

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

BUDGET SECTION

Wednesday, December 6, 2006
Senate Chamber, State Capitol
Bismarck, North Dakota

Representative Ken Svedjan, Chairman, called the meeting to order at 11:00 a.m.

Members present: Representatives Ken Svedjan, Ole Aarsvold, Larry Bellew, Rick Berg, Merle Boucher, Ron Carlisle, Al Carlson, Jeff Delzer, Mary Ekstrom, Eliot Glassheim, Pam Gulleson, Kathy Hawken, Keith Kempenich, Matthew M. Klein, Gary Kreidt, Joe Kroeber, Bob Martinson, Ralph Metcalf, David Monson, Jon Nelson, Kenton Onstad, Chet Pollert, Bob Skarphol, Blair Thoreson, Francis J. Wald, Alon C. Wieland, Clark Williams; Senators Bill L. Bowman, Randel Christmann, Tom Fischer, Tony Grindberg, Ray Holmberg, Ralph L. Kilzer, Aaron Krauter, Karen K. Krebsbach, Elroy N. Lindaas, Tim Mathern, Carolyn Nelson, David O'Connell, Larry J. Robinson, Tom Seymour, Bob Stenehjem, Harvey Tallackson, Rich Wardner

Member absent: Representative James Kerzman

Others present: See attached appendix

STATUS OF THE STATE GENERAL FUND

At the request of Chairman Svedjan, Ms. Pam Sharp, Director, Office of Management and Budget, presented a report on the status of the general fund. A copy of the information presented is on file in the Legislative Council office.

Ms. Sharp presented information on the status of the state general fund for the 2005-07 biennium based on the revised 2006 revenue forecast:

Unobligated general fund balance - July 1, 2005	\$68,015,056
Add	
Estimated revenues (based on revised 2006 revenue forecast)	2,234,022,965
Total estimated general fund revenue for the 2005-07 biennium	\$2,302,038,021
Less	
2005-07 biennium appropriations	1,990,013,293 ¹
Transfer to the budget stabilization fund	100,527,369 ²
Estimated general fund balance - June 30, 2007 (\$201,201,828 more than the 2005 legislative estimate of \$10,295,531)	\$211,497,359

¹The 2005-07 biennium appropriations include proposed deficiency appropriations. The Office of Management and Budget identified \$10,560,670 in deficiency appropriation requests included in the 2007-09 executive budget--Division of Emergency Services disaster services (\$4,300,000), Department of Corrections and Rehabilitation increased inmate population (\$4,800,000), University of North Dakota

flood and rain event costs (\$560,000), North Dakota State University flood and rain event costs (\$289,000), Department of Public Instruction operating expenses (\$275,000), Attorney General's office (\$167,170), Department of Agriculture (\$114,000), and Forest Service (\$55,500).

²The 2007-09 executive budget proposes a statutory change to North Dakota Century Code (NDCC) Section 54-27.2-01 to allow the transfer of \$100.5 million from the June 30, 2007, general fund balance to the budget stabilization fund. Currently, the fund is capped at 5 percent of appropriations, approximately \$99.5 million for the 2005-07 biennium. The proposed statutory change will raise the cap to \$200 million.

Ms. Sharp said the revised 2006 forecast estimates \$2.29 billion in general fund revenues and \$2.28 billion in general fund ongoing appropriations for the 2007-09 biennium. She said \$187.7 million in one-time investments will also be paid from the general fund in the 2007-09 biennium, resulting in an estimated June 30, 2009, general fund balance of \$34 million.

Ms. Sharp said estimated revenues, based on the November 2006 executive revenue forecast, for the permanent oil tax trust fund for the 2005-07 biennium are \$158.5 million and the ending balance for the trust fund for the 2005-07 biennium is \$128.3 million. She said estimated revenues for the trust fund for the 2007-09 biennium are \$167 million. She said the 2007 executive budget recommends an appropriation of \$116.7 million from the trust fund for property tax relief resulting in an estimated June 30, 2009, balance of \$178.6 million in the trust fund.

