

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

BUDGET SECTION

Wednesday, December 11, 2013
Senate Chamber, State Capitol
Bismarck, North Dakota

Representative Chet Pollert, Chairman, called the meeting to order at 9:00 a.m.

Members present: Representatives Chet Pollert, Tracy Boe, Mike D. Brandenburg, Jeff Delzer, Bill Devlin, Mark A. Dosch, Bette Grande, Ron Guggisberg, Rick Holman, Keith Kempenich, Gary Kreidt, Bob Martinson, Corey Mock, Jon Nelson, Kenton Onstad, Mark Sanford, Roscoe Streyle, Blair Thoreson, Don Vigesaa, Alon Wieland, Clark Williams; Senators Bill L. Bowman, Ron Carlisle, Robert Erbele, Tony Grindberg, Joan Heckaman, Ray Holmberg, Ralph Kilzer, Jerry Klein, Karen K. Krebsbach, Gary A. Lee, Tim Mathern, Larry J. Robinson, Mac Schneider, Terry M. Wanzek, Rich Wardner

Members absent: Representatives Larry Bellew, Al Carlson, Eliot Glassheim, Kathy Hawken, David Monson, Robert J. Skarphol; Senators David O'Connell, John M. Warner

Others present: Brenda Heller, State Representative, Beulah
Mark S. Owens, State Representative, Grand Forks
See [Appendix A](#) for additional persons present.

It was moved by Senator Robinson, seconded by Representative Mock, and carried on a voice vote that the minutes of the September 25, 2013, meeting be approved as distributed.

STATUS OF THE GENERAL FUND

Ms. Pam Sharp, Director, Office of Management and Budget, presented a report ([Appendix B](#)) on the status of the general fund.

Ms. Sharp presented the following information on the status of the general fund as of October 31, 2013, for the 2013-15 biennium:

Unobligated general fund balance - July 1, 2013		\$1,396,059,186
Balance obligated for unspent emergency appropriation authority		165,874,199
Balance obligated for authorized carryover from the 2011-13 biennium		89,503,462
Total beginning general fund balance - July 1, 2013		\$1,651,436,847
Add		
General fund collections through October 2013	\$1,301,479,308	
Forecasted general fund revenue for the remainder of the 2013-15 biennium	4,302,709,275	
Total revenues		5,604,188,583
Total available		\$7,255,625,430
Less		
Legislative appropriations - One time	(\$2,433,567,701)	
Legislative appropriations - Ongoing	(4,429,019,653)	
Authorized carryover from the 2011-13 biennium	(89,503,462)	
2013-15 emergency appropriations utilized in the 2011-13 biennium	163,812,041	
Total appropriations		(6,788,278,775)
Estimated ending general fund balance - June 30, 2015		\$467,346,655 ¹

¹Pursuant to North Dakota Century Code Section 54-27.2-02, any end-of-biennium balance in excess of \$65 million must be transferred to the budget stabilization fund, up to a cap of 9.5 percent of general fund appropriations.

Ms. Sharp presented information ([Appendix C](#)) on general fund revenue collections for October 2013 and the 2011-13 biennium to date. She said general fund revenues collected for the biennium to date are \$127.4 million or 10.8 percent more than the May 2013 legislative forecast.

In response to a question from Representative Nelson, Ms. Sharp said she would provide information at the next meeting on the amount of oil and gas tax revenue collections allocated to the resources trust fund for the biennium to date.

TOBACCO SETTLEMENT PROCEEDS

Ms. Sharp presented information ([Appendix D](#)) on the status of tobacco settlement proceeds received by North Dakota. She said there were no changes for the period September 25, 2013, through December 11, 2013.

IRREGULARITIES IN THE FISCAL PRACTICES OF THE STATE

Pursuant to Section 54-14-03.1, Ms. Sharp presented information on irregularities in the fiscal practices of the state. She said for the period August through October 2013, there were no state agencies with fiscal irregularities.

