

# BUDGET SECTION

The Legislative Council's Budget Section is referred to in various sections of the North Dakota Century Code (NDCC) and the Session Laws of North Dakota. Although there are statutory references to the Budget Section, it is not created by statute. The Budget Section is an interim committee appointed by the Legislative Council. By tradition, the membership of the Budget Section consists of the members of the Senate and House Appropriations Committees, the majority and minority leaders and their assistants, and the Speaker of the House.

Budget Section members were Representatives Ken Svedjan (Chairman), Ole Aarsvold, Larry Bellew, Rick Berg, Merle Boucher, Tom Brusegaard, Ron Carlisle, Al Carlson, Jeff Delzer, Eliot Glassheim, Pam Gulleon, Scot Kelsh, Keith Kempenich, James Kerzman, Matthew M. Klein, Joe Kroeber, Bob Martinson, Ralph Metcalf, David Monson, Chet Pollert, Earl Rennerfeldt, Bob Skarphol, Blair Thoreson, Mike Timm, Francis J. Wald, Alon C. Wieland, and Clark Williams and Senators John M. Andrist, Bill L. Bowman, Randel Christmann, Michael A. Every, Tom Fischer, Tony Grindberg, Ray Holmberg, Ralph L. Kilzer, Aaron Krauter, Ed Kringstad, Elroy N. Lindaas, Tim Mathern, David O'Connell, Larry J. Robinson, Randy A. Schobinger, Bob Stenehjelm, Harvey Tallackson, and Russell T. Thane.

The committee submitted this report to the Legislative Council at the biennial meeting of the Council in November 2006. The Council accepted the report for submission to the 60th Legislative Assembly.

The following duties, assigned to the Budget Section by law, were acted on during the 2005-06 interim:

1. **Tobacco settlement funds (Section 54-44-04(23))** - This section provides that the director of the Office of Management and Budget shall report to the Budget Section on the status of tobacco settlement funds and related information.
2. **Irregularities in the fiscal practices of the state (Section 54-14-03.1)** - This section requires the Office of the Budget to submit a written report to the Budget Section documenting:
  - a. Any irregularities in the fiscal practices of the state.
  - b. Areas where more uniform and improved fiscal procedures are desirable.
  - c. Any expenditures or governmental activities contrary to law or legislative intent.
  - d. The use of state funds to provide bonuses, cash incentive awards, or temporary salary adjustments for state employees.
3. **Form of budget data (Section 54-44.1-07)** - This section requires the director of the budget to prepare budget data in the form prescribed by the Legislative Council and to present it to the Legislative Assembly at a time and place set by the Legislative Council. Drafts of proposed general and special appropriations acts embodying the budget data and recommendations of the Governor for appropriations for the next biennium and drafts of such revenues and other acts recommended by the Governor for putting into effect the proposed financial plan must be submitted to the Legislative Council within seven days after the day of adjournment of the organizational session. The Legislative Council has assigned this responsibility to the Budget Section.
4. **Status of the risk management workers' compensation program (Section 65-04-03.1(5))** - This section requires Workforce Safety and Insurance and the Risk Management Division of the Office of Management and Budget to periodically report to the Budget Section on the success of the risk management workers' compensation program.
5. **Designation of a center of excellence (Section 15-69-02 and 2005 Senate Bill No. 2032, Section 4)** - This section provides that designation of a center of excellence occurs upon State Board of Higher Education, North Dakota Economic Development Foundation, and Budget Section approval of a Centers of Excellence Commission funding award recommendation; in considering whether to designate a center of excellence, the board, the foundation, and the Budget Section may not modify the commission recommendation; and the Budget Section may not make a recommendation of whether to approve or reject a commission funding award recommendation until the Emergency Commission reviews the commission recommendation and makes a recommendation to the Budget Section (effective July 1, 2005, through July 31, 2011).
6. **Office of Management and Budget borrowing \$5 million from the Bank of North Dakota for centers of excellence (Section 13 of 2005 Senate Bill No. 2018)** - This section provides that as requested by the Centers of Excellence Commission and subject to Emergency Commission and Budget Section approval, the Office of Management and Budget shall borrow up to \$5 million from the Bank of North Dakota for providing funding to centers of excellence (effective July 1, 2005).
7. **Higher education campus improvements and building construction (Section 15-10-12.1)** - This section requires the approval of the Budget Section or the Legislative Assembly for the construction of any building financed by donations, gifts, grants, and bequests on land under the control of the board. Campus improvements and building maintenance of more than \$385,000 also require the approval of the Budget Section or Legislative Assembly. Budget Section approval can only be provided

when the Legislative Assembly is not in session and the six months prior to a regular legislative session. The Budget Section approval regarding the construction of buildings and campus improvements must include a specific dollar limit for each building, campus improvement, or maintenance project. If a request is to be considered by the Budget Section, the Legislative Council must notify each member of the Legislative Assembly and allow any member to present testimony to the Budget Section regarding the request. Campus improvements and building maintenance of \$385,000 or less and the sale of real property received by gift or bequest may be authorized by the State Board of Higher Education.

8. **Change or expand state building construction projects (Section 48-02-20)** - This section provides that a state agency or institution may not significantly change or expand a building construction project approved by the Legislative Assembly unless the change, expansion, or additional expenditure is approved by the Legislative Assembly, or the Budget Section if the Legislative Assembly is not in session.
9. **Sources of funds received for construction projects of entities under the State Board of Higher Education (Section 15-10-12.3)** - This section requires each institution under the State Board of Higher Education undertaking a capital construction project, that was approved by the Legislative Assembly and for which local funds are to be used, to present a biennial report to the Budget Section detailing the source of all funds used in the project.
10. **Allocation of the higher education equity pool (Section 9 of 2005 Senate Bill No. 2003)** - This section requires a representative of the State Board of Higher Education to report to the Budget Section regarding the allocation of the equity pool provided to address equity at higher education institutions and other campus needs (effective July 1, 2005).
11. **Status of the higher education review of long-term finance plan (Section 17 of 2005 Senate Bill No. 2003)** - This section requires a representative of the State Board of Higher Education to report periodically to the Budget Section on the status of the higher education review of the long-term finance plan during the 2005-06 interim (effective July 1, 2005).
12. **Status of the State Board of Agricultural Research and Education (Section 4-05.1-19(10))** - This section requires, within the duties of the State Board of Agricultural Research and Education, that a status report is to be presented to the Budget Section.
13. **Report from the Information Technology Department (Section 54-59-19)** - This section requires the Information Technology Department to prepare and present an annual report to the

Information Technology Committee and to present a summary of the report to the Budget Section.

14. **Department of Human Services transfers between line items and between subdivisions in excess of \$50,000 (Section 6 of 2005 House Bill No. 1012)** - This section provides that the Department of Human Services shall report to the Budget Section after June 30, 2006, on any transfers made during the 2005-07 biennium between line items within each subdivision and between subdivisions in excess of \$50,000 (effective July 1, 2005).
15. **Annual audits of renaissance fund organizations (Section 40-63-07(9))** - This section requires the Department of Commerce Division of Community Services to provide annual reports to the Budget Section on the results of audits of renaissance fund organizations.
16. **Money spent to administer an Internet web site that provides career guidance and job opportunity services (Section 54-60-10)** - This section requires the Department of Commerce to report annually to the Budget Section regarding money spent to administer an Internet web site that provides career guidance and job opportunity services.
17. **Annual report on North Dakota economic goals and associated benchmarks (Section 53 of 2005 Senate Bill No. 2018)** - This section requires the Commissioner of the Department of Commerce to report annually during the 2005-06 interim to the Budget Section regarding North Dakota economic goals and associated benchmarks (effective July 1, 2005).
18. **Use of grant funds provided to the Rural Development Council (Section 21 of 2005 Senate Bill No. 2018)** - This section requires the Department of Commerce to report to the Budget Section after July 1, 2006, on the use of grant funds provided to the Rural Development Council to match federal funds (effective July 1, 2005).
19. **Use of grant funds provided to the Red River Valley Research Corridor (Section 25 of 2005 Senate Bill No. 2018)** - This section requires the Department of Commerce to report to the Budget Section after July 1, 2006, on the use of grant funds provided to the Red River Valley Research Corridor to match federal funds (effective July 1, 2005).
20. **Use of grant funds provided to the North Dakota center for technology program (Section 26 of 2005 Senate Bill No. 2018)** - This section requires the Department of Commerce to report to the Budget Section after July 1, 2006, on the use of grant funds provided to the North Dakota center for technology program (effective July 1, 2005).
21. **Use of funding for grants in the partners in marketing grant program (Section 27 of 2005**

- Senate Bill No. 2018)** - This section requires the Department of Commerce to report to the Budget Section after July 1, 2006, on the use of funding for grants in the partners in marketing grant program (effective July 1, 2005).
22. **Highway Patrol training program (Section 2 of 2005 Senate Bill No. 2031)** - This section requires the Highway Patrol to report to the Budget Section after July 1, 2006, regarding the progress of the training program.
  23. **Annual report from State Mill and Elevator Association (Section 35 of 2005 Senate Bill No. 2014)** - This section requires the manager of the State Mill and Elevator Association to present an annual report to the Budget Section, including the current role and mission of the State Mill and Elevator Association; short-term and long-term plans for acquisitions, construction, renovation, equipment upgrading, sales and marketing, personnel, and all financial matters; and a description of the efforts made by the State Mill and Elevator Association to inform legislators about the role, mission, and operations of the State Mill and Elevator Association (effective July 1, 2005).
  24. **Workforce Safety and Insurance building maintenance account (Section 65-02-05.1)** - This section requires that if a new Workforce Safety and Insurance facility is built and rental space is included in the facility, Workforce Safety and Insurance is to deposit the building rental proceeds in a building maintenance account and report to the Budget Section on a biennial basis on the revenues deposited into and expenditures from the account.
  25. **Game and Fish Department land acquisitions (Section 20.1-02-05.1)** - This section provides that Budget Section approval is required for Game and Fish Department land acquisitions of more than 10 acres or \$10,000.
  26. **Positions affected by Department of Emergency Services reorganization and justification of any prior salary increases (Section 10 of 2005 House Bill No. 1016)** - This section provides that the Department of Emergency Services shall report to the Budget Section the positions affected by its reorganization, a detailed justification of any prior salary increases, and a recommendation and analysis of any proposed salary increases or decreases (effective July 1, 2005).
  27. **Salary increases to positions affected by Department of Emergency Services reorganization (Section 10 of 2005 House Bill No. 1016)** - This section provides that, upon Budget Section approval, the sum of \$213,493 is available to the Department of Emergency Services for providing salary increases to positions affected by the reorganization (effective July 1, 2005).
  28. **Report detailing use of federal homeland security funds at state and local levels and any discrepancies relating to needs assessments (Section 7 of 2005 House Bill No. 1016)** - This section provides that the Department of Emergency Services shall provide a report to the Legislative Council, as requested, detailing the uses of federal homeland security funds at the state and local levels and a report regarding any discrepancies relating to the needs assessments completed by the department and political subdivisions and purchases made with federal homeland security funds (effective July 1, 2005).
  29. **Job insurance trust fund (Section 52-02-17)** - This section requires that Job Service North Dakota report to the Legislative Council before March 1 of each year the actual job insurance trust fund balance and the targeted modified average high-cost multiplier, as of December 31 of the previous year, and a projected trust fund balance for the next three years. The Legislative Council has assigned this responsibility to the Budget Section.
  30. **Additional full-time equivalent positions hired for highway construction (Section 4 of 2005 Senate Bill No. 2012)** - This section provides that the Department of Transportation shall report to the Legislative Council on any additional full-time equivalent positions for highway construction and maintenance hired in lieu of contracting for those positions (effective July 1, 2005).
  31. **Performance assurance fund payments received and expenditures (Section 49-21-31)** - This section requires the Public Service Commission to report annually to the Budget Section with respect to the payments received under the performance assurance plan and the expenditures from the performance assurance fund (effective March 28, 2003, through June 30, 2005).
  32. **Transfers to the state tuition fund (Section 15.1-02-14)** - This section requires the Superintendent of Public Instruction to report annually to the Budget Section regarding any transfer to the state tuition fund of federal or other money received by the Superintendent to pay programmatic administrative expenses for which the Superintendent received a state general fund appropriation.
  33. **Statement from ethanol plants that received production incentives (Section 4-14.1-07)** - This section requires any North Dakota ethanol plant receiving production incentives from the state to file with the Budget Section, within 90 days after the conclusion of the plant's fiscal year, a statement by a certified public accountant indicating whether the plant produced a profit during the preceding fiscal year, after deducting incentive payments received from the state (effective until July 1, 2005).