Ms. Sharp said the 2007-09 executive recommendation proposes a statutory change to NDCC Section 54-27.2-01 to allow the transfer of \$100.5 million from the June 30, 2007, general fund balance to the budget stabilization fund. Currently, she said, the fund is capped at 5 percent of general fund appropriations, approximately \$99.5 million for the 2005-07 biennium. She said the proposed statutory change will raise the cap to a fixed dollar amount of \$200 million.

In response to a question from Representative Monson, Ms. Sharp said general fund and permanent oil tax trust fund revenue estimates are based on current oil prices and assumptions that the price per barrel will drop to \$58 in 2008 and \$45 in 2009. She said production is expected to gradually increase from 113,000 barrels per day currently to 119,000 barrels per day at the end of 2009.

In response to a question from Representative Carlson, Ms. Sharp said the Governor's decision to fund the property tax relief from the permanent oil tax trust fund was based on the sustainability of the source of income for the trust fund. She said the trust fund balance continues to increase and the estimated June 30, 2009, balance of \$178 million will allow for funding of property tax relief in the 2009-11 biennium.

Senator Grindberg requested Legislative Council staff to include information on the history of the permanent oil tax trust fund in its analysis of the executive budget.

TOBACCO SETTLEMENT PROCEEDS

Ms. Sharp presented information on the status of tobacco settlement proceeds received by North Dakota and reflected in the 2007 executive budget. A copy of the information presented is on file in the Legislative Council office. Ms. Sharp said North Dakota received payments totaling \$21.4 million in fiscal year 2006 and will continue to receive payments in April of each year. She said the estimated payment for fiscal year 2007 will be \$21.8 million, resulting in estimated total payments for the 2005-07 biennium of \$43.2 million. She said the estimated total payments for the 2007-09 biennium increase to \$70 million. She said North Dakota has received \$174.3 million in tobacco settlement proceeds since December 1999.

In response to a question from Representative Kempenich, Ms. Sharp said the original estimate for tobacco settlement proceeds for the 2007-09 biennium was discounted by 5 percent to arrive at \$70 million to recognize any shortfall in proceeds similar to the shortfall that occurred in the 2005-07 biennium.

2007-09 EXECUTIVE BUDGET REVENUE FORECAST

Ms. Sharp said the revised 2006 revenue forecast projects \$2.2 billion in general fund revenues for the 2005-07 biennium, which is an increase of \$299 million from the March 2005 legislative forecast. Ms. Sharp said the executive forecast estimates an increase in total general fund revenues and transfers for the 2007-09 biennium of approximately \$66 million from the revised 2005-07 revenues. Ms. Sharp said the increases in estimated general fund revenues for the 2005-07 and 2007-09 bienniums are primarily attributable to increases in sales and use taxes and individual and corporate income taxes. Ms. Sharp said for the 2007-09 biennium, the executive recommendation proposes the Bank of North Dakota and Mill and Elevator transfers to the general fund remain at the same amounts as the 2005-07 biennium, which are \$60 million and \$5 million, respectively. Ms. Sharp said the executive recommendation proposes to increase the transfer from the land and minerals trust fund from the 2005-07 biennium amount of \$6.8 million to \$15 million for the 2007-09 biennium.

Ms. Sharp said the Office of Management and Budget will present the revised revenue forecast to the 2007 Legislative Assembly during the week of February 5, 2007.

In response to a question from Senator Grindberg, Ms. Sharp said projected increases in sales and use and income taxes are based on wage and job growth and increases in commodity prices.

Ms. Sharp said the executive forecast for the 2007-09 biennium projects a 6 percent growth in revenue from the 2005-07 biennium compared to an 18 percent growth from the 2003-05 biennium to the 2005-07 biennium.

Ms. Sharp said for calendar year 2005, 1.7 percent of total sales tax; .7 percent of individual income tax, based on Job Service North Dakota employee counts and wages; and 7.7 percent of corporate income tax is directly attributable to the oil industry. Ms. Sharp said applying the percentages to the 2005-07 revised revenue forecast results in approximately 11 percent, or \$262 million, of general fund revenues for the 2005-07 biennium being directly attributable to the oil industry and 11.2 percent, or \$270 million, of general fund revenues for the 2007-09 biennium being directly attributable to the oil industry.