STATE AGENCY APPLICATIONS FOR FEDERAL GRANTS

Ms. Sharp presented information ([Appendix E](#)) on state agencies that have applied for federal grants estimated to be \$25,000 or more pursuant to Section 54-27-27. She said for the period September 25, 2013, through December 11, 2013, the following agencies applied for a federal grant estimated to be \$25,000 or more:

Agency	Time Period of Grant	Amount
Department of Veterans' Affairs	2014 through 2015	\$1,900,000

STATE EMPLOYEE SALARY INCREASES

Ms. Sharp presented information ([Appendix F](#)) on the percentage range of state employee salary increases provided for performance increases and market equity increases in July 2013. She said classified state employees were eligible for a performance-related pay increase of 3 to 5 percent on July 1, 2013. She said classified state employees whose salaries were in the first quartile of their salary range were also eligible for a market equity salary increase of up to 2 percent, and employees whose salaries were in the second quartile of their salary range were eligible for a market equity salary increase of up to 1 percent.

Ms. Sharp presented the following information on state employee performance-related salary increases:

Range of Percentage Increase	Number of State Employees
0%	404
0.1% through 2.9%	175
3.0% through 3.4%	1,366
3.5% through 3.9%	1,327
4.0% through 4.4%	1,849
4.5% through 5.0%	1,993
5.1% through 8.9%	13 ¹
Total	7,127

¹Of the 13 salary increases above 5 percent, 8 of the salary increases included concurrent increases for increases in workload or reclassification, and 5 of the salary increases included corrections for calculation errors.

In response to a question from Representative Delzer regarding the 404 employees who did not receive a performance-related salary increase, Ms. Sharp said the number includes employees who have not yet completed the six-month probationary period and employees whose documented performance did not meet expectations.

Ms. Sharp presented the following information on state employee market-related salary increases:

Range of Percentage Increase	Number of State Employees
0%	2,367
0.1% through 0.9%	70
1.0% through 1.4%	1,835
1.5% through 2.0%	2,661
Greater than 2%	194 ¹
Total	7,127

¹The 194 salary increases above 2 percent included the following:

• Concurrent increases related to increases in workload or reclassification	115
• Errors or corrections for calculation errors	36
• Specific additional legislative appropriations for salary increases	18
• Reallocations by Attorney General's office and State Historical Society	16
• Increases related to new salary range minimums	9
Total	194

In response to a question from Representative Delzer, Ms. Sharp the maximum market-related salary increase for the Attorney General's office was 25.1 percent. She said a portion of the 29 employees at the Attorney General's office who received an increase above 2 percent includes employees at the State Crime Laboratory who received additional increases from specific legislative appropriations.

STATE BOARD OF HIGHER EDUCATION - SEMIANNUAL PROJECT VARIANCE REPORTS

Ms. Sharp presented semiannual project variance reports ([Appendix G](#)) on State Board of Higher Education projects pursuant to Section 15-10-47. She said the 2013 Legislative Assembly changed the reporting requirements from monthly reports to semiannual reports. She said the report includes project variances for the period January 2013 through June 2013.

RECOMMENDATIONS FOR REVOLVING FUND - PREPAYMENT OF PLANNING FEES REQUESTS

Ms. Sharp presented Office of Management and Budget (OMB) recommendations ([Appendix H](#)) regarding requests from the revolving fund for prepayment of consulting and planning fees for capital improvements pursuant to Section 54-27-22. She said money in the revolving fund is available for studies, planning, architectural programming, schematic designs, and cost estimates relating to proposed new capital improvements and major remodeling of existing facilities. She said any funds distributed for approved projects will be repaid to the capital improvements preliminary planning revolving fund if the project is approved and funds are appropriated for the project.

Ms. Sharp presented the following OMB recommendations for funding requests:

Project	Estimated Project Cost	Office of Management and Budget Recommendation	Funding
Two-tier parking deck for the Capitol grounds	\$9,000,000	Yes	\$22,000
Storm water master plan at Williston State College	Not provided	Yes	45,000
Student academic center at Dickinson State University	Not provided	No	0
Fine arts building at Valley City State University	\$19,800,000	Yes	79,000
Administration building at the School for the Deaf	\$1,669,800	Yes	20,000
Link between buildings at the School for the Deaf	\$2,300,000	No	0
Boiler replacement at the School for the Deaf	\$734,800	No	0
Stabilization of Double Ditch Historic Site	\$1,150,000	Yes	15,000
Accessible comfort stations at four state parks	\$757,000	Yes	9,000
Total recommended funding			\$190,000

Ms. Sharp said OMB is recommending funding for the preplanning of the fine arts building at Valley City State University because the existing music building is located in a floodplain.

Senator Grindberg requested a report at the next meeting from the North Dakota University System regarding the status of developments of the campus master plan.