34. **Statement from ethanol plants in operation before July 1, 1995, that received production incentives (Section 4-14.1-07.1 and 2005 Senate Bill No. 2270, Section 1)** - This section requires any North Dakota ethanol plant in operation before July 1, 1995, receiving production incentives from the state to file with the Budget Section, within 90 days after the conclusion of the plant's fiscal year, a statement by a certified public accountant indicating whether the plant produced a profit during the preceding fiscal year, after deducting incentive payments received from the state (effective July 1, 2005).
35. **Report identifying every state agency that has not submitted a claim for property belonging to that agency (Section 47-30.1-24.1)** - This section requires the commissioner of University and School Lands to present a report to the Budget Section identifying every state agency that has not submitted a claim for unclaimed property belonging to that agency within one year of receipt of the certified mail notification.
36. **Relinquishment of agency rights to recover property (Section 47-30.1-24.1)** - This section provides that each state agency that does not submit a claim for unclaimed property belonging to that agency within one year of receipt of the certified mail notification relinquishes its right to recover the property upon approval of the Budget Section.
37. **Conduct budget tours and receive budget tour group reports** - The Budget Section is responsible for conducting budget tours of state facilities and institutions or assigning the budget tours to other interim committees and receive reports from the committees on the budget tours conducted.
38. **Transfers exceeding \$50,000 (Section 54-16-04(2))** - This section provides that, subject to Budget Section approval, the Emergency Commission may authorize a transfer of more than \$50,000 from one fund or line item to another. Budget Section approval is not required if the transfer is necessary to comply with a court order, to avoid an imminent threat to the safety of people or property due to a natural disaster or war crisis, or to avoid an imminent financial loss to the state.
39. **Acceptance and expenditure of more than \$50,000 of federal funds which were not appropriated (Section 54-16-04.1).**
  - a. **Acceptance of federal funds** - This section provides that Budget Section approval is required for any Emergency Commission action authorizing a state officer to accept more than \$50,000 of federal funds which were not appropriated and the Legislative Assembly has not indicated an intent to reject the money. Budget Section approval is not required if the acceptance is necessary to avoid an imminent threat to the safety of people or property due to a natural disaster or war crisis or to avoid an imminent financial loss to the state.
  - b. **Expenditure of federal funds** - This section provides that Budget Section approval is required for any Emergency Commission action authorizing a state officer to spend more than \$50,000 of federal funds, which were not appropriated and the Legislative Assembly has not indicated an intent to reject the money.
40. **Acceptance and expenditure of more than \$50,000 of other funds which were not appropriated (Section 54-16-04.2).**
  - a. **Acceptance of other funds** - This section provides that Budget Section approval is required for any Emergency Commission action authorizing a state officer to accept more than \$50,000 from gifts, grants, donations, or other sources, which were not appropriated and the Legislative Assembly has not indicated an intent to reject money or programs. Budget Section approval is not required if the acceptance is necessary to avoid an imminent threat to the safety of people or property due to a natural disaster or war crisis or to avoid an imminent financial loss to the state.
  - b. **Expenditure of other funds** - This section provides that Budget Section approval is required for any Emergency Commission action authorizing a state officer to spend more than \$50,000 from gifts, grants, donations, or other sources, which were not appropriated and the Legislative Assembly has not indicated an intent to reject the money or programs.
41. **Transfers of spending authority from the state contingencies appropriation exceeding \$50,000 (Section 54-16-09)** - This section provides that, subject to Budget Section approval, the Emergency Commission may authorize a transfer of more than \$50,000 from the state contingencies line item to the appropriate line item in the appropriation of the state officer who requested the transfer. Budget Section approval is not required if the transfer is necessary to avoid an imminent threat to the safety of people or property due to a natural disaster or war crisis or to avoid an imminent financial loss to the state.

The following duties, assigned to the Budget Section by law or by Legislative Council directive, are scheduled to be addressed by the Budget Section at its December 2006 meeting:

  1. **Receive report on specified commodities and services exempted from the procurement requirements of Chapter 54-44.4** - This section requires the director of the Office of Management and Budget to report to the Budget

Section in December of even-numbered years on specified commodities and services exempted by written directive of the director from the procurement requirements of Chapter 54-44.4.

2. **Review and report on budget data (Legislative Council directive)** - Pursuant to Legislative Council directive, the Budget Section is to review and report on the budget data prepared by the director of the budget and presented to the Legislative Assembly during the organizational session (December 2006).

The following duties, assigned to the Budget Section by law or by Legislative Council directive, did not require action by the Budget Section during the 2005-06 interim:

1. **Additional full-time equivalent positions at the State Hospital (Section 42 of 2005 House Bill No. 1015)** - This section provides that upon Emergency Commission and Budget Section approval, the State Hospital may hire up to 21 additional full-time equivalent positions relating to the substance abuse treatment pilot program (effective July 1, 2005).
2. **Capital improvements preliminary planning revolving fund (Section 54-27-22)** - This section provides that before any funds can be distributed from the preliminary planning revolving fund to a state agency, institution, or department, the Budget Section must approve the request (approximately \$80,000 was available for the 2005-07 biennium).
3. **State Forester reserve account (Section 4-19-01.2)** - This section provides that Budget Section approval is required prior to the State Forester spending money in the State Forester reserve account.
4. **Investment in real property by the Board of University and School Lands (Section 15-03-04)** - This section provides that Budget Section approval is required prior to the Board of University and School Lands purchasing, as sole owner, commercial or residential real property in North Dakota.
5. **Reduction of the game and fish fund balance below \$15 million (Section 20.1-02-16.1)** - This section provides that the Game and Fish Department can spend money in the game and fish fund within the limits of legislative appropriations, only to the extent the balance of the fund is not reduced below \$15 million, unless otherwise authorized by the Budget Section.
6. **Provision of contract services by the Developmental Center (Section 25-04-02.2)** - This section provides that, subject to Budget Section approval, the Developmental Center at Westwood Park, Grafton, may provide services under contract with a governmental or nongovernmental person.
7. **Waiver of exemption of special assessments levied for flood control purposes on state property (Section 40-23-22.1)** - This section provides that state property in a city is exempt

from special assessments levied for flood control purposes unless the governing body of the city requests waiver of the exemption and the exemption is completely or partially waived by the Budget Section. The exemption does not apply to any privately owned structure, fixture, or improvement located on state-owned land if the structure, fixture, or improvement is used for commercial purposes unless the structure, fixture, or improvement is primarily used for athletic or educational purposes at a state institution of higher education.

8. **Termination of food stamp program (Section 50-06-05.1(17))** - This section provides that, subject to Budget Section approval, the Department of Human Services may terminate the food stamp program if the rate of federal financial participation in administrative costs is decreased or if the state or counties become financially responsible for the coupon bonus payments.
9. **Termination of energy assistance program (Section 50-06-05.1(19))** - This section provides that, subject to Budget Section approval, the Department of Human Services may terminate the energy assistance program if the rate of federal financial participation in administrative costs is decreased or if the state or counties become financially responsible for the energy assistance program payments.
10. **Transfers resulting in program elimination (Section 54-16-04(1))** - This section provides that, subject to Budget Section approval, the Emergency Commission may authorize a transfer which would eliminate or make impossible the accomplishment of a program or objective funded by the Legislative Assembly.
11. **New correctional programs which exceed \$100,000 of cost during a biennium (Section 54-23.3-09)** - This section requires the director of the Department of Corrections and Rehabilitation to report to the Legislative Assembly or, if the Legislative Assembly is not in session, the Budget Section, prior to the implementation of any new program that serves adult or juvenile offenders, including alternatives to conventional incarceration and programs operated on a contract basis if the program is anticipated to cost in excess of \$100,000 during the biennium.
12. **Cashflow financing (Section 54-27-23)** - This section provides that in order to meet the cashflow needs of the state, the Office of Management and Budget may borrow, subject to Emergency Commission approval, from special funds on deposit in the state treasury. However, the proceeds of any such indebtedness cannot be used to offset projected deficits in state finances unless first approved by the Budget Section. Additional cashflow financing, subject to certain limitations, must be approved by the Budget Section.

13. **Budget stabilization fund (Section 54-27.2-03)** - This section provides that any transfers from the budget stabilization fund must be reported to the Budget Section.
14. **Purchases of "put" options (Section 54-44-16)** - This section requires the Office of Management and Budget to report any purchases of "put" options to the Budget Section (effective July 1, 2003, through June 30, 2005).
15. **Objection to budget allotments or expenditures (Section 54-44.1-12.1)** - This section allows the Budget Section to object to a budget allotment, an expenditure, or the failure to make an allotment or expenditure if such action is contrary to legislative intent.
16. **Budget reduction due to initiative or referendum action (Section 54-44.1-13.1)** - This section provides that, subject to Budget Section approval, the director of the budget may reduce state agency budgets by a percentage sufficient to cover estimated revenue reductions caused by initiative or referendum action.
17. **Children's Services Coordinating Committee grants (Section 54-56-03)** - This section provides that Budget Section approval is required prior to the distribution by the Children's Services Coordinating Committee of any grants not specifically authorized by the Legislative Assembly.
18. **Requests by the Information Technology Department to finance the purchase of software, equipment, or implementation of services (Section 54-59-05(4))** - This section requires the Information Technology Department to receive Budget Section approval before executing any proposed agreement to finance the purchase of software, equipment, or implementation of services in excess of \$1 million. The department may finance the purchase of software, equipment, or implementation of services only to the extent the purchase amount does not exceed 7.5 percent of the amount appropriated to the department during that biennium.
19. **Approval of expenditures exceeding \$130,000 from Department of Commerce operating fund for web site maintenance (Section 54-60-10)** - This section provides that any additional amounts over \$130,000 that are deposited in the Department of Commerce operating fund during a biennium from subscriptions, commissions, fees, or other revenue from the Internet web site may be spent pursuant to legislative appropriations or with Budget Section approval.
20. **Extraterritorial workers' compensation insurance (Section 65-08.1-02)** - This section authorizes Workforce Safety and Insurance to establish, subject to Budget Section approval, a casualty insurance organization to provide extraterritorial workers' compensation insurance.
21. **Federal block grant hearings (2005 Senate Concurrent Resolution No. 4001)** - This resolution authorizes the Budget Section, through September 30, 2007, to hold any required legislative hearings for federal block grants.
22. **Construction of equipment and storage buildings in Towner and Bottineau (Section 11 of 2003 House Bill No. 1003)** - This section authorizes the Forest Service, after receiving approval from the Budget Section, to obtain and use funds received from any source for construction of the equipment and supply storage buildings in Towner and Bottineau (effective until July 1, 2005).
23. **Annual audits from center of excellence-awarded funds under Chapter 15-69 (Section 15-69-05 and 2005 Senate Bill No. 2032, Section 4)** - This section requires that a center of excellence that is awarded funds under Chapter 15-69 provide an annual audit to the Budget Section on the funds distributed to the center until the completion of four years following the final distribution of funds (effective July 1, 2005, through July 31, 2011).
24. **Acceptance of federal funds for a specific purpose or program which were not appropriated (Section 54-16-04.1(4) and 2005 House Bill No. 1278, Section 1)** - This section provides that upon approval by the Emergency Commission and Budget Section, the state may accept any federal funds made available to the state which are not for a specific purpose or program and which are not required to be spent prior to the next regular legislative session for deposit into a special fund until the Legislative Assembly appropriates the funds (effective August 1, 2005).
25. **Request for additional full-time equivalent positions for Medicaid program (Section 4 of 2005 House Bill No. 1012)** - This section provides that subject to Emergency Commission and Budget Section approval, the Department of Human Services may hire additional full-time equivalent positions for Medicaid program review of eligibility and payments in addition to those authorized by the Legislative Assembly when it is cost-effective to hire additional positions in lieu of contracts (effective July 1, 2005).
26. **Request for Department of Emergency Services to borrow up to \$900,000 from the Bank of North Dakota (Section 6 of 2005 House Bill No. 1016)** - This section provides that subject to Emergency Commission and Budget Section approval, the Department of Emergency Services may borrow up to \$900,000 from the Bank of North Dakota for expenses associated with the migration of the State Radio communications system from analog to digital during the 2005-07 biennium (effective July 1, 2005).

27. **Requests for additional expenditures made or employees hired for North Dakota lottery (Section 11 of 2005 House Bill No. 1259)** - This section provides that the Attorney General shall report to the Budget Section on any expenditures made or employees hired for additional administrative or other operating costs of the North Dakota lottery in excess of the appropriation (effective May 4, 2005).
28. **Request for construction of additional footings for the new Bank of North Dakota building (Section 6 of 2005 Senate Bill No. 2014)** - This section provides that upon Emergency Commission and Budget Section approval, the Industrial Commission may proceed with the construction of additional footings for up to three additional floors in the new Bank of North Dakota building (effective July 1, 2005).
29. **Request for receipt and expenditure of additional funds for treatment services under the substance abuse treatment pilot program (Section 3 of 2005 Senate Bill No. 2373)** - This section provides that the Department of Human Services may seek Emergency Commission and Budget Section approval to receive and spend additional federal or other funds that become available for treatment services under the department's substance abuse treatment pilot program (effective July 1, 2005).

## ANALYSIS OF BUDGET SECTION DUTIES AND RESPONSIBILITIES

### Background

The Budget Section considered a bill draft that would eliminate certain reports to the Budget Section and a memorandum entitled *Summary of the Bill Draft Relating to the Duties and Responsibilities of the Budget Section*. The Budget Section determined that two sections in the bill draft regarding the reporting requirements of the State Board of Agricultural Research and Education and the Children's Services Coordinating Committee should be retained and were removed from the bill draft. The Budget Section determined the reporting requirements of the Information Technology Department should be changed to remove the reporting requirement to the Legislative Audit and Fiscal Review Committee.

### Recommendation

The Budget Section recommends Senate Bill No. 2028 relating to removing the statutory requirement for certain reports to the Budget Section.