AGENCY REQUESTS AUTHORIZED BY THE EMERGENCY COMMISSION

Chairman Svedjan directed the committee to consider agency requests which have been authorized by the Emergency Commission and forwarded to the Budget Section, pursuant to NDCC Sections 54-16-04, 54-16-04.1, 54-16-04.2, and 54-16-09. The information relating to the requests was provided to the Budget Section prior to the meeting and is on file in the Legislative Council office.

It was moved by Representative Carlisle, seconded by Senator Robinson, and carried on a roll call vote that pursuant to NDCC Sections 54-16-04, 54-16-04.1, 54-16-04.2, and 54-16-09, the Budget Section approve the following requests which have been approved by the Emergency Commission:

- **Department of Public Instruction (Request #1616) - To increase special funds spending authority by \$424,500 and the salaries and wages line item (\$30,600), operating expenses line item (\$44,900), and grants line item (\$349,000) to accept federal funds from the United States Department of Education for a state personnel development grant to improve the personnel preparation and professional development system for special education teachers and related services personnel.**
- **State Historical Society (Request #1617) - To increase spending authority by \$180,000 to accept federal funds from the Bureau of Land Management for the salaries line item (\$90,000) and operating expenses line item**

(\$90,000) to prepare a resource management plan for cultural resources for the Bureau of Land Management, which at the same time will allow for updating of the North Dakota comprehensive plan for historic preservation.

- **Veterans Home (Request #1618) - To increase special funds spending authority from additional resident rent revenue and the operating expenses line item by \$150,000 for costs of primary care lab work, tests, and x-rays which were previously covered by the Veterans Administration Medical Center in Fargo and for contract nursing costs due to the inability to employ candidates to fill several nursing positions.**
- **Department of Financial Institutions (Request #1620) - To increase spending authority by \$67,500 from other funds for the operating expenses line item (\$67,500) for legal services related to investigation and for support of mortgage broker examiners and a line item transfer from the capital assets line item (\$7,500) to the operating expenses line item (\$7,500) for Office of Management and Budget service fees higher than expected.**
- **State Historical Society (Request #1621) - To increase spending authority by \$200,000 to accept transportation enhancement grant federal funds passed through from the Department of Transportation for the capital assets line item (\$200,000) for the design and fabrication of new exhibits at the Chateau de Mores Interpretive Center.**

Representatives Svedjan, Aarsvold, Bellew, Carlisle, Delzer, Ekstrom, Glassheim, Gullerson, Hawken, Kempenich, Klein, Kreidt, Kroeber, Martinson, Metcalf, Monson, Nelson, Pollert, Thoreson, Wald, Wieland, and Williams and Senators Bowman, Christmann, Fischer, Grindberg, Holmberg, Kilzer, Krauter, Krebsbach, Lindaas, Mathern, Nelson, O'Connell, Robinson, Seymour, and Wardner voted "aye." No negative votes were cast.

STATE HISTORICAL SOCIETY

At the request of Chairman Svedjan, Mr. Merl Paaverud, Director, State Historical Society, presented information regarding approval for additional expenditures related to the Chateau de Mores Interpretive Center. A copy of the information presented is on file in the Legislative Council office. Mr. Paaverud said the Historical Society is requesting approval to increase the cost of the interpretive center project by \$150,000 and to rebuild, instead of remodel, the existing interpretive center. He said the increase in cost is due to the instability of the walls of the existing interpretive center. He said the estimated additional cost of rebuilding the interpretive center is \$250,000. This would be funded, he said, by

using \$100,000 in project contingency funds and \$150,000 from the 2005-07 general fund capital asset appropriation.