It was moved by Representative Delzer, seconded by Representative Thoreson, and carried on a roll call vote that the Budget Section approve requests pursuant to Section 54-27-22 to use \$111,000 from the revolving fund for prepayment of planning fees related to the following projects:

- **Two-tier parking deck for the Capitol grounds (\$22,000);**
- **Storm water master plan at Williston State College (\$45,000);**
- **Administration building at the School for the Deaf (\$20,000);**
- **Stabilization of Double Ditch Historic Site (\$15,000); and**
- **Accessible comfort stations at four state parks (\$9,000).**

Representatives Pollert, Brandenburg, Delzer, Devlin, Dosch, Kempenich, Kreidt, Martinson, Nelson, Sanford, Streyle, Thoreson, Vigasaa, and Wieland and Senators Carlisle, Kilzer, Klein, Lee, and Wanzek voted "aye." Representatives Boe, Guggisberg, Holman, Mock, Onstad, and Williams and Senators Bowman, Erbele, Grindberg, Heckaman, Holmberg, Krebsbach, Mathern, Robinson, Schneider, and Wardner voted "nay."

Later in the day, Senator Wanzek suggested the Budget Section further discuss the request for preliminary planning funds for the Valley City State University project.

Senator Wardner said the music building at Valley City State University is located in the floodplain and planning a new fine arts building will allow flood control plans to progress.

Senator Robinson said the State Water Commission has purchased properties adjacent to the existing music building as part of a flood control project.

It was moved by Senator Wardner, seconded by Senator Krebsbach, and carried on a roll call vote that the Budget Section approve a request pursuant to Section 54-27-22 to use \$79,000 from the revolving fund for prepayment of planning fees related to a fine arts building at Valley City State University. Representatives Boe, Guggisberg, Holman, Nelson, Onstad, Sanford, and Williams and Senators Bowman, Erbele, Grindberg, Heckaman, Holmberg, Kilzer, Klein, Krebsbach, Lee, Robinson, Schneider, and Wardner voted "aye." Representatives Pollert, Brandenburg, Delzer, Devlin, Dosch, Grande, Kempenich, Kreidt, Martinson, Streyle, Thoreson, Vigesaa, and Wieland and Senators Carlisle and Wanzek voted "nay."

AGENCY REQUESTS APPROVED BY THE EMERGENCY COMMISSION

Chairman Pollert directed the Budget Section to consider agency requests ([Appendix I](#)), which have been authorized by the Emergency Commission and forwarded to the Budget Section pursuant to Chapter 54-16. Ms. Sheila Peterson, Director, Fiscal Management Division, Office of Management and Budget, provided information regarding the following requests that have been authorized by the Emergency Commission and require consideration by the Budget Section:

- **Parks and Recreation (Request #1825)** - Request is to increase special funds spending authority by \$150,000 for trail reconstruction at Little Missouri State Park.
- **Department of Human Services (Request #1827)** - Request is to increase federal funds spending authority by \$5,851,660 relating to the Medicaid management information system (MMIS) computer project.

It was moved by Senator Carlisle, seconded by Senator Wardner, and carried on a roll call vote that pursuant to Chapter 54-16 the Budget Section approve the following requests, which have been approved by the Emergency Commission:

- **Parks and Recreation (Request #1825)** - Request is to increase special funds spending authority by \$150,000 for trail reconstruction at Little Missouri State Park.
- **Department of Human Services (Request #1827)** - Request is to increase federal funds spending authority by \$5,851,660 relating to the Medicaid management information system (MMIS) computer project.

Representatives Pollert, Boe, Brandenburg, Delzer, Devlin, Dosch, Guggisberg, Holman, Kempenich, Kreidt, Martinson, Mock, Nelson, Onstad, Sanford, Streyle, Thoreson, Vigesaa, Wieland, and Williams and Senators Bowman, Carlisle, Erbele, Grindberg, Heckaman, Holmberg, Kilzer, Klein, Krebsbach, Lee, Mathern, Robinson, Schneider, Wanzek, and Wardner voted "aye." No negative votes were cast.

UNIVERSITY SYSTEM INFORMATION TECHNOLOGY SERVICES

Dr. Lisa Feldner, Vice Chancellor for Information Technology and Institutional Research, North Dakota University System, presented information ([Appendix J](#)) regarding the status of the consolidation of North Dakota information technology services pursuant Section 22 of 2013 Senate Bill No. 2003. She said a new University System information technology building was dedicated in November 2013. She said 101 technology staff have moved into the office building.