## OFFICE OF MANAGEMENT AND BUDGET

### Status of the General Fund

At each Budget Section meeting, a representative of the Office of Management and Budget reviewed the status of the state general fund and revenue collections for the 2005-07 biennium. The following is a summary of the status of the state general fund, based on actual revenue collections reported in October 2006, reflecting

the August 2006 revised revenue forecast for the remainder of the 2005-07 biennium:

Unobligated general fund balance - July 1, 2005	\$68,015,056
Add	
General fund collections through August 31, 2006	1,258,186,328
Forecasted general fund revenue for the remainder of the 2005-07 biennium (based on the August 2006 revised revenue forecast)	934,713,862
Total estimated general fund revenue for the 2005-07 biennium	\$2,260,915,246
Less	
2005-07 biennium general fund appropriations	1,989,452,623
Estimated general fund balance - June 30, 2007 (\$261,167,092 more than the 2005 legislative estimate of \$10,295,531)	\$271,462,623

The Office of Management and Budget reported \$99,472,631 was transferred from the general fund to the budget stabilization fund at the end of the 2003-05 biennium. The amount of the transfer is the maximum amount allowed to be retained in the fund, pursuant to NDCC Section 54-27.2-01.

The August 2006 revenue forecast estimated total revenues for the 2005-07 biennium to be approximately \$2,038,283,783, which was approximately \$258 million more than the March 2005 forecast. The increase in revenue was due mainly to an increase in sales and use tax and individual and corporate income tax collections and increased oil production and oil prices. Based on the preliminary revenue forecast, the transfers to the permanent oil tax trust fund for the 2005-07 biennium are anticipated to be \$180.6 million. The average price per barrel of oil has been above the trigger price throughout the 2005-07 biennium. As a result, the tax rate for approximately 50 percent of monthly oil extraction is 6.5 percent. The remaining 50 percent of monthly oil extraction is from stripper well properties and enhanced recovery projects which are exempt from the oil extraction tax. The 6.5 percent tax rate will remain in effect until the average price per barrel of oil drops below the trigger price for five consecutive months. Pursuant to NDCC Section 57-51.1-01, the trigger price is \$35.50 as indexed for inflation and the Tax Commissioner computes the indexed trigger price by December 31 of each year to be applied for the following calendar year. The adjusted trigger price for 2006 is \$39.36. An oil production tax of 5 percent is applied to all oil produced in North Dakota.

The August 2006 revised forecast projects total revenue for the 2007-09 biennium to be approximately \$2,139,400,000, which is approximately \$359 million more than the March 2005 revenue forecast. The oil and gas production tax and the oil extraction tax are anticipated to reach the \$71 million cap for the 2007-09 biennium, resulting in anticipated transfers of \$177.4 million to the permanent oil tax trust fund for the 2007-09 biennium.

The Office of Management and Budget reported that preliminary deficiency general fund appropriations requests for the 2005-07 biennium as of October 1, 2006, total approximately \$14.7 million as shown below:

Agency	Potential Deficiency Appropriation
Department of Emergency Services	\$4,300,000
Department of Corrections and Rehabilitation	4,668,655
North Dakota University System (utilities)	4,644,533
North Dakota University System (flood and rain events)	849,568
Department of Public Instruction	275,000
Total	\$14,737,756
<b>NOTE:</b> The Department of Human Services is not included. However, the Department of Human Services may request a deficiency appropriation of \$3 million for the sex offender program at the State Hospital in Jamestown.	

### Tobacco Settlement Proceeds

Pursuant to NDCC Section 54-44-04, the Budget Section received reports on tobacco settlement proceeds received by the state. The Office of Management and Budget reported that as of October 2006, approximately \$174.3 million had been received to date by the state and deposited in the tobacco settlement trust fund. The state receives annual payments in April and payments are expected to increase in April 2008. The proceeds have been allocated among the community health trust fund, common schools trust fund, and water development trust fund as follows, pursuant to Section 54-27-25:

Tobacco settlement trust fund	
Community health trust fund (10%)	\$17,426,123
Common schools trust fund (45%)	78,417,552
Water development trust fund (45%)	78,417,552
Total transfers from the tobacco settlement trust fund	\$174,261,227

The Office of Management and Budget reported the balances of the trust funds were:

Community health trust fund	
Deposits	\$17,426,123
Expenditures	14,042,677
August 31, 2006, balance	\$3,383,446
Water development trust fund	
Deposits	\$78,417,552
Expenditures	68,497,210
August 31, 2006, balance	\$9,920,342

### Fiscal Irregularities

Pursuant to NDCC Section 54-14-03.1, the Budget Section received reports from the Office of Management and Budget on irregularities in the fiscal practices of the state. Fiscal irregularities include the use of state funds to provide bonuses, cash incentive awards, and temporary salary adjustments for state employees. The Office of Management and Budget identified the following fiscal irregularities:

- Secretary of State - Provided one-time pay adjustment of \$1,500 for a special project.
- Highway Patrol - Provided pay adjustments totaling \$12,403.03 required per United States Labor Department audit for hours worked from October 22, 2002, through October 12, 2004.

- Department of Commerce - Provided pay adjustments totaling \$10,875 for a special project, temporary pay increases for workload due to vacant positions, and a temporary increase for workload due to a coworker's maternity leave.
- Department of Transportation - Provided a three-month temporary increase of \$3,150 for a special project.
- Department of Commerce - Paid \$672 to one employee and \$5,340 to another employee for severance pay.
- Workforce Safety and Insurance - Paid \$13,282 to a terminated employee in a settlement agreement.
- Department of Transportation - Paid \$10,682 to an employee for backpay due to reversal of dismissal.
- Council on the Arts - Paid \$850 each to four employees for temporary increase in workloads.
- Workforce Safety and Insurance - Paid \$600 to an employee for a special project.
- Department of Commerce - Paid \$500 to an employee for writing a successful federal grant application.
- Department of Public Instruction - Overspent its operating expense line item by \$450,172 due to invoices from several vendors being received after the accounting system was closed for the 2003-05 biennium. Invoices were paid under 2005-07 biennium appropriation authority.
- Protection and Advocacy Project - Overspent its general fund spending authority by \$803 due to payments made in July 2005 being posted to the wrong biennium.
- Department of Commerce - Provided temporary pay adjustments of \$2,875 to one employee and \$1,625 to another employee for additional workloads.

### Preliminary Planning Revolving Fund

Pursuant to NDCC Section 54-27-22, the Budget Section is to receive reports from the Office of Management and Budget on recommendations for the use of money in the preliminary planning revolving fund. For the 2005-07 biennium to date, the Office of Management and Budget has not received any agency requests for money from the preliminary planning revolving fund. The balance of the preliminary planning revolving fund as of October 2006 is \$69,840.

### 2007-09 Biennium Budget Form Changes

The Budget Section reviewed information on the form of the budget data and appropriation bill format. The information included the statutory provisions related to budget data, the 2005-07 biennium appropriation bill format, and 2005 legislation relating to budget information. There were several bills considered during the 2005 legislative session that would have changed budget information, including bills that would require continuing appropriation, bonding, and financing or leasing information be included in budget data, and a bill that would have established a limitation on the general



fund budget increases recommended by the Governor or approved by the Legislative Assembly.

Pursuant to NDCC Section 54-44.1-07, the Office of Management and Budget reported it did not have any proposed changes for the 2007-09 biennium budget data or appropriation bill format. The 2007 Legislative Assembly will use the same format for appropriation bills as was used during the 2005 legislative session, providing three sections in each appropriation bill detailing the prior biennium's appropriations, changes, and the 2007-09 appropriation. Budget data required from the agencies will include information on telecommute analysis, agency continuing appropriations, and agency information technology plans.

Pursuant to NDCC Section 54-44.1-07, the Budget Section recommended changes to the budget data by requesting the Office of Management and Budget to:

- Direct agencies, in the development of 2007-09 budget requests, to identify one-time budget investments that will result in long-term budget savings or efficiencies and other one-time budget expenditure items and that the Office of Management and Budget include these items in the executive budget information provided to the 60th Legislative Assembly in December 2006, including the amount and funding source of items recommended in the executive budget.
- Provide a separate report identifying the estimated impact of increased oil activity and oil prices on all state revenue types in the projected state revenues for the 2005-07 and 2007-09 bienniums and Economy.com to provide information on the impact of the state's oil industry on state revenues.
- Provide the legislative revenue forecast to the 2007 Legislative Assembly during the week of February 5, 2007.

#### **Status of the Risk Management Workers' Compensation Program**

The Office of Management and Budget presented information to the Budget Section regarding the status of the risk management workers' compensation program, pursuant to NDCC Section 65-04-03.1(5). Legislation in 2001 established a single workers' compensation account for all state entities. The Risk Management Division of the Office of Management and Budget administers the program. The Office of Management and Budget reported for coverage periods beginning July 1, 2001, the Risk Management Division entered deductible contracts with Workforce Safety and Insurance for 143 consolidated accounts. The deductible amount selected was \$100,000 per claim. Results for the five coverage years beginning July 1, 2001, through June 6, 2006, are:

Nonconsolidated guaranteed cost program premium and assessments		\$19,850,412
Risk Management Division deductible premium paid to Workforce Safety and Insurance	\$7,595,455	
Risk Management Division paid losses through June 6, 2006	5,365,751	
Risk Management Division pending losses (reserves)	1,077,109	
Risk Management Division combined deductible premium and losses		14,038,315
Estimated savings for a five-year period		\$5,812,097

The Office of Management and Budget reported the initial three-year savings was approximately \$2.2 million. The Risk Management Division has implemented programs to pass the savings on to agencies with effective risk management strategies. The funds returned to agencies as a result of the implementation of safety programs totaled \$1.3 million. The Risk Management Division recently implemented a dividend program to return money to agencies based on loss history, with \$362,000 returned to agencies through this program.

The Budget Section learned if a claim is denied, charges would not be assessed to the risk management account but if a claim is accepted and determined to be a compensable claim, claim costs would be charged to the risk management account.

#### **ConnectND Deficiency Appropriation - 2003-05 Biennium**

The Budget Section received a report from the Office of Management and Budget on a projected budget surplus for the ConnectND project for the 2003-05 biennium. During the 2003-05 biennium, the report indicated the North Dakota University System requested and received \$150,000 from the state contingency fund in support of the ConnectND project. During the 2005 legislative session, the University System also requested and received a deficiency appropriation of \$617,520 to help cover additional consulting costs. The Budget Section learned planning assumptions changed and the ConnectND budget anticipated a carryover balance at the end of fiscal year 2005 of \$835,000. The \$150,000 from the contingency fund was to be returned and Budget Section direction was sought regarding the balance of \$617,520.

The Budget Section approved asking the Legislative Council chairman to send a letter to the chancellor of the North Dakota University System encouraging the University System to return the 2003-05 biennium deficiency appropriation of \$617,520 for ConnectND costs to the general fund. The letter was sent in June 2005.

#### **2003-05 Biennium General Fund Turnback**

The Budget Section received a report from the Office of Management and Budget on the 2003-05 biennium agency general fund turnback amounts. Agency turnback to the general fund for the 2003-05 biennium totaled approximately \$16.9 million. Turnback was

estimated at \$12.9 million at the close of the 2005 Legislative Assembly. Agencies with the largest amounts of general fund turnback included the Department of Human Services (\$8,478,412), judicial branch (\$1,561,120), Tax Commissioner's office (\$1,478,915), and the Veterans Home (\$1,255,752).

### **Special Emergency Commission Meeting - Hurricane Katrina**

The Office of Management and Budget provided the Budget Section with information on a special meeting of the Emergency Commission held on September 7, 2005. Governor John Hoeven informed members of the Emergency Commission on North Dakota's assistance in response to the Hurricane Katrina disaster. Pursuant to NDCC Section 37-17.1-05, the Governor issued an executive order on September 6, 2005, declaring a state of emergency that allows the Governor to use all available resources of state government as reasonably necessary to manage the disaster or emergency.

The Office of Management and Budget reported that, even though federal officials assured the Governor that the federal government will reimburse the state for all the expenses it incurs as a result of Hurricane Katrina, the state could still incur some nonreimbursable expenses. The Budget Section learned the state would have to pay for the expenses at the time they are incurred and the Federal Emergency Management Agency (FEMA) will reimburse the state at a later date. The Office of Management and Budget reported that the National Guard was expected to incur approximately \$2 million in expenses to send approximately 88 National Guard soldiers to the Gulf Coast region for approximately 90 days. The Department of Emergency Services was also expected to incur expenses related to the Hurricane Katrina disaster.

The Office of Management and Budget reported resources available to the Governor for the emergency declaration include borrowing funds from the Bank of North Dakota and the state general fund, both of which would be repaid when the state receives federal reimbursement from the Federal Emergency Management Agency.