It was moved by Representative Carlisle, seconded by Senator Krauter, and carried on a roll call vote that pursuant to NDCC Section 48-02-20, the Budget Section approve the State Historical Society's request for additional expenditures related to the Chateau de Mores Interpretive Center. Representatives Svedjan, Aarsvold, Bellew, Carlisle, Delzer, Ekstrom, Glassheim, Gullerson, Hawken, Kempenich, Klein, Kreidt, Kroeber, Martinson, Metcalf, Monson, Nelson, Pollert, Wald, and Wieland and Senators Bowman, Christmann, Fischer, Grindberg, Holmberg, Kilzer, Krauter, Krebsbach, Lindaas, Mathern, Nelson, Robinson, Seymour, and Wardner voted "aye." No negative votes were cast.

The committee recessed for lunch at 12:00 noon and reconvened at 12:45 p.m.

ECONOMIC OUTLOOK FOR THE UNITED STATES AND NORTH DAKOTA

At the request of Chairman Svedjan, Mr. Steve Cochrane, Senior Managing Director, Economy.com, Philadelphia, Pennsylvania, presented a report on economic assumptions included in the North Dakota executive budget revenue forecast for the 2007-09 biennium. A copy of the information presented is on file in the Legislative Council office. Mr. Cochrane said the United States economy is growing "below potential but above capacity." He said the potential growth rate of the economy is 3 percent, which is made up of a 1 percent growth rate for labor and a 2 percent growth rate for productivity. He said factors in the slowing growth rate are declines in the national housing market, decreases in automobile production, and increases in inventory in the manufacturing industry. He said these factors will not adversely affect North Dakota. He said North Dakota's economic growth is not slowing as rapidly as the national growth rate. He said the labor market capacity is tight, which results in higher wages. He said the unemployment rate for the United States is 4.4 percent, which is higher than North Dakota's unemployment rate of 3.2 percent. He said North Dakota's average unemployment rate over the last three years is 3.5 percent. He said the declining unemployment rate may indicate North Dakota's economy is operating above capacity.

Mr. Cochrane said one problem with the labor market being at or above capacity is the risk of further inflation. He said inflation is above the target range for the Federal Reserve but is beginning to ease back down toward the target rate of 2.5 percent due to rising unemployment rates and the downturn in energy prices.

Mr. Cochrane said the broad outlook is for the United States economy to slow through the first half of 2007 as the impact of the housing market and

automobile industry slowdowns and slower consumer spending factor through the economy. He said record corporate profit margins will prevent the economy from falling into a recession, barring any unforeseen shocks on the economy.

Mr. Cochrane said the price of oil is expected to fall at a moderate rate over the next two years. He said three factors affect the price of oil--a substantial build in supply of crude oil stock in the United States, a substantial rise in domestic and global exploration over the last two years, and that OPEC has cut oil production quotas over the last few weeks which indicates there is excess production capacity.

Mr. Cochrane said long-term assumptions for the price of oil, which were used by the Office of Management and Budget in developing the 2007-09 budget, include \$55 per barrel by the end of 2007, \$50 per barrel by the end of 2008, and a long-term equilibrium assumption of \$45 per barrel. He said this is a substantial increase from the previous equilibrium assumption price of \$25 per barrel.

Mr. Cochrane said in the 1980s and 1990s, there did not appear to be a statistical relationship between the price of oil and the economy in North Dakota. Beginning in 2000, he said, a positive statistical relationship emerged. He said this is due to the price per barrel being over \$35 for an extended period of time. He said there would be a negative impact on the economy if the price per barrel drops too low. However, he said, he expects the price to remain above \$45 per barrel and continue to be a positive contributor to the economy along with manufacturing and retail trade.

Mr. Cochrane said the housing market and price appreciation remains stable in North Dakota while trending down nationally. He said this results in stronger consumer confidence in North Dakota. He said North Dakotans are feeling some economic stress as indicated by an increasing delinquency rate on unsecured debt. He said the delinquency rate may increase as adjustable rate mortgages reset to higher rates causing higher monthly mortgages and additional stress.