In response to a question from Senator Holmberg regarding the number of information technology staff hired between May 1, 2013, and July 1, 2013, Dr. Feldner said during that time period, the University System hired four or five information technology staff to work in the Fargo office.

Senator Holmberg expressed concern that the University System hired the additional employees to work in Fargo after the 2013 Legislative Assembly approved the consolidation of information technology staff but before the effective date of the consolidation.

UNIVERSITY SYSTEM CAPITAL PROJECTS CONTINGENCY POOL

Mr. Rick Tonder, Director of Facilities Planning, North Dakota University System, presented information ([Appendix K](#)) regarding funds distributed from the capital projects contingency pool pursuant to Section 24 of 2013 Senate Bill No. 2003. He said the 2013 Legislative Assembly provided \$5,483,413 for the capital projects contingency pool. He said the University System allocated \$858,984 for a campus drive project at Williston State College (\$90,000), a Stevens Hall renovation project at Williston State College (\$517,551), and an Erlandson remodel and expansion project at Lake Region State College (\$251,433). He said there is \$4,624,429 remaining in the capital projects contingency pool for future allocations.

NORTH DAKOTA STATE UNIVERSITY MINARD HALL PROJECT

Mr. Michael Ellingson, Director of Facilities Management, North Dakota State University, presented information ([Appendix L](#)) regarding the status of the Minard Hall project at North Dakota State University (NDSU) pursuant to Section 22 of 2013 Senate Bill No. 2003. He said construction of Minard Hall is substantially complete, and the building was fully occupied for the fall 2013 semester.

Mr. Christopher Wilson, General Counsel, North Dakota University System, presented information ([Appendix M](#)) regarding the legal proceedings related to the Minard Hall project. He said the law firm Anderson, Bottrell, Sanden, and Thompson is representing NDSU in two separate litigation proceedings. He said NDSU brought suit against the state fire and tornado fund, which provides property insurance for NDSU. He said NDSU has also brought suit against selected project contractors. He said written discovery and depositions are ongoing for both lawsuits. He said a trial date has not yet been set for the lawsuit against the state fire and tornado fund. He said the trial date for the lawsuit against the project contractors will be in March 2015.

In response to a question from Representative Brandenburg, Mr. Ellingson said approximately \$4.8 million of the \$22.9 million total project cost is associated with the collapse of Minard Hall.

UNIVERSITY SYSTEM - CHANGES TO CAPITAL PROJECTS

North Dakota State University

Sanford Health Athletic Complex Project

Mr. Ellingson presented information ([Appendix N](#)) regarding a request for Budget Section approval to increase spending authority related to the Sanford Health Athletic Complex project. He said the request is the result of actual bids exceeding the project estimates. He said the scope of the project has not changed.

In response to a question from Representative Streyle regarding leaseback agreements, Mr. Bruce Bollinger, Vice President of Finance and Administration, North Dakota State University, said the Sanford Health Athletic Complex does not include any leaseback agreements. Mr. Bollinger said he would provide information regarding the terms of a leaseback agreement between NDSU and the NDSU Development Foundation related to Richard H. Barry Hall.

In response to a question from Representative Delzer, Mr. Bollinger said maintenance of the Sanford Athletic Health Complex will be paid from local funds at NDSU and not state funds.

It was moved by Senator Grindberg, seconded by Senator Klein, and carried on a roll call vote that the Budget Section approve the North Dakota State University request pursuant to Section 15-10-12.1 to increase spending authority from private donations by \$5,595,644, from \$35,404,356 to \$41,000,000, related to the Sanford Athletic Health Complex project. Representatives Pollert, Boe, Brandenburg, Delzer, Devlin, Dosch, Guggisberg, Holman, Kempenich, Kreidt, Martinson, Mock, Nelson, Onstad, Sanford, Streyle, Thoreson, Vigasaa, Wieland, and Williams and Senators Bowman, Carlisle, Erbele, Grindberg, Heckaman, Holmberg, Kilzer, Klein, Krebsbach, Lee, Mathern, Robinson, Schneider, Wanzek, and Wardner voted "aye." No negative votes were cast.

Center for Computationally Assisted Science and Technology Project

Dr. Philip Boudjouk, Professor of Chemistry, North Dakota State University, presented information ([Appendix O](#)) regarding a request for Budget Section approval to increase spending authority and to increase the scope of the Center for Computationally Assisted Science and Technology project.