### **HIGHER EDUCATION Centers of Excellence**

Pursuant to NDCC Section 15-69-02, the Budget Section considered applications for centers of excellence funding awards that had been recommended by the Centers of Excellence Commission and the Emergency Commission and forwarded to the Budget Section. The Budget Section considered 11 requests, all of which were approved. Funding for the approved applications total \$20 million, including \$15 million from loan proceeds from the Bank of North Dakota as authorized in Section 11 of 2005 Senate Bill No. 2018, to be repaid from the permanent oil tax trust fund, and \$5 million from loan proceeds from the Bank of North Dakota as authorized by Section 13 of 2005 Senate Bill No. 2018. Section 12 of 2005 Senate Bill No. 2018 appropriates up to \$16 million from the permanent oil tax trust fund to the Office of Management and Budget for the purpose of

repaying the \$15 million loan and related interest. The Office of Management and Budget will request authority from the 2007 Legislative Assembly to repay the \$5 million loan. The approved applications for centers of excellence are:

- Bismarck State College Career and Technology Institute - \$3,000,000.
- Lake Region State College Dakota Center for Optimized Agriculture - \$450,000.
- University of North Dakota National Center for Hydrogen Technology - \$2,500,000.
- North Dakota State University Center for Advanced Electronics Design and Manufacturing - \$3,000,000.
- University of North Dakota Center for Life Sciences and Advanced Technology - \$3,500,000.
- University of North Dakota Center for Unmanned Aerial Vehicle and Simulation Applications - \$1,000,000.
- North Dakota State University Center for Agbiotechnology: Oilseed Development - \$2,000,000.
- North Dakota State University Center for Surface Protection - \$2,000,000.
- Valley City State University Enterprises Application Model - \$1,000,000.
- Williston State College Petroleum Safety Technology Center - \$400,000.
- Dickinson State University Center for Entrepreneurship and Rural Revitalization - \$1,150,000.

### **Capital Projects**

During the 2005-06 interim, the Budget Section received requests relating to the following University System capital projects:

- **North Dakota State University - Bison Sports Arena** - Pursuant to NDCC Section 15-10-12.1, the Budget Section approved North Dakota State University's request to accept and spend \$8 million in donated funds for an addition and renovation project to the Bison Sports Arena.
- **Minot State University - Bottineau - Thatcher Hall addition** - Pursuant to NDCC Section 48-02-20, the Budget Section approved Minot State University - Bottineau's request to change the scope of the Thatcher Hall addition project to include a racquetball court project, resulting in a net reduction of \$43,000 for the estimated cost for the racquetball court project.

### **Local Funds - Higher Education Construction Projects**

The Budget Section received a report from the North Dakota University System on the sources of local funds received for construction projects of entities under the State Board of Higher Education for the 2003-05 biennium, pursuant to NDCC Section 15-10-12.3. There were three projects completed during the 2003-05 biennium which had a legislatively mandated local funds

match requirement associated with the state appropriation: a 1999-2001 biennium authorized project for Williston State College which was completed during the 2003-05 biennium and two projects authorized in the 2001-03 biennium--one project for Minot State University and one for the Langdon Research Center--which were also completed in the 2003-05 biennium. All three projects were completed within the overall appropriation authority and within the local match requirements. The University System reported there were no state-appropriated projects with a local match requirement approved for the 2003-05 biennium.

### **Higher Education Equity Pool**

Pursuant to Section 9 of 2005 Senate Bill No. 2003, the Budget Section received a report from the North Dakota University System on \$2 million to be used to address equity at higher education institutions and other campus needs. In January 2006 the University System reported that the State Board of Higher Education approved the allocation of \$300,000 to the University of North Dakota, \$400,000 each to Bismarck State College and Lake Region State College, and \$900,000 to North Dakota State University.

### **Higher Education Review of Long-Term Finance Plan**

Pursuant to Section 17 of 2005 Senate Bill No. 2003, the Budget Section received a report from the North Dakota University System on the review of the long-term finance plan, including a review of peer institutions and a review of the allocation of funds between equity and parity. The Budget Section learned a committee consisting of campus representatives assisted the University System with the review. A review was also completed by a consulting firm--MGT of America, Inc.--for the Higher Education Committee. A comprehensive report and recommendations were submitted to the State Board of Higher Education in May 2006.

The University System reported the board adopted several recommended changes to the long-term finance plan, many of which are consistent with the MGT of America, Inc., recommendations. The University System noted recommendations that were considered to be major issues. Two recommendations relate to changing the allocation of parity and equity money. The formula for distributing equity funding will be changed to a weighting calculation that is based on both dollar and percentage differentials in peer benchmarks. One recommendation would remove the direct appropriations for agricultural research and extension services from North Dakota State University but include the University of North Dakota School of Medicine and Health Sciences for purposes of calculating benchmarks. The recommendations were included in the development of the University System 2007-09 biennium budget request, which includes a \$10 million pool to address equity differentials.

### **Status of Utilities Budget**

The Budget Section received a report from the North Dakota University System on the status of utilities

budgets for the institutions of higher education for the 2005-07 biennium. The University System anticipates a utility funding shortfall of over \$5 million in the 2005-07 biennium due to higher fuel prices. The University System reported that the impact on campuses varies significantly due to differences in heating sources. Campuses have absorbed some of the utility cost increases by reallocating resources from other budget areas or passing the cost increases on to students through tuition increases. The University System reported it plans to request a deficiency appropriation for the 2005-07 biennium.

## **STATUS OF THE STATE BOARD OF AGRICULTURAL RESEARCH AND EDUCATION**

The State Board of Agricultural Research and Education provided information to the Budget Section regarding the status of the board, pursuant to NDCC Section 4-05.1-19(10). The board reported significant progress has been made on programs initiated by the 2005 Legislative Assembly. Several capital improvement projects are nearing completion and over \$1 million in matching funds was raised for the North Central Research Center agronomy laboratory and greenhouse. The board has developed a priority list to address future issues which includes keeping the infrastructure current and aggressively addressing pest management. The board reported it will continue its investment in research because North Dakota agriculture provides \$3.5 billion annually in cash receipts.

## **INFORMATION TECHNOLOGY DEPARTMENT Annual Reports**

Pursuant to NDCC Section 54-59-19, the Budget Section received the Information Technology Department 2004-05 and 2005-06 annual reports. The Information Technology Department reported it tracks and monitors the cost and revenue for each service to ensure that service is not subsidizing another service. The federal government does not allow the department to charge rates that generate revenues in excess of costs on federally funded programs; therefore, the department monitors its cash balances and adjusts rates accordingly. The department also monitors what other entities are charging for similar services in an effort to maintain quality services at a fair price.

Approximately 66 percent of the department's total revenue is generated from 10 agencies. The Information Technology Department reported a second data center was created in Mandan to provide disaster recovery services previously acquired through IBM in Boulder, Colorado. The relocation of the data center allows the department to bring critical systems up within eight hours in case of a disaster at the Bismarck data center.

## DEPARTMENT OF HUMAN SERVICES

### Transfers in Excess of \$50,000

Pursuant to Section 6 of 2005 House Bill No. 1012, the Budget Section received a report from the Department of Human Services regarding transfers the

department made between line items and between subdivisions of that bill in excess of \$50,000. The transfers made by the department pursuant to this section are:

Description	General Fund	Federal/Other Funds	Transfer Total
Move funding from human service centers to central office <sup>1</sup>			
Administration/support	\$382,343	\$40,509	\$422,852
Northwest Human Service Center	(\$46,960)	(\$11,477)	(\$58,437)
North Central Human Service Center	(\$45,552)	(\$4,671)	(\$50,223)
Lake Region Human Service Center	(\$28,120)	(\$3,276)	(\$31,396)
Northeast Human Service Center	(\$65,322)	(\$7,306)	(\$72,628)
Southeast Human Service Center	(\$44,792)	(\$4,431)	(\$49,223)
South Central Human Service Center	(\$28,120)	(\$3,276)	(\$31,396)
West Central Human Service Center	(\$47,637)	(\$6,072)	(\$53,709)
Badlands Human Service Center	(\$75,840)		(\$75,840)
Move funding from human service centers to program/policy management <sup>2</sup>			
Mental Health and Substance Abuse	\$114,702	\$115,498	\$230,200
Lake Region Human Service Center	(\$114,702)		(\$114,702)
Southeast Human Service Center		(\$115,498)	(\$115,498)
Move funding among human service centers <sup>3</sup>			
North Central Human Service Center	\$3,672	\$93,706	\$97,378
Lake Region Human Service Center		(\$46,260)	(\$46,260)
West Central Human Service Center	(\$3,672)	(\$47,446)	(\$51,118)
Move national family caregiver funds from human service centers to central office <sup>4</sup>			
Aging Services		\$454,466	\$454,466
Northwest Human Service Center		(\$28,305)	(\$28,305)
North Central Human Service Center		(\$126,773)	(\$126,773)
Lake Region Human Service Center		(\$31,767)	(\$31,767)
Northeast Human Service Center		(\$42,443)	(\$42,443)
Southeast Human Service Center		(\$74,521)	(\$74,521)
South Central Human Service Center		(\$40,013)	(\$40,013)
West Central Human Service Center		(\$67,354)	(\$67,354)
Badlands Human Service Center		(\$43,290)	(\$43,290)
Transfer funding from program/policy management to central office <sup>5</sup>			
Mental Health and Substance Abuse	\$138,317	\$249,021	\$387,338
Administration/support	(\$138,317)	(\$249,021)	(\$387,338)
<sup>1</sup> Billing/receivable functions were moved from the human service centers to fiscal administration to apply consistent practices and maximize revenue collections.			
<sup>2</sup> Clinical and data lead functions were moved from the human service center level to program/policy management for proper program alignment.			
<sup>3</sup> Child care licensing functions were consolidated in regions to create consistent application of policy.			
<sup>4</sup> Funding the grants from the central office with a regional designation is consistent with other programs.			
<sup>5</sup> Full-time equivalent positions were moved under the direction of the Mental Health and Substance Abuse Division to provide for a more efficient operation of the research function staff.			

### Federal Medical Assistance Percentage

The Budget Section received a report from the Department of Human Services regarding the federal medical assistance percentage for fiscal year 2007. The Budget Section learned that in September 2005 the Federal Funds Information for States calculated the actual federal medical assistance percentage for federal fiscal year 2007 at 64.72 percent, compared to 62.37 percent estimated during the 2005 Legislative Assembly. The increase in the federal medical assistance percentage was estimated to reduce the general fund matching requirements for the Department of Human Services by approximately \$8.8 million. The Department of Human Services anticipated using the

\$8.8 million from the general fund that is no longer needed for increases in utilization of services within the Medicaid program.

### Medicaid Management Information System

The Budget Section received periodic reports from the Department of Human Services regarding the status of the Medicaid management information system (MMIS). The Budget Section learned that during the 2003-05 biennium the department hired Fox Systems, Inc., as a consultant to assist with the preparation of several documents for the eventual procurement of a new Medicaid management information system. Based on an analysis of the costs, benefits, and risks, the

department recommended a turnkey solution over a fiscal agent solution. The 2005 Legislative Assembly appropriated \$29.2 million, including \$3.7 million from the permanent oil tax trust fund, to design, develop, and implement the replacement Medicaid management information system. The department released a request for proposal (RFP) on June 1, 2005, which was due on September 1, 2005, and the final offers were due on December 5, 2005. The cost proposals, including the best and final offers, came in higher than anticipated due in part to significant changes taking place within the areas of health care and Medicaid technology. The newer technology will enable the Medicaid systems to be more effective and efficient and is intended to reduce long-term replacement costs; however, it has increased the initial development costs.

Based on the best and final offers received from the vendor, the Information Technology Department's estimated cost for staff, hardware and software, and the Department of Human Services project office/support costs, the overall projected cost of the MMIS project is \$56.8 million, of which \$5.7 million is from state funds.

The department reported that postponement of the MMIS replacement may result in the loss of the 90 percent federal match the department has secured for project replacement costs, providers and clients would be negatively impacted, and there is no guarantee that the cost of the system will decrease if the project is postponed. The Budget Section learned the MMIS project is estimated to take 24 months to complete and the department anticipated beginning the project in April 2006.

The Department of Human Services completed contract negotiations with Affiliated Computer Services, Inc., Government Healthcare Solutions for a project cost of \$56.8 million. The Budget Section learned Affiliated Computer Services, Inc., agreed to hold its price firm until the 2007 Legislative Assembly is able to consider funding the costs of the remainder of the project, as long as the department moves forward with an initial design. Affiliated Computer Services, Inc., agreed to sign a contract identifying two phases--Phase 1 includes a detailed system design that is expected to cost no more than \$8 million and is reusable and Phase 2 includes the balance of the design, development, and implementation. The two-phased approach is intended to protect the state's interest in retaining the bid. The department reported the Information Technology Department has agreed to complete initial development work with 100 percent of its effort being reusable and costing approximately \$1.6 million. Under this plan, the Department of Human Services would spend no more than \$10 million in total funds for Phase 1, including \$1 million from state funds. The remaining state appropriation will be returned.

The Budget Section approved asking the Legislative Council chairman to send a letter to express the committee's support of the Department of Human Services proceeding with Phase 1 of the MMIS project with a final decision to be made by the 2007 Legislative Assembly. The department was encouraged to begin

preliminary work on the project that would be required for all of the following options:

- Acceptance of the current Affiliated Computer Services, Inc., bid.
- Rebidding of the MMIS project.
- Joint development with another state.
- Use of a fiscal agent.
- Outsourcing the billing and payment components.

The Budget Section also encouraged the department to contract for an independent analysis of the five options, including a cost-benefit analysis, and to arrange for the information to be available to the Legislative Assembly by January 8, 2007.