Mr. Cochrane said grain prices across the board are remarkably strong. He said prices will remain high for three to six months until global supplies improve. He said there has been some improvement in the export market for beef; however, the Japanese market can be fickle in accepting imported beef.

Overall, Mr. Cochrane said the economic outlook is pretty good. He said there are risks in commodity prices decreasing but he sees a broad range of the economy doing well. He said the forecast is cautious but positive.

In response to a question from Senator Christmann, Mr. Cochrane said livestock prices are still in an upward trend and will be for the next three to five years.

In response to a question from Representative Skarphol, Mr. Cochrane said sales tax revenue has been strong over the last couple of years due to

consumer spending and lenders allowing homeowners to extract equity out of their homes.

2005-07 EXECUTIVE BUDGET RECOMMENDATIONS

At the request of Chairman Svedjan, Ms. Sheila Peterson, Director, Fiscal Management Division, Office of Management and Budget, introduced the executive budget analysts and discussed the availability of the executive budget summary and detail books for legislators. Ms. Peterson reported on the 2007-09 executive budget recommendations for capital projects and state employee compensation and benefits. She said the budget will allow the state to continue to fully fund health insurance for all state employees. She said the budgeted cost for health insurance is \$658 per month per employee. She said this is an 18.8 percent increase over the 2005-07 biennium and the total increased cost to the state will be approximately \$21.5 million from all funds. She said the recommended state employee compensation package includes a funded 4 percent average salary increase with a minimum increase of \$75, effective July 1, 2007, and a funded 4 percent average salary increase with a minimum increase of \$75, effective July 1, 2008. She said the salary increases are to be based on merit and equity and are not to be given across the board. She said the compensation package also includes a \$10 million equity fund, of which \$5 million is from the general fund, to be used to move classified employees' salaries closer to the market salaries for those positions that are furthest behind the market. She said unique circumstances warranted other salary increases being recommended in specific agencies' budgets. She said the total compensation increase package cost is approximately \$68 million, of which approximately \$32.8 million is from the general fund.

Ms. Peterson said the executive recommendation for capital projects totals \$267 million, of which \$85 million is from the general fund. She said the largest capital project is the \$42 million prison expansion project for the Department of Corrections and Rehabilitation.

Ms. Peterson said all capital projects recommended in the 2007-09 biennium are funded with cash and there are no projects funded through bonds. Based on estimated funds available in future bienniums for additional bond payments, she said, bonds in the amount of \$51.2 million could have been issued for the 2007-09 biennium.

Ms. Peterson said the executive recommendation includes \$187.7 million in one-time capital investments. She said the executive recommendation also includes information technology projects that were ranked by the Statewide Information Technology Advisory Committee and will be funded through the general fund. She said there are other projects in agencies' budgets that are not funded through the general fund.

Mr. Joe Morrisette, Office of Management and Budget, presented information on the executive budget recommendation for the Department of Public Instruction. He said the Governor's Commission on Education Improvement recommends a rewrite of the school aid formula. He said the recommendation of \$724 million for state school aid includes an increase in per student payments of \$45.5 million from the 2005-07 biennium, a \$127.5 million reallocation to per student payments based on the comprehensive school aid formula, a \$4.6 million increase in distributions from the common schools trust fund for tuition apportionment, \$43 million for special education average daily membership payments, \$16.5 million for equity payments, and \$3 million for full-day kindergarten for at-risk students. He said the recommendation also includes a \$2 million increase for special education contracts, a \$2 million increase for career and technical education grants, and a \$1 million increase in joint powers agreement incentives.

In response to a question from Representative Skarphol, Mr. Morrisette said the per student base cost is \$31.50 and that cost is adjusted by "weighting" based on programs.

Mr. Morrisette discussed the executive budget recommendation for the Department of Career and Technical Education. He said the recommendation provides for \$1.3 million in incentive grants and \$1.2 million for startup costs to develop two new area career and technical education centers. He said the recommendation provides general fund money for two full-time equivalent (FTE) positions for the career resource network, a program previously funded through Job Service North Dakota.