In response to a question from Representative Delzer, Dr. Boudjouk said the increase includes the purchase of computer hardware, cooling systems, and electrical transformers. He said the equipment is needed to comply with the requirements of an additional federal grant.

In response to a question from Representative Delzer, Mr. Ellingson said the components are not anticipated to increase future maintenance costs.

In response to a question from Representative Kempenich regarding elements of clean energy in the project, Dr. Boudjouk said the grant did not include funding for a loop system for heat recovery.

In response to a question from Senator Wanzek, Mr. Ellingson said the federal grant is anticipated to expire in September 2014.

It was moved by Senator Grindberg, seconded by Senator Klein, and carried on a roll call vote that the Budget Section approve the North Dakota State University request pursuant to Section 15-10-12.1 to increase spending authority from federal funds by \$3,610,000, from \$660,000 to \$4,270,000, and pursuant to Section 48-01.2-25 to increase the scope of the Center for Computationally Assisted Science and Technology project. Representatives Pollert, Boe, Dosch, Guggisberg, Holman, Kempenich, Kreidt, Martinson, Mock, Nelson, Onstad, Sanford, Thoreson, Wieland, and Williams and Senators Bowman, Carlisle, Erbele, Grindberg, Heckaman, Holmberg, Kilzer, Klein, Lee, Mathern, Robinson, Schneider, Wanzek, and Wardner voted "aye." Representatives Brandenburg, Delzer, Devlin, Grande, Streyle, and Vigesaa voted "nay."

Northern Crops Institute Feed Mill Project

Mr. Mark Weber, Director, Northern Crops Institute, presented information ([Appendix P](#)) regarding a request for Budget Section approval to increase spending authority and to increase the scope of a Northern Crops Institute feed mill project. He said the donated equipment will enhance teaching opportunities. He said the value of the donated equipment is over \$400,000.

It was moved by Senator Bowman, seconded by Senator Wanzek, and carried on a roll call vote that the Budget Section approve the North Dakota State University request pursuant to Section 15-10-12.1 to increase spending authority from private donations (\$597,730) and special funds (\$229,241), from \$100,000 to \$926,971, and pursuant to Section 48-01.2-25 to increase the scope of the Northern Crops Institute feed mill project. Representatives Pollert, Boe, Brandenburg, Delzer, Devlin, Dosch, Grande, Guggisberg, Holman, Kempenich, Kreidt, Martinson, Mock, Nelson, Onstad, Sanford, Streyle, Thoreson, Vigesaa, Wieland, and Williams and Senators Bowman, Carlisle, Erbele, Grindberg, Heckaman, Holmberg, Kilzer, Klein, Lee, Mathern, Robinson, Schneider, Wanzek, and Wardner voted "aye." No negative votes were cast.

University of North Dakota

Aerospace Building Project

Ms. Alice Brekke, Vice President of Finance and Operations, University of North Dakota, presented information ([Appendix Q](#)) regarding a request for Budget Section approval of spending authorization for an aerospace building project. She said the project has received a tentative commitment for funds from the North Dakota challenge fund, which was established by the 2013 Legislative Assembly to provide up to \$29 million in matching grants for projects dedicated exclusively to the advancement of academics. She said the building will be owned by the University of North Dakota (UND) Aerospace Foundation.

In response to a question from Representative Streyle, Ms. Brekke said the project includes a leaseback agreement of \$1 between UND and the UND Aerospace Foundation.

It was moved by moved by Senator Holmberg, seconded by Senator Schneider, and carried on a roll call vote that the Budget Section approve the University of North Dakota request pursuant to Section 15-10-12.1 to provide spending authorization of \$24,950,000 from private donations or grants for an aerospace building project. Representatives Boe, Guggisberg, Holman, Martinson, Mock, Nelson, Onstad, Sanford, and Williams and Senators Bowman, Carlisle, Erbele, Grindberg, Heckaman, Holmberg, Kilzer, Klein, Krebsbach, Lee, Mathern, Robinson, Schneider, and Wardner voted "aye." Representatives Pollert, Brandenburg, Delzer, Devlin, Dosch, Grande, Kempenich, Kreidt, Streyle, Thoreson, Vigesaa, and Wieland and Senator Wanzek voted "nay."

