11, 2009

Recorder Job Number: 9283

Committee Clerk Signature



Minutes:

**Chairman Svedjan** opened the hearing on HB 1483. It has to do with Centers of Excellence.

**Rep. Kaldor:** Our committee gave this a Do Not Pass recommendation. What this does is provides for borrowing authority from the Bank of ND through the OMB for \$5 million for Centers of Excellence. We were having problems with several provisions where there is borrowing authority that extends obligations into a future biennium.

**Do Not Pass Motion Made By Rep. Kaldor; Seconded By Rep. Delzer.**

**Vote: 24 yes      0 No    1 Absent    Carrier: Rep. Kaldor**

Hearing closed.



Date: 2/11/09  
 Roll Call Vote #: 1

**2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. 1483**

**Full House Appropriations Committee**

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken do Not Pass

Motion Made By Kaldor Seconded By Delzer

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan	✓				
Vice Chairman Kempenich	✓				
Rep. Skarphol	✓		Rep. Kroeber	✓	
Rep. Wald	✓		Rep. Onstad	✓	
Rep. Hawken	✓		Rep. Williams	✓	
Rep. Klein	✓				
Rep. Martinson	✓				
Rep. Delzer	✓		Rep. Glassheim	✓	
Rep. Thoreson	✓		Rep. Kaldor	✓	
Rep. Berg	✓		Rep. Meyer	✓	
Rep. Dosch	✓				
Rep. Pollert	✓		Rep. Ekstrom	✓	
Rep. Bellew	✓		Rep. Kerzman	✓	
Rep. Kreidt	✓		Rep. Metcalf	✓	
Rep. Nelson	✓				
Rep. Wieland	✓				

Total (Yes) 24 No 0

Absent 1

Floor Assignment Rep. Kaldor

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE (410)**  
February 13, 2009 6:10 p.m.

**Module No: HR-27-2800**  
**Carrier: Kaldor**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**HB 1483: Appropriations Committee (Rep. Svedjan, Chairman) recommends DO NOT PASS (24 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1483 was placed on the Eleventh order on the calendar.**