Mr. Morrisette discussed the executive budget recommendation for the Department of Corrections and Rehabilitation. Mr. Morrisette said the recommendation provides \$750,000 for salary adjustments due to employee reclassifications. He said the recommendation provides a total of 29.5 new FTE positions, including 12 FTE positions that are currently temporary positions, 3 FTE positions for drug court programs, and 14.5 FTE positions for correctional and parole officers. He said the recommendation provides \$42 million for the prison expansion project, \$8 million to continue the contract to house female inmates at the Dakota Women's Correctional and Rehabilitation Center, \$1.6 million for contract inmate housing at county jails, \$1.5 million for new transition programming, and \$300,000 for faith-based programming.

In response to a question from Representative Carlisle, Mr. Morrisette said \$430,000 is included in the Department of Corrections and Rehabilitation budget for funding drug courts.

Mr. Morrisette discussed the executive budget recommendation for the Game and Fish Department. He said the recommendation provides a \$2 million increase in the department's private land initiatives to

allow the department to meet its goal of one million public access acres by 2008.

Mr. Morrisette discussed the executive budget recommendation for the Department of Transportation. He said the recommendation includes \$480 million of federal funds which will be fully matched by the existing fee and rate structure. He said there will be no fee or tax increase of any kind. He said the recommendation includes \$20 million of general fund support for a one-time investment for deferred maintenance on road projects, and funding for a rewrite of the current driver's license system, equipment, and other information technology projects.

Ms. Lori Laschkewitsch, Office of Management and Budget, presented information on the executive recommendation for the Department of Human Services, including the Developmental Center and State Hospital. Ms. Laschkewitsch said the executive budget recommendation includes a \$71 million general fund increase in ongoing and enhanced operations resulting in an overall increase of \$98 million that also includes the Medicaid management information system project, capital projects, and compensation. She said the recommendation includes \$3.3 million for increased clawback payments for Medicaid Part D, \$700,000 for a methamphetamine treatment program, \$500,000 for the Robinson Recovery Center, an increase of \$150,000 to recruit and retain family foster care, a \$1.2 million increase for capacity issues at the regional human service centers, \$543,000 to rebase nursing facility limits, \$10.6 million for a 60 cent per hour salary increase to developmental disabilities service providers, \$38 million for provider inflation increases of 3 percent for each year in the 2007-09 biennium, and \$377,500 to enhance drug court efforts.

Ms. Sandy Paulson presented information on the executive budget recommendation for the higher education institutions. She said the recommendation includes \$470.2 million from the general fund, which is an increase of \$83 million from the 2005-07 biennium. She said \$30.3 million is for one-time investments, which is a 21 percent increase and includes \$14.2 million for capital projects and \$16.1 million for information technology projects and deferred maintenance. She said the recommendation includes \$33.8 million for campus parity distributions and \$10 million for equity payments. She said the level of funding provided in the recommendation should limit tuition increases for the 2007-09 biennium to no more than 5 percent per year. She said the recommendation includes \$2.2 million for student financial assistance grants, resulting in \$5.8 million from the general fund that will be available to address student affordability. She said the recommendation includes an increase of over 57 percent for overall student financial aid programs. She said the recommendation includes \$4 million as part of the base budget and a one-time investment of \$6 million for deferred maintenance, \$1 million for deferred maintenance at Mayville State University, \$300,000

for the Space Grant Consortium, \$310,000 additional general fund support for EPSCoR for a total of \$5.5 million, and \$1 million for the Northern Tier Network.

In response to a question from Representative Carlisle, Ms. Paulson said the salary increase for higher education employees is 5 percent for each year in the 2007-09 biennium.

Ms. Tammy Dolan presented information on the executive budget recommendation for the agriculture and economic development agencies. She said the executive recommendation establishes equipment and operating expense pools of \$384,900 for each station, \$700,000 and three FTE positions for bioproducts research, \$462,000 for one additional support staff at each branch station, \$675,000 for scab and agricultural weather network research, and \$470,000 and two FTE positions for additional pulse improvement projects. She said the recommendation includes \$9 million for a research greenhouse at the Main Research Center; \$1.1 million for office building additions and renovations at Carrington, Hettinger, and North Central Research Extension Centers; and \$400,000 for the agronomy laboratory and greenhouse project at the North Central Research Station. She said the recommendation is approximately a 12.2 percent increase from the 2005-07 biennium.