The department has hired MTG Management Consultants LLC, Seattle, Washington, to complete an analysis of the five options for consideration by the 2007 Legislative Assembly.

The department subsequently reported it is focusing on the requirement document meetings and completing the visioning process for future business capabilities. The Information Technology Department has begun work on Phase 1, which includes data conversion analysis, design of system edits and audits, and design work for the recipient hub. The department has established a Medicaid Systems Project Stakeholder Committee to secure input from various stakeholders regarding the vision, design, and implementation of a new Medicaid management information system and to create a communication process with the stakeholders regarding the design and operations of the eventual system.

### **Medicaid Medical Advisory Committee**

The Department of Human Services presented information to the Budget Section regarding the Medicaid Medical Advisory Committee. The Department of Human Services reported the federal Medicaid regulations require each state Medicaid program to have a medical care advisory committee. The advisory committee is to advise the Medicaid agency director on health and medical care services. The Department of Human Services asked the advisory committee to participate in discussions regarding the future of Medicaid and the prospect of a Medicaid program that encompasses sustainability, consumer responsibility, and fiscal accountability. The advisory committee will meet quarterly to continue the "modernizing Medicaid" discussions.

## **DEPARTMENT OF COMMERCE**

### **Annual Audits of Renaissance Fund Organizations**

The Department of Commerce reported on the annual audits of renaissance fund organizations, pursuant to NDCC Section 40-63-07. The department reported there are 26 cities with a renaissance zone, but only 6 cities have a renaissance fund organization--Fargo, West Fargo, Casselton, Valley City, Jamestown, and Hazen. The city of Hazen started its own fund and is doing its own management and the other five cities

contract with Renaissance Ventures LLC, in Fargo to manage their respective renaissance fund organizations.

The Budget Section learned the 1999 Legislative Assembly appropriated \$2.5 million in tax credits for investments in a renaissance fund organization and the 2001 Legislative Assembly appropriated an additional \$2.5 million. As of October 2006 there is \$610,000 remaining from the original appropriation and the entire \$2.5 million from the second appropriation is still available.

The department reported the audit of the renaissance fund organizations for Fargo, West Fargo, Casselton, Jamestown, and Valley City as of December 31, 2004, shows that the city of Fargo has received investments of \$2,633,000, the city of Jamestown \$300,000, the city of Casselton \$75,000, and the city of West Fargo \$200,000, resulting in the use of \$1,604,000 in tax credits. No investments have been made in Valley City's renaissance fund organization. The total tax credits requested as of September 2005 total \$1,880,500, which included the use of \$273,500 in tax credits for the city of Fargo since January 1, 2005, and \$3,000 in tax credits for the city of Hazen renaissance fund organization from a \$6,000 investment. The department reported it has not received the annual audits for 2005.

### **Annual Report on Job Web Site**

The Department of Commerce reported to the Budget Section on money spent to administer an Internet web site that provides career guidance and job opportunity services, pursuant to NDCC Section 54-60-10. The Budget Section learned the Department of Commerce has discontinued use of the *northdakotahajobs.com* web site and has not spent any money in the 2005-07 biennium on a career guidance and job opportunity web site.

### **Common Accountability Measures Report**

The Budget Section received a report from the Department of Commerce on common accountability measures for the 2003-05 and 2005-07 bienniums. The 2003 Legislative Assembly gave the Department of Commerce the responsibility of monitoring and reporting common measures accountability for workforce development and training activities. The workforce development and workforce training programs covered under the accountability report include the Department of Human Services job opportunities and basic skills training program, the basic employment skills training program, and the senior community service employment program that was transferred from Job Service North Dakota to the Department of Human Services effective July 1, 2006; Job Service North Dakota Work Force 2000 program, Workforce 20/20 program, North Dakota new jobs training program, trade adjustment assistance program, and the Workforce Investment Act; and the University System workforce training quadrants.

### **North Dakota Economic Goals and Associated Benchmarks**

The Budget Section received a report from the Department of Commerce on North Dakota economic

goals and associated benchmarks, pursuant to Section 53 of 2005 Senate Bill No. 2018. The Department of Commerce reported North Dakota is making progress in the following areas:

- Net growth of 2,225 businesses and 7,100 jobs.
- Consistent increase in average annual wages.
- Largest percentage growth nationally in academic research and development expenditures from 2000 through 2004.
- Significant increases in manufacturing jobs.
- North Dakota businesses are competing successfully in the global market with North Dakota exports growing at almost twice the national rate.

The Budget Section learned North Dakota ranks No. 1 in lowest Workforce Safety and Insurance premiums according to the Oregon Department of Consumer and Business Services and No. 2 in the lowest cost of doing business according to the Milken Institute cost of doing business index.

### **Rural Development Council - Use of Grant Funds**

Pursuant to Section 21 of 2005 Senate Bill No. 2018, the Department of Commerce presented information to the Budget Section regarding the use of grant funds provided to the Rural Development Council. Section 21 of Senate Bill No. 2018 directed the Department of Commerce to provide a grant of up to \$50,000 to the Rural Development Council. The Rural Development Council was initiated in 1992 by the United States Department of Agriculture as a rural outreach tool to provide rural communities with access to funds and program assistance. The council was relocated to the Center for Technology and Business in November 2004. Grant funds have been used for:

- One part-time staff.
- Electronic commerce - Web site development and hosting fees.
- Office, equipment, telephone, etc.
- Travel (one trip to Washington, D.C.); rural outreach.
- Program cost-sharing with rural communities.

### **Red River Valley Research Corridor - Use of Grant Funds**

The Department of Commerce presented information to the Budget Section regarding the use of grant funds provided to the Red River Valley Research Corridor, pursuant to Section 25 of 2005 Senate Bill No. 2018. The 2005 Legislative Assembly provided \$400,000 to assist in both marketing and the development of the assets within the Red River Valley Research Corridor. Additional funding of \$155,000 for each year in the biennium was granted by the Economic Development Administration. The funds have been used for:

- Underwrite the cost of trade show displays in a Department of Commerce marketing event in the Silicon Valley.

- Retain the services of Development Counselors International who have brought in national journalists and site selectors to the region.
- Underwrite the cost of university staff to travel on business prospecting trips to visit with companies that may wish to relocate to the University of North Dakota or North Dakota State University.
- Underwrite the cost of university experts to travel to conferences to speak of the assets of the University of North Dakota and North Dakota State University.
- Purchase membership in a life science online community that specializes in research and development.
- Pay for sponsorship of selected conferences deemed appropriate to the development of assets.
- Underwrite the cost of general marketing pieces on an as-needed basis.

### **North Dakota Center for Technology Program - Use of Grant Funds**

Pursuant to Section 26 of 2005 Senate Bill No. 2018, the Department of Commerce presented information regarding the use of grant funds provided to the center for technology program. Section 26 directed the Department of Commerce to provide a grant up to \$50,000 to the center for technology program. The Center for Technology and Business was founded in 1999 as Women and Technology and has been funded by the United States Small Business Administration with annual matching grants from the Department of Commerce. The program has assisted more than 17,000 students from 218 North Dakota communities.

The Department of Commerce reported the Center for Technology and Business provided the following technology outreach to rural North Dakota in 2006:

- 1,925 students statewide participated in classes in introductory and intermediate computers, Excel, and Access.
- Increased rural payrolls by \$1.242 million and created 115 home-based jobs working with Verety (formally known as SEI) in a unique home-based model taking orders for McDonald's restaurants. Jobs were generated in Wishek, Fessenden, Rugby, and Steele.
- Increased Telco revenues by creating more rural Internet customers (\$7.65 million cumulative over five years).
- 154 students entered the rural workforce after learning how to use a computer.
- 163 jobs were retained through increased workforce intelligence. This was done by bringing technology into businesses and nonprofit and government entities.
- \$86,625 in classroom revenues paid to rural computer trainers.
- 90 injured workers were retrained for vocational technical education and Workforce Safety and Insurance. All workers reentered the workforce in new jobs utilizing technology as a job component.

### **Partners in Marketing Program - Use of Grant Funds**

Pursuant to Section 27 of 2005 Senate Bill No. 2018, the Department of Commerce presented information regarding the use of grant funds provided to the partners in marketing grant program. Section 27 provided \$250,000 for the partners in marketing grant program and the Department of Commerce reported grants totaling \$175,153 have been approved during the 2005-07 biennium as follows:

<b>Grant Recipient</b>	<b>Amount</b>	<b>Use</b>
Bismarck-Mandan Development Association	\$5,000	Trade mission
Cooperstown Economic Development Authority	5,000	Trade mission
Grand Forks Region Economic Development Corporation	15,000	Trade mission/advertising
Greater Fargo-Moorhead Economic Development Corporation	6,734 <sup>1</sup>	Trade mission
Hannaford Community and Economic Development Corporation	3,309	Trade mission
Tri-County Regional Development	25,000	Specialty event
Mercer County Economic Development Corporation	7,110	Collateral materials
Southwest Region Developers	10,000	Specialty event
Tioga Area Development Corporation	5,000	Trade mission
Valley City - Barnes County Economic Development Corporation	10,000	Collateral materials
Williston Area Development Foundation	9,000	Trade mission
Greater Fargo-Moorhead Economic Development Corporation	5,500	Collateral materials
McHenry County Job Development Authority	9,000	Collateral materials
Williston Area Development Foundation	25,000	Specialty event
Jamestown Stutsman Development	19,500	Collateral materials
Southwest Region Developers	15,000	Specialty event
<b>Total</b>	<b>\$175,153</b>	

<sup>1</sup>This grant was approved in the 2003-05 biennium and paid in the 2005-07 biennium.

### **HIGHWAY PATROL TRAINING PROGRAM**

The Highway Patrol presented information to the Budget Section regarding the training program for law enforcement officers and other emergency service providers under 2005 Senate Bill No. 2031, which provided \$400,000 for training law enforcement officers

and other emergency service providers. The funding was included in the Highway Patrol budget to support the efforts of the Peace Officer Standards and Training Board in providing regional training throughout North Dakota. The Highway Patrol reported the first course was held in February 2006 and there were 14 training

programs scheduled through September 30, 2006. Reimbursement has been requested at a total cost of \$239,000. Not all courses have requested reimbursement.

## MILL AND ELEVATOR ANNUAL REPORT 2004-05 Annual Report

Pursuant to Section 35 of 2005 Senate Bill No. 2014, the Budget Section received the 2004-05 annual report of the Mill and Elevator, including the current role and mission of the mill, short-term and long-term plans, and a description of the efforts by the mill to inform legislators about the role, mission, and operations of the mill.

The Mill and Elevator reported the mission of the mill is to promote and provide support to North Dakota agriculture, commerce, and industry; to provide superior quality, consistency, and service to its customers; to grow the business and provide a profit to the owners, who are the citizens of North Dakota; and to conduct business with the highest integrity so that the employees, customers, suppliers, and owners are proud to be associated with the mill. The mill reported six strategic issues:

1. Promote and support North Dakota agriculture, commerce, and industry.
2. Increase the earning potential of the mill.
3. Focus on its customers.
4. Develop and grow the mill employees.
5. Improve technology.
6. Expand internal and external communications.

The Budget Section learned the Mill and Elevator produced 2.9 million pounds of flour per day and the completion of an expansion project would increase the mill's production to 3.4 million pounds of flour per day which would make the mill the largest single-site flour mill in the country. The mill processed 65,000 bushels of wheat per day, had an elevator capacity of 4.3 million bushels, and had 9 million pounds of flour storage. The mill's profits increased each fiscal year from 2001 through 2005 as follows:

Fiscal Year	Profits
2001	\$330,085
2002	\$1,924,595
2003	\$2,003,461
2004	\$5,636,472
2005	\$5,806,157

The Budget Section learned the significant increase in the Mill and Elevator profits from fiscal years 2003 to 2004 was due to the completion of a renovation project. Total profits for the mill from 1971 to 2005 were approximately \$92.3 million and the mill transferred \$52.5 million to the state general fund during that time. Planned capital expenditures for fiscal year 2006 total approximately \$8.7 million, including \$6.3 million for the C and K mill expansion project and \$850,000 for the Buhler packaging system. Capital spending for the mill for fiscal years 2001 through 2005 was:

Fiscal Year	Total Capital Spending	Major Project
2001	\$20,083,884	Renovation and expansion project (\$19,500,000)
2002	\$684,195	Organic wheat blending system (\$240,000)
2003	\$1,392,377	Plant electrical generator (\$540,000)
2004	\$1,094,471	K-mill capacitors (\$95,585); bulk flour plant pump room (\$82,610)
2005	\$2,262,589	Whole wheat mill project (\$1,700,000)
2006	\$8,556,280	C-mill expansion/K-mill renovation (\$5,431,858); Buhler pack line (\$363,850); railcar unload system and track (\$249,058)

## 2005-06 Annual Report

Pursuant to Section 35 of 2005 Senate Bill No. 2014, the Budget Section received the 2005-06 annual report of the Mill and Elevator, including the same information that was in the last report regarding the role and mission of the mill, short-term and long-term plans, and a description of the efforts by the mill to inform legislators about the role, mission, and operations of the mill.