Ms. Dolan discussed the executive budget recommendation for the State Water Commission. She said the recommendation includes \$10 million from the general fund for administrative expenses that were previously funded from the water development fund, increases funding for water projects by \$8.9 million, and provides \$3 million from the general fund and dedicates \$3 million of special funds for the Red River Valley Water Supply Project.

DEPARTMENT OF HUMAN SERVICES

Vice Chairman Grindberg called on Ms. Maggie Anderson, Director, Medical Services, Department of Human Services, to present information regarding the status of the Medicaid management information system computer system project. A copy of the information presented is on file in the Legislative Council office. Ms. Anderson said the project is operating within budget and running on schedule in accordance with the detailed workplan. She said requirement document meetings are occurring each week and are scheduled through May 2007. She said required reports to the Information Technology Department and the Centers for Medicare and Medicaid Services have been submitted. She said the department has hired MTG Management Consultants, LLC, Seattle, Washington, to complete an analysis of five options for consideration during the 2007 legislative session which were identified in a motion from the March 8, 2006, Budget Section meeting. She said the department has collected information from vendors through a request for information regarding outsourcing the billing and payment

activities. She said the department and MTG will be prepared to discuss the five options in January 2007.

SPECIFIC EXEMPT COMMODITIES AND SERVICES

Vice Chairman Grindberg called on Ms. Linda Belisle, State Procurement Office, Office of Management and Budget, to report on the specified commodities and services exempted from the procurement requirements of NDCC Chapter 54-44.4. A copy of the information presented is on file in the Legislative Council office. Ms. Belisle said the Office of Management and Budget has exempted few commodities and services from the state procurement system. She said the administrative rules related to state procurement--North Dakota Administrative Code Article 4-12--that became effective in August 2004 identify commodities and services that are not procurements, such as professional memberships and grants, and identifies exemptions to the rules. She said the list of exemptions also identifies commodities and services that are subject to other statutes for the procurement or selection process, such as appointments of a special or an assistant attorney general, public improvements, concessions, and engineers.

WORKFORCE SAFETY AND INSURANCE

At the request of Vice Chairman Grindberg, Mr. Jim Long, Chief of Support Services, Workforce Safety and Insurance, presented information regarding the reconciliation of salary increases provided in 2005-07 with planned future salary increases. A copy of the information presented is on file in the Legislative Council office. Mr. Long said the department's pay-for-performance system was modified from employees receiving appraisals on anniversary dates to a once-a-year focal review period. As a result of the modification, he said, it will be approximately one year until the next salary increases will be provided. At that time, he said, the organizational salary increases will take into account the effects of the unanticipated general salary increases of 4 percent in fiscal years 2006 and 2007.

STATE AGENCY UNCLAIMED PROPERTY

A letter from the Unclaimed Property Division of the Land Department was distributed to the committee. The letter stated a mailing was sent to 12 agencies in December 2005 regarding claims for property belonging to those agencies. The letter identified the agencies have one year to respond to the mailings and, therefore, the Unclaimed Property Division does not have a list of properties for the committee to act on at this time. The letter stated the mailing schedule has been revised to allow the Land Department to have reports available each year at the mid-June Budget Section meetings. The letter stated the Land Department would provide results of the

December 2005 and June 2006 mailings at the June 2007 Budget Section meeting.

It was moved by Representative Skarphol, seconded by Representative Wald, and carried on a voice vote that the Budget Section meeting be adjourned subject to the call of the chair.

Vice Chairman Grindberg adjourned the meeting at 3:15 p.m.

Becky Keller
Fiscal Analyst

Jim W. Smith
Legislative Budget Analyst and Auditor

[ATTACH:1](#)