The Budget Section learned the Mill and Elevator now produces 3.4 million pounds of flour per day, processes 65,000 bushels of wheat per day, has an elevator capacity of 4.3 million bushels, and has 9 million pounds of flour storage. The mill's profits have increased each fiscal year from 2001 through 2006 as follows:

Fiscal Year	Profits
2001	\$330,085
2002	\$1,924,595
2003	\$2,003,461
2004	\$5,636,472
2005	\$5,806,157
2006	\$6,225,560

The Budget Section learned total profits for the Mill and Elevator from 1971 to 2006 were approximately \$98.5 million and the mill has transferred \$52.5 million to the state general fund during that same time. The mill will transfer \$5 million at the end of the 2005-07 biennium. Planned capital expenditures for fiscal year 2007 total approximately \$3.8 million, including \$1.2 million for the remainder of the C and K mill expansion project, \$480,000 remaining for the Buhler packaging system, and \$260,000 for a specialty packer palletizing system. Capital spending for the mill for fiscal years 2001 through 2006 was:

Fiscal Year	Total Capital Spending	Major Project
2001	\$20,083,884	Renovation and expansion project (\$19,500,000)
2002	\$684,195	Organic wheat blending system (\$240,000)
2003	\$1,392,377	Plant electrical generator (\$540,000)
2004	\$1,094,471	K-mill capacitors (\$95,585); bulk flour plant pump room (\$82,610)
2005	\$2,262,589	Whole wheat mill project (\$1,700,000)
2006	\$8,556,280	C-mill expansion/K-mill renovation (\$5,431,858); Buhler pack line (\$363,850); railcar unload system and track (\$249,058)



## **WORKFORCE SAFETY AND INSURANCE**

### **Building Maintenance Account**

Workforce Safety and Insurance presented information to the Budget Section regarding the status of the building maintenance account, pursuant to NDCC Section 65-02-05.1. Fiscal year 2006 was the third full year of operations at Century Center--the Workforce Safety and Insurance office building. In addition to Workforce Safety and Insurance, the building houses five other state agencies--the Department of Commerce, the Parks and Recreation Department, the Department of Human Services Child Support Enforcement and Provider Audit Divisions, the Council on the Arts, and the Office of Management and Budget Risk Management Division. The rental rate of \$13 per square foot per year for tenant office space and \$5 per square foot per year for storage space was set in June 2003. The rental rates will remain the same until July 1, 2007, at which time the rate will increase to \$13.50 per square foot per year for tenant office space. The increase is due to rising operating costs, such as property taxes and contract services.

The Century Center's single largest operating expense is the payment of in lieu of taxes made to the city of Bismarck, which was \$251,621.44 in 2005 and is approximately one-third of the operating expenses for the building.

The Budget Section learned the Century Center was the first state-operated facility to be awarded the Environmental Protection Agency Energy Star certification in 2004. The use of geothermal heat pump systems and low-voltage controlled lighting systems helped maintain consistent costs of operation. The anticipated ending balance of the building maintenance account of \$137,099 for fiscal year 2007 is approximately \$65,000 less than the actual ending balance for fiscal year 2006 of \$202,484.

## **GAME AND FISH DEPARTMENT**

### **Land Acquisition Requests**

Pursuant to NDCC Section 20.1-02-05.1, the Budget Section received requests from the Game and Fish Department for the approval of land acquisitions.

### **Walsh and Pembina Counties**

The Budget Section learned of the availability for the Game and Fish Department to purchase up to 3,000 acres in Walsh and Pembina Counties. The land is currently under easement to the United States Natural Resources Conservation Service through the emergency watershed protection program. The plan presented to the Budget Section is that the Game and Fish Department would purchase the residual value of the land from the property owner at \$250 per acre. The price per acre was determined by Farm Credit Services based on market value of lands in northeastern North Dakota subject to emergency watershed protection easements. The Game and Fish Department reported these types of land would fit into many of the department's long-term goals for fish and wildlife programs.

Pursuant to NDCC Section 20.1-02-05.1, the Budget Section approved the Game and Fish Department request to acquire up to 3,000 acres of land in Walsh and Pembina Counties.

### **Northwest McKenzie County**

The Budget Section learned of the availability of 242.37 acres in northwest McKenzie County. The available property is at the confluence of the Missouri and Yellowstone Rivers 30 miles southwest of Williston and lies between two tracts of land that were purchased in 2003 and 2004 by 18 conservation organizations and agencies. The land acquisition would be made by the American Foundation for Wildlife at a cost of \$400,000 with the Game and Fish Department providing funding in the amount of \$212,500 through a grant to the foundation. The Game and Fish Department has the funds available in its current budget and will not be asking Emergency Commission approval for additional spending authority. The Game and Fish Department reported 75 percent of its cost is reimbursable through a United States Fish and Wildlife Service grant. Once the purchase is made, the American Foundation for Wildlife will deed the lands to the Game and Fish Department. The Budget Section learned the land would be managed as state wildlife management areas and would be open to public hunting, fishing, and trapping and be available for educational and research uses.

Pursuant to NDCC Section 20.1-02-05.1, the Budget Section approved the Game and Fish Department request to acquire 242.37 acres of land in northwest McKenzie County.

## **DEPARTMENT OF EMERGENCY SERVICES**

### **Reorganization**

The Budget Section received a report from the Department of Emergency Services on the status of the reorganization of the Division of Emergency Management into the Department of Emergency Services. The Budget Section learned the Division of Emergency Management has been restructured as the Department of Emergency Services, pursuant to 2005 House Bill No. 1016. The department, which is under the direction of the Adjutant General, consists of the Division of State Radio and the Division of Homeland Security. The department reported an advisory committee has been formed which is comprised of 11 stakeholder members and is governed by an approved charter. The strategic planning model being used for the reorganization consists of the following components:

- Mission.
- Vision.
- Business operational base.
- Strengths, weaknesses, opportunities, and threats.
- Goals.
- Objectives (action plans).
- Systems.
- Processes.

- Communications infrastructure.
- Values.

The department reported on employee positions affected by the reorganization and justification for any prior salary increases, pursuant to Section 10 of 2005 House Bill No. 1016. Salary increases were analyzed on an individual basis by the Office of Management and Budget Human Resource Management Services Division. The Budget Section learned that, although administrative rules were not originally followed, all salary increases were determined to be within guidelines except for one position. The department reported guidelines have been developed to ensure administrative rules are followed in the future. Controls have been put in place to ensure there is a "paper trail" to support salary increase actions. Salaries were adjusted downward for the directors of the two divisions within the department once they became appointed positions. The salary increases were funded mainly through homeland security funding.

The Budget Section approved the expenditure of \$213,493 by the department for salary increases, pursuant to Section 10 of 2005 House Bill No. 1016.

### **Use of Federal Homeland Security Funds**

The Department of Emergency Services presented information to the Budget Section relating to the use of federal homeland security funds at the state and local levels, pursuant to Section 7 of 2005 House Bill No. 1016. The department reported the complexity of homeland security grants increased in 2003. A primary grant in the amount of \$3.7 million and a supplemental grant of \$8.6 million was received in 2003. In 2004 the grant was divided into two categories--the state homeland security grant program and the law enforcement terrorism protection program. Homeland security funding for 2005 was allocated on a base percentage rate plus population. The grant required 80 percent of the funds to be passed through to local units of government. The department distributed the 2005 funds to jurisdictions through a series of funding formulas based upon threat, vulnerability, and capability of compliance with the state's strategy at that time. Local jurisdictions were provided the flexibility to determine spending based upon federal grant guidance. For 2006 grant guidance, the Division of Homeland Security established eight national priorities that must be considered when spending 2006 grant funds.

The Budget Section learned the department is migrating the State Radio system from an analog to a digital system. Grant funds have not been sufficient to pay for the complete project, so the department has entered into a lease/purchase contract under which funds are spent annually for the project. The department has spent approximately \$19 million to purchase digital radios for local jurisdictions across the state. The department reported the last "gap analysis" indicates \$21 million is still needed for digital radios for first responders and approximately \$60 million is needed to complete the migration project. Five additional towers are needed to eliminate areas across the state where there is no transmission capability. The cost per tower is

approximately \$500,000. New grant guidelines give the department authority to require jurisdictions to purchase communication equipment that is compatible with the department's State Radio equipment.

## **JOB SERVICE NORTH DAKOTA**

### **Status of Job Insurance Trust Fund**

Pursuant to NDCC Section 52-02-17, the Budget Section received a report on the status of the job insurance trust fund. Job Service North Dakota reported the trust fund balance as of December 31, 2005, was \$84.45 million. The target for reserve adequacy was \$83.7 million. The fund balance reached the targeted reserve in six years, one year ahead of the legislative timeline of seven years. The Budget Section learned this was due, in part, to a robust economy with growing employment and lower levels of unemployment insurance claims. By reaching the targeted reserve at the end of 2005, Job Service North Dakota was able to reduce the average employer unemployment insurance tax rates for 2006 from 1.5 to 1.35 percent.

### **Unemployment Insurance Computer System Modernization Procurement Planning**

Job Service North Dakota presented information to the Budget Section regarding the status of the unemployment insurance computer system modernization procurement planning. Prior to releasing an RFP for the system's development, Job Service conducted a review of the project for the purpose of making a decision regarding the project direction. The following options were considered in the review:

- Release an RFP for the entire system.
- Release an RFP for the benefits system with the tax system as an optional bid. If no tax system is selected, an additional RFP would be issued at a later date.
- Maintain, enhance, and upgrade the current system.
- Delay the project until there are more systems available in the marketplace.

As a result of the review, both the project's core team and the executive steering committee determined the appropriate direction for the project would be to maintain, enhance, and upgrade the current system. Job Service reviewed the decision with the Governor's office, which concurred with the decision.

Job Service reported the available balance from the 2005 Senate Bill No. 2016 Reed Act appropriation of \$525,000 is \$212,193. Expenditures from the appropriation have been used for development of the business and system requirements, including system use cases. These requirements will be used as the basis for all future modernization efforts. Job Service will use the remaining appropriations from the Reed Act to create the transition plan and fund the employer registration system. The estimated cost for the transition plan is \$82,000 and the employer registration enhancement will cost approximately \$162,000. Job Service intends to provide the 60th Legislative Assembly with a transition plan as to how to proceed with the

modernization effort and to request Reed Act funding to conduct the 2007-09 biennium projects.

## **DEPARTMENT OF TRANSPORTATION**

The Department of Transportation reported on additional full-time equivalent positions that have been hired for highway construction, pursuant to Section 4 of 2005 Senate Bill No. 2012. The Budget Section learned a maintenance and engineering services comprehensive plan was developed to provide a safe and reliable transportation system. The plan also calls for a total of 200 additional miles to United States Highway 2 by 2008. The Department of Transportation conducted an analysis and determined it was more cost-effective to hire additional staff to complete the work than to outsource the work to the private sector. The Department of Transportation reported that the Emergency Hiring Council approved the department's request for four new full-time equivalent positions in January 2006. The four positions will be equipment operators in the Tioga section of the Williston district.

The Department of Transportation reported that the passage of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) provided a 30 percent increase in funding over the Transportation Equity Act for the 21st Century (TEA-21) and also requires greater staff coordination, planning, monitoring, and consultation efforts with the Federal Highway Administration and others. The Department of Transportation conducted an analysis and determined it was more cost-effective to hire additional staff to meet the requirements than to outsource the work to the private sector. The Emergency Hiring Council approved the Department of Transportation request for three new full-time equivalent engineering positions in March 2006.

The Budget Section learned the Department of Transportation has seen a 20 percent increase in construction costs, which resulted in the delay of \$25 million of 2006 projects until 2007. Approximately \$100 million in 2007 projects will be delayed until 2008. Part of the United States Highway 12 project was delayed because bids were 40 percent over engineering estimates.

## **STATE WATER COMMISSION**

### **Status of the Devils Lake Outlet**

The State Water Commission presented information to the Budget Section relating to the status of the Devils Lake Outlet. The commission reported Devils Lake was at a record high level early in 2006. However, the drought and water spilling from Devils Lake into Stump Lake were factors in the lake dropping two feet during the summer. Devils Lake is at 1,447.3 feet and Stump Lake is at 1,446.5 feet. The commission anticipates that Stump Lake will equalize with Devils Lake in 2007. The Devils Lake Outlet has not operated in 2006 because the Sheyenne River is dry at the insertion point for the outlet.

The commission reported construction was completed on the Devils Lake Outlet in 2005. A total of \$28 million was budgeted for the outlet, \$25.6 million in contracts were signed, and \$24.5 million has been paid

out to date. There are expected to be additional costs for the project due to lawsuits being filed relating to condemnation. The annual operating budget for the outlet is slightly over \$2 million, with the largest expense being electricity. Operating costs were down in 2006 because the outlet has not been operating. The commission reported it requested a modification to the discharge permit to allow for a higher sulfate level in the Sheyenne River. The modification will also allow discharges whenever there is no ice on the river. The commission is facing opposition from the Canadian government regarding the discharge permit. An appeal has been filed by the Canadian government and environmental groups.

The commission reported the cash balance in the water development trust fund as of October 3, 2006, was \$14.1 million. The next deposit from the tobacco settlement proceeds will be made in April 2007 and will be approximately \$10.3 million. The next bond payment of \$2.1 million is due in February 2007 and will be interest only. A principal and interest payment on the bond will be made in August 2007. The commission reported it has spent \$12.9 million from the trust fund during the 2005-07 biennium. The commission anticipates spending an additional \$12.2 million in the remainder of the 2005-07 biennium for agency operating costs and water project expenditures. The estimated June 30, 2007, ending balance for the water development trust fund is \$9.4 million.

The Budget Section learned the commission commits all available money in the water development trust fund. The estimated ending balance of \$9.4 million will be carried over to the 2007-09 biennium, \$5.4 million will be needed for the bond payment in August 2007, and the remainder will be needed to complete projects. The Budget Section learned the Attorney General's office provides legal services for lawsuits associated with the Devils Lake Outlet, the Risk Management Division will pay some expert witness fees, and the commission will pay for the costs of affidavits relating to the lawsuits.

## **PERFORMANCE ASSURANCE FUND**

The Budget Section received a report from the Public Service Commission on payments and expenditures from the performance assurance fund, pursuant to NDCC Section 49-21-31. The Budget Section learned the performance assurance fund is a special fund created by the 2003 Legislative Assembly for payments that Qwest Corporation makes to the state under Qwest's performance assurance plan. The money received under the plan is to be used by the Public Service Commission to offset the expenses of administering the plan. After the receipts in a biennium reach \$100,000, the excess over \$100,000 is deposited into the state general fund. The commission reported the July 1, 2005, beginning balance of the fund was \$132,207. The amount over the \$100,000 cap was \$32,207 and that amount plus an additional \$4,217 received for May and June 2005 was deposited in the general fund. The fund began incurring expenses in June 2005 relating to a multistate audit of the accuracy of Qwest's performance reporting and payments. North

Dakota's share of the audit contract costs would be approximately \$23,100. Actual payments made by North Dakota under the contract through June 30, 2006, were \$12,653 and receipts through June 30, 2006, were \$5,400, resulting in a fund balance of \$92,747 on June 30, 2006.

### **TRANSFERS TO STATE TUITION FUND**

The Budget Section received a report from the Department of Public Instruction regarding duplicative payments received for administrative expenses and any related transfers to the state tuition fund, pursuant to NDCC Section 15.1-02-14. The Department of Public Instruction reported it did not receive any federal or other money for which a general fund appropriation had been provided and, therefore, no transfers were made to the state tuition fund.

### **CORRESPONDENCE FROM ETHANOL PLANTS**

Pursuant to NDCC Section 4-14.1-07, the Budget Section received reports from all North Dakota ethanol plants receiving production incentives from the state. The Alchem, Ltd., LLP, and Archer Daniels Midland Company plants produced a loss for the year ending December 31, 2004, after deducting the payments received from the North Dakota ethanol production incentive program.

Pursuant to NDCC Section 4-14.1-07.1 and Section 1 of 2005 Senate Bill No. 2270, the Budget Section received reports from North Dakota ethanol plants in operation before July 1, 1995, receiving production incentives from the state. The Archer Daniels Midland Company plant in Walhalla was the only plant that received production incentives from the state during calendar year 2005. The Budget Section learned the plant produced a profit for the year ending December 31, 2005, after deducting the payments received from the North Dakota ethanol production incentive program.

### **STATE AGENCY UNCLAIMED PROPERTY**

The Budget Section received reports from the Land Department regarding state agencies that have not submitted a claim for unclaimed property belonging to that agency, pursuant to NDCC Section 47-30.1-24.1. The Budget Section learned the North Dakota Uniform Unclaimed Property Act has been in effect since 1975 and since that time, North Dakota state agencies have been reported as being owners of unclaimed property. The 2003 Legislative Assembly enacted Section 47-30.1-24.1 in an effort to resolve the issue of state agency unclaimed property. Section 47-30.1-24.1 provides that within one year of receipt of state agency property, the administrator of unclaimed property shall notify the agency by certified mail; the commissioner of University and School Lands shall present a report to the Budget Section identifying every state agency that has not submitted a claim for property belonging to that agency within one year of the receipt of the date of the certified mail receipt; and upon approval of the Budget

Section, the agency relinquishes its right to recover its property.

The Land Department reported that in January 2004 the Unclaimed Property Division reviewed its data base and identified 28 state agencies with unclaimed property and certified letters were mailed to those agencies. Of the 28 state agencies which confirmed receipt of the certified mailing, 7 agencies claimed the property, 8 agencies signed off on the property, and 13 agencies did not respond.

The Budget Section, pursuant to NDCC Section 47-30.1-24.1, approved the list of state agencies relinquishing their rights to recover unclaimed property.

### **LEGISLATIVE HEARINGS FOR FEDERAL BLOCK GRANTS**

#### **Background**

The Budget Section was informed the Legislative Council staff contacted state agencies receiving federal funds to determine which agencies receive block grants that require legislative hearings, and the results of the survey revealed only one block grant with that requirement and that is the community services block grant administered by the Department of Commerce Division of Community Services. The required public hearing will be held as part of the appropriations hearing for the Department of Commerce during the 2007 legislative session.

#### **Recommendation**

The Budget Section recommends House Concurrent Resolution No. 3001 to authorize the Budget Section to hold public legislative hearings required for the receipt of new federal block grant funds during the period from the recess or adjournment of the 60th Legislative Assembly through September 30, 2009.

### **FEDERAL FUNDS**

The Budget Section reviewed a report on federal funds anticipated to be received by state agencies and institutions for bienniums ending June 30, 2007, and June 30, 2009. The report indicated for the 2005-07 biennium, state agencies and institutions anticipate receiving \$2.293 billion of federal funds, approximately \$31.3 million less than the amount appropriated. For the 2007-09 biennium, state agencies and institutions anticipate receiving approximately \$2.314 billion of federal funds. Based on estimates, the 2007-09 biennium will require \$445.3 million of general fund matching dollars, \$81.4 million more than the 2005-07 biennium, if the estimated amounts are appropriated. The 2007-09 amounts are preliminary as several agencies had not filed their 2007-09 budget requests.

### **LEGISLATIVE COUNCIL STAFF REPORTS**

The Budget Section received the following reports prepared by the Legislative Council staff:

- *59th Legislative Assembly Analysis of Changes to the Executive Budget 2005-07 Biennium.* The report provided information on legislative changes to the executive budget, full-time equivalent

changes, major programs, and related legislation for each state agency. The report also includes an analysis of various special funds and statistical information on state appropriations.

- *59th Legislative Assembly Budget Status Report for the 2005-07 Biennium.* The report provided information on the status of the general fund and estimated June 30, 2007, ending balance, legislative changes to general fund revenues, and legislative appropriation changes to the executive recommendation.
- *General Fund Deficiency Appropriations for Utility and Fuel Costs.* This report provided information relating to deficiency appropriations provided by the 1985 through 2005 Legislative Assemblies for utility and fuel costs.
- *Alternatives to Inpatient Civil Commitment of Sex Offenders.* This report provided information relating to alternatives to inpatient civil commitment of sex offenders being used by other states.
- *Oil Pipeline Regulation - Authority of State to Require Transmission of North Dakota Oil.* This report provided information relating to North Dakota limits on eminent domain.

## BUDGET TOUR REPORTS

The Budget Section reviewed memorandums summarizing the visitations of the budget committees and the budget tour groups. These memorandums will be compiled into a report, including information regarding state institution land and building utilization and will be submitted to the Appropriations Committees during the 2007 legislative session.

The Budget Committee on Government Services, Representative Al Carlson, Chairman, toured the James River Correctional Center, Missouri River Correctional Center, State Penitentiary, Roughrider Industries, and the Youth Correctional Center.

The Budget Committee on Health Care, Senator Aaron Krauter, Chairman, toured North Dakota Vision Services - School for the Blind, Mill and Elevator, School for the Deaf, East Laboratory, Crime Laboratory, Fraine Barracks, International Peace Garden, and the State Fair Association.

The Budget Committee on Human Services, Senator Dick Dever, Chairman, toured the South Central Human Service Center, State Hospital, Veterans Home, Northeast Human Service Center, Developmental Center, North Central Human Service Center, and West Central Human Service Center.

The Higher Education Committee, Senator Ray Holmberg, Chairman, toured Williston State College, Williston Research Extension Center, Bismarck State College, State College of Science, North Dakota State University, Valley City State University, Minot State University, North Central Research Center, Minot State University - Bottineau, Forest Service, Lake Region State College, Dickinson State University, Dickinson Research Extension Center, University of North Dakota, UND School of Medicine and Health Sciences, and Mayville State University.

## AGENCY REQUESTS AUTHORIZED BY THE EMERGENCY COMMISSION

Pursuant to NDCC Section 54-16-04, 54-16-04.1, 54-16-04.2, and 54-16-09, the Budget Section considered agency requests that had been authorized by the Emergency Commission and forwarded to the Budget Section. From the June 23, 2005, meeting to the October 4, 2006, meeting, the Budget Section considered 47 requests, all of which were approved. The 47 Emergency Commission requests approved included expenditure of \$87,014,379 of federal funds and \$16,392,137 of other funds, line item transfers totaling \$4,075,000, and authorization of 49 full-time equivalent positions for the remainder of the 2005-07 biennium. The appendix at the end of this report provides a description of each agency request considered by the Budget Section.

## Status of the State Contingency Fund

Six requests authorized by the Emergency Commission were to obtain funds from the state contingency fund. The following is a summary of the state contingency fund:

State Contingency Fund		
2005 legislative appropriation		\$500,000
Emergency Commission requests		
Department of Agriculture (#1565)	\$131,000	
Attorney General's office (#1570)	97,000	
Department of Agriculture (#1578)	58,669	
Decrease in amount needed for Request #1578	(6,198)	
Adjutant General (#1595)	85,000	
Adjutant General (#1600)	70,000	
Attorney General's office (#1602)	15,000	
Total of Emergency Commission requests for state contingency funds		\$450,471
State contingency fund balance - October 2006		\$49,529

## OTHER REPORTS

The Budget Section received a report from the Legislative Council staff on the legislative applications replacement system project. The Budget Section learned this would be a complete legislative information technology system replacement. The Legislative Council staff reported the technology in the legislative system is obsolete and one company that supported the system is no longer in business. It is estimated to cost approximately \$2 million to migrate to a server-based system and approximately \$4.2 million for a new system. The migration would not solve the obsolescence problems. It was reported there was \$1.5 million available from 2003-05 carryover funds, a consultant was hired and a cost estimate for completion of the project will be available for consideration by the 2007 Legislative Assembly.

The Budget Section received a report from the Industrial Commission regarding oil pipeline transportation issues, oil production, and oil prices. The commission reported Canadian shale oil can be produced at a cost of \$12 per barrel and the supply is

expected to triple over the next 13 years. Canada has a minimum of a 100-year supply of oil at a production rate of 4.5 million barrels a day. The Budget Section learned the capacity of pipelines to the West and to the South of North Dakota are impacted by Canadian oil. North Dakota oil will either have to be refined in North Dakota or be moved by pipelines to the East. There is currently not enough pipeline capacity out of North Dakota for refined products. Most of the North Dakota oil moves through the Enbridge pipeline from Trenton to Minnesota. The two largest purchasers of North Dakota oil are Canadian companies. The Budget Section learned the Tax Department and the Attorney General's office conducted research on the impact of discounting of North Dakota oil. The commission reported the limited pipeline capacity has affected the production rate, the active rig count, and the return of wells to production.

The Budget Section received a report from the Office of Management and Budget on Department of Human Services 2003-05 biennium carryover funds that will be used for the State Hospital electrical distribution repair and the potential need for additional funds for the 2007-09 biennium. In late April 2005 the State Hospital became aware that its emergency generator was in need of major repair in order for it to remain operable. The critical need to repair the generator relates to the operation of an automatic transfer switch, which is responsible for the automatic switch to an emergency

power supply in the case of a primary power failure. Without the repairs, the power source change would need to be completed manually which imposes certain risks, such as a significant lag time. The estimated cost for this repair is approximately \$350,000. The Office of Management and Budget reported that the Department of Human Services requested and received authority from the capital construction carryover committee to carry over \$350,000 from its 2003-05 biennium appropriation to the 2005-07 biennium for the cost to repair the State Hospital's emergency generator. The engineering plan for the repair project has been completed and the projected completion date for the project was May 31, 2006. The Office of Management and Budget reported the State Hospital may be requesting funds for the 2007-09 biennium for a second power source at an estimated cost of \$300,000. The State Hospital would also like to establish a power loop feed system at an estimated cost of approximately \$2.5 million.

This report presents Budget Section activities through October 2006. Because one of the major responsibilities of the Budget Section is to review the executive budget, which by law is not presented to the Legislative Assembly until after December 1, a supplement to this report will be submitted for distribution at the beginning of the 60th Legislative Assembly in January 2007.

## APPENDIX

Pursuant to NDCC Section 54-16-04, 54-16-04.1, 54-16-04.2, and 54-16-09, the Budget Section considered 47 agency requests that were authorized by the Emergency Commission. All requests were approved. The following is a list of agency requests approved from June 23, 2005, through October 4, 2006:

### **Adjutant General**

- December 15, 2005 - To increase special funds spending authority by \$1.6 million to accept federal funds from the National Guard Bureau for the Army Guard contracts line item and for approval of 28 full-time equivalent positions to expand the deployment of security forces at Fraine Barracks in Bismarck and Camp Grafton in Devils Lake.
- December 15, 2005 - To increase special funds spending authority by \$860,000 to accept federal funds from the National Guard Bureau for the Air Guard contracts line item to fund 30 temporary security positions at the North Dakota Air National Guard located at Hector Field in Fargo from January 2006 through September 2006.
- June 14, 2006 - To increase special funds spending authority and the Army Guard contracts line item by \$16.6 million to accept federal funds from the National Guard Bureau for the construction of a field maintenance shop in Minot (\$12.3 million) and a weapons of mass destruction civil support team building at Fraine Barracks in Bismarck (\$4.3 million).
- June 14, 2006 - To transfer \$85,000 from the state contingency fund for costs incurred by the North Dakota National Guard for flood relief in Grand Forks, Walsh, and Pembina Counties in April 2006 (\$130,853) and estimated costs for the Ward County search in May 2006 (\$22,150). Total costs of \$153,003, less National Guard emergency funds of \$68,457, result in a shortfall of \$84,545. The Emergency Commission added the stipulation that the state's contingency fund be reimbursed when the agency receives offsetting federal funds.

### **Aeronautics Commission**

- June 14, 2006 - To increase special funds spending authority and the capital assets line item by \$600,000 to accept federal funds from the Federal Aviation Administration for reconstruction of the runway at the International Peace Garden airport.

### **Department of Agriculture**

- December 15, 2005 - To transfer \$131,000 from the state contingency fund and approval to increase spending authority and the Board of Animal Health line item to reimburse livestock producers for vaccination and disposal costs associated with the anthrax outbreak during the summer of 2005.
- March 8, 2006 - To increase spending authority by \$76,384 to transfer state contingency funds (\$58,669) and federal funds from the United States Department of Agriculture (\$17,715) for the

salary line item (\$41,860) and the operating line item (\$34,524) and approval of one full-time equivalent position to respond to increased demands for state meat inspectors.

- October 4, 2006 - To increase spending authority by \$145,000 to accept federal funds from the United States Department of Agriculture Animal and Plant Health Inspection Service for the salary line item (\$35,000) and the operating line item (\$110,000) to conduct a potato cyst nematode survey. Temporary employees will be hired to assist in soil sampling.

### **Attorney General**

- March 8, 2006 - To transfer \$97,000 from the state contingency fund for additional costs incurred in defending the school finance lawsuit.

### **Bank of North Dakota**

- March 8, 2006 - To transfer \$500,000 from the salaries line item to the operating line item to allow for transition from internal to external information technology service providers.
- October 4, 2006 - To increase spending by \$85,500 to accept other funds from an Energy Star Exxon grant for the capital assets line item (\$85,500) and approval for a line item transfer of \$625,000 from the contingency line item to the capital assets line item for items needed related to construction of a new building and for a project contingency fund.

### **Department of Corrections and Rehabilitation**

- September 7, 2005 - To increase other funds spending authority by \$68,000 to accept funds from a private individual for the Youth Correctional Center to purchase the Read Right reading program for the Marmot School.
- December 15, 2005 - To transfer \$1.5 million from the department's equity pool line item contained in Senate Bill No. 2015 for employee salary equity adjustments to the Juvenile Community Services line item (\$66,145), the Field Services line item (\$3,543), the Prisons Division line item (\$1,254,071), and the Youth Correctional Center line item (\$176,241) to allow the payment of equity funds from the applicable line items.

### **Department of Emergency Services**

- September 7, 2005 - To increase the grants line item by \$2,498,250 to accept federal funds from the predisaster mitigation grant program to provide awards to the city of Fargo and Barnes County.
- September 7, 2005 - To increase federal and special funds spending authority by \$11,621,150 relating to Robert T. Stafford Disaster Relief and Emergency Assistance Act funding (\$10,371,150) and state disaster loan proceeds (\$1,250,000) for disaster costs associated with the severe storms and flooding in several counties and Indian reservations in June and July 2005. The request includes the authority for the department to obtain a \$1,250,000 loan from the Bank of North Dakota, pursuant to NDCC Section 37-17.1-23, to pay the estimated state share of the disaster recovery



costs. Repayment of the loan will be requested as a deficiency appropriation from the 2007 Legislative Assembly. The request will require state general fund dollars to repay the Bank of North Dakota loan of \$1,250,000 plus interest.

- December 15, 2005 - To increase special funds spending authority by \$3 million to accept federal funds from the federal Department of Homeland Security for the salaries and wages line item (\$800,000), the operating line item (\$420,000), and the grants line item (\$2,500,000) for a temporary public information officer position, staff overtime, development and exercising of a sheltering plan related to large-scale evacuations, providing assistance to requesting states under the Emergency Management Assistance Compact, and providing grants to assisting state agencies and other entities.
- December 15, 2005 - To increase special funds spending authority by \$2,238,971 relating to Robert T. Stafford Disaster Relief and Emergency Assistance Act funding (\$1,945,783) and state disaster loan proceeds (\$293,188) for the salaries and wages line item (\$75,000), the operating line item (\$150,000), and the grants line item (\$2,013,971) for disaster costs associated with the snow disaster in October 2005. The request includes the authority for the department to obtain a \$293,188 loan from the Bank of North Dakota, pursuant to NDCC Section 37-17.1-23, to pay the estimated state share of the disaster recovery costs. Repayment of the loan will be requested as a deficiency appropriation from the 2007 Legislative Assembly.
- December 15, 2005 - To increase the salaries and wages line item by \$249,825 to accept federal funds from the predisaster mitigation grant program to provide administration and support for grants awarded to the city of Fargo and Barnes County.
- March 8, 2006 - To increase spending authority by \$1,657,850 to receive federal funds (\$1,465,750) under the Robert T. Stafford Disaster Relief and Emergency Assistance Act and a Bank of North Dakota loan (\$192,100) for the required state match, pursuant to NDCC Section 37-17.1-23 and the operating line item (\$25,000) and the grants line item (\$1,632,850) for costs related to the November 2005 snowstorm.
- June 14, 2006 - To increase special funds spending authority by \$361,346 and the salaries and wages line item (\$32,850) and the grants line item (\$328,496) to accept federal funds from the predisaster mitigation grant program for administration and support of grant awards and for planning grants to Billings, Burleigh, and Cass Counties and the city of Medora.
- June 14, 2006 - To increase special funds spending authority by \$6,903,780 to receive federal funds (\$6,055,100) under the Robert T. Stafford Disaster Relief and Emergency

Assistance Act and state disaster loan proceeds (\$848,680) for the salaries and wages line item (\$100,000), the operating expense line item (\$270,000), and the grants line item (\$6,533,780) for costs related to flooding occurring in the Red River Valley in 2006.

#### **Game and Fish Department**

- June 14, 2006 - To increase special funds spending authority by \$189,700 to accept federal funds from the United States Department of Agriculture Animal and Plant Health Inspection Service for the operating line item (\$189,700) to collect samples for monitoring avian influenza in waterfowl, shorebirds, and other migratory birds and chronic wasting disease from dead or sick deer.
- October 4, 2006 - To increase spending authority by \$150,000 to accept federal funds (\$112,500 from the United States Fish and Wildlife Service and other funds (\$37,500) from the game and fish fund for expenses related to increased need for noxious weed control.
- October 4, 2006 - To transfer \$450,000 from the grants line item to the operating expenses line item due to increased travel expenses in the Fisheries and Enforcement Division and for replacement of radios used for enforcement purposes.

#### **State Department of Health**

- September 7, 2005 - To transfer \$300,000 of federal funds spending authority from the grants line item to the salaries line item for temporary employees, including two quality assurance coordinators, an accountant, and administrative support personnel to implement bioterrorism programs.
- September 7, 2005 - To increase federal funds spending authority by \$4,100,000 of funds available from the Environmental Protection Agency for grants relating to the arsenic trioxide superfund project to oversee design and construct an arsenic trioxide remedy site in the Richland, Ransom, and Sargent Counties areas and to transfer \$700,000 of federal funds spending authority from the operating line item to the grants line item for the arsenic trioxide superfund project.
- September 7, 2005 - To increase other funds spending authority by \$7,200,000 of funds available from Blue Cross Blue Shield of North Dakota for operating expenses to purchase additional vaccines for statewide immunization programs.
- October 4, 2006 - To accept federal passthrough funds from the Department of Transportation relating to a National Highway Transportation Safety Administration grant and to increase spending authority by \$60,000 for the salaries and wages line item (\$35,000) and the operating line item (\$25,000) for the new traffic assessment program, which will address ambulance and emergency health care delivery systems.



- October 4, 2006 - To increase federal funds spending authority by \$263,000 and the operating line item (\$63,000) and the grants line item (\$200,000) to accept funds from the Centers for Disease Control and Prevention for a suicide prevention program targeted toward tribal and rural youth.
- October 4, 2006 - To increase federal funds spending authority by \$153,000 and the salaries and wages line item (\$82,400), the operating expenses line item (\$28,000), and the grants line item (\$42,600) to accept funds from the Centers for Disease Control and Prevention to implement a statewide comprehensive cancer control program.
- October 4, 2006 - To increase federal funds spending authority by \$1,200,000 and the salaries and wages line item (\$90,000), the operating expenses line item (\$360,000), the capital assets line item (\$100,000), and the grants line item (\$650,000) to accept funds from the Centers for Disease Control and Prevention for a pandemic influenza preparedness program.
- October 4, 2006 - To increase federal funds spending authority and the grants line item by \$6 million to accept funds from the Environmental Protection Agency to assist a rural water district in designing and operating an arsenic trioxide remedy site to lower drinking water arsenic concentration levels in southeast North Dakota.
- October 4, 2006 - To increase federal funds spending authority and the women, infants, and children (WIC) line item by \$1.8 million to accept funds from the United States Department of Agriculture due to increases in the number of participants enrolled in the WIC program and costs for food items, including infant formula.

#### **State Historical Society**

- September 7, 2005 - To increase federal funds spending authority by \$80,000 to accept federal funds from the Department of Interior Save America's Treasures grant program for the capital assets line item, with \$700,000 general fund matching funds approved for carryover from the 2003-05 biennium under NDCC Section 54-44.1-11, for the construction of a protective shelter for the French gratitude train boxcar located on the State Capitol grounds.
- December 15, 2005 - To accept federal passthrough funds from the Department of Transportation related to a transportation enhancement grant and to increase the capital assets line item by \$180,000 for costs related to the expansion and renovation of the Chateau de Mores visitor center in Medora.
- March 8, 2006 - To increase the grants line item and federal funds spending authority by \$250,000 to accept a Save America's Treasures grant for the emergency archaeological excavation of Beacon Island - Agate Basin site in Lake Sakakawea.

#### **Department of Human Services**

- March 8, 2006 - To add 11 full-time equivalent positions for the State Hospital sex offender program. If savings cannot be generated internally within the agency to cover the additional costs, a deficiency appropriation will be requested by the agency from the 2007 Legislative Assembly.
- June 14, 2006 - To add eight full-time equivalent positions for the State Hospital sex offender program. These positions are in addition to the 11 full-time equivalent positions approved for the State Hospital sex offender program at the March 8, 2006, Budget Section meeting.

#### **Information Technology Department**

- March 8, 2006 - To increase special funds spending authority from service fees by \$500,000 and the salaries and wages line item (\$354,000) and the operating line item (\$146,000) to provide software development support to the Bank of North Dakota.

#### **Office of Management and Budget**

- December 15, 2005 - To increase the operating line item and federal funds spending authority by \$100,000 to accept funds from the Department of Homeland Security for training and equipment costs relating to the continuum of government and continuity of operations programs.
- June 14, 2006 - To receive borrowing authority of \$5 million to secure a loan from the Bank of North Dakota for funding centers of excellence-approved projects as provided for in Section 13 of 2005 Senate Bill No. 2018.

#### **Protection and Advocacy Project**

- October 4, 2006 - To increase spending authority and the protection and advocacy line item by \$1 million to accept federal funds from the United States Department of Education for the alternative financial loan program to expand personal financing options to persons with disabilities in purchasing assistive technology devices and services.

#### **Department of Public Instruction**

- June 23, 2005 - To increase special funds spending authority by \$25 million to accept federal funds from the No Child Left Behind Act of 2001 for grants to school districts prior to the end of the 2003-05 biennium.

#### **Department of Transportation**

- June 23, 2005 - To increase federal funds spending authority by \$86,000 of funds available from the National Highway Traffic Safety Administration for grants relating to seatbelt usage, blood alcohol .08 incentives, and impaired driving.
- March 8, 2006 - To increase the highways program line item by \$76,260 for federal funds available to the state from the Safe Routes to Schools program and for approval of one full-time equivalent position to supervise the program.

**Veterans Home**

- June 14, 2006 - To increase special funds spending authority from additional resident rent revenue and the operating line item by \$116,000 to purchase medications for the Veterans Home pharmacy.

**Workforce Safety and Insurance**

- October 4, 2006 - To increase special funds spending authority by \$250,000 from the

Workforce Safety and Insurance fund to cover salary increases authorized by the 2005 Legislative Assembly. The Budget Section added the stipulation that Workforce Safety and Insurance provide a report at the December 6, 2006, Budget Section meeting regarding the reconciliation of salary increase.