Collaborative Energy Center Project

Ms. Brekke presented information ([Appendix R](#)) regarding a request for Budget Section approval of spending authorization for a collaborative energy center project. She said the building includes state-of-the-art laboratories and space for interdisciplinary collaboration. She said the Department of Petroleum Engineering will be relocated to the building.

In response to a question from Representative Delzer, Ms. Brekke said the project includes \$300,000 of estimated annual operating costs.

In response to a question from Representative Streyle regarding the potential use of the Research Enterprise and Commercialization (REAC) 1 buildings, Ms. Brekke said the REAC 1 building is a highly specialized building. She said some federal grants associated with the building also limit the use of the space.

It was moved by Senator Holmberg, seconded by Senator Mathern, and carried on a roll call vote that the Budget Section approve the University of North Dakota request pursuant to Section 15-10-12.1 to provide spending authorization of \$15,500,000 from private donations or grants for a collaborative energy center project. Representatives Boe, Dosch, Grande, Guggisberg, Holman, Martinson, Mock, Nelson, Onstad, Sanford, Thoreson, and Williams and Senators Bowman, Carlisle, Erbele, Grindberg, Heckaman, Holmberg, Kilzer, Klein, Krebsbach, Lee, Mathern, Robinson, Schneider, and Wardner voted "aye." Representatives Pollert, Brandenburg, Delzer, Devlin, Kreidt, Streyle, Vigesaa, and Wieland and Senator Wanzek voted "nay."

DEPARTMENT OF TRANSPORTATION - AIRCRAFT PURCHASE

Mr. Grant Levi, Director, Department of Transportation, presented information ([Appendix S](#)) regarding a request for Budget Section approval related to an aircraft purchase. He said the 2013 Legislative Assembly provided \$4.5 million for aircraft replacement costs and required Budget Section approval if the cost exceeds \$4 million. He said the Department of Transportation purchased a 1998 KingAir for \$2,737,000 as a replacement for a 1997 Piper Cheyenne aircraft. He said the cost of purchasing the second replacement aircraft, a 2010 Cessna Caravan, is \$1,725,000 after trading in a 1975 Cessna Skymaster. He said the total cost for both planes is \$4,462,000.

In response to a question from Senator Bowman, Mr. Levi said he would provide information on the operating cost per hour and the cost of insurance for the new aircraft.

It was moved by Representative Streyle, seconded by Senator Carlisle, and carried on a roll call vote that the Budget Section approve the Department of Transportation request to spend in excess of \$4 million pursuant to Section 5 of 2013 House Bill No. 1033 to purchase an aircraft. Representatives Pollert, Boe, Brandenburg, Delzer, Devlin, Dosch, Grande, Guggisberg, Holman, Kempenich, Kreidt, Martinson, Mock, Nelson, Onstad, Sanford, Streyle, Thoreson, Vigesaa, and Wieland, and Senators Bowman, Carlisle, Erbele, Grindberg, Heckaman, Holmberg, Kilzer, Klein, Krebsbach, Lee, Mathern, Robinson, Schneider, Wanzek, and Wardner voted "aye." No negative votes were cast.

INFORMATION TECHNOLOGY DEPARTMENT - STUDY RESULTS AND BORROWING AUTHORITY

Mr. Mike Ressler, Chief Information Officer, Information Technology Department, presented information ([Appendix T](#)) regarding the results of a study of all state agencies' information technology desktop support and regarding the status of the Information Technology Department's authority to borrow funds. He said the results of the study include the recommendation for a hybrid model, in which 32 smaller agencies would receive desktop support from the department and 16 larger agencies would provide their own desktop support.

Mr. Ressler said the Secretary of State's data processing system project is behind schedule, and the appropriation for the project is not sufficient. He said the Information Technology Department has authority to borrow funds for information technology equipment, software, or services pursuant to Section 54-59-05(4). He said Budget Section approval is required if the department borrows more than \$1 million. He said the department anticipates borrowing between \$850,000 and \$950,000 for the project. He said the original estimated project cost was approximately \$3.6 million. He said the preliminary revised estimate for the total cost of the project is approximately \$8 million.

In response to a question from Representative Delzer, Mr. Ressler said in the future, the Information Technology Department may use business analysis when planning large information technology projects to provide better estimates for project timelines and project costs.

LEGACY AND BUDGET STABILIZATION FUND ADVISORY BOARD REPORT

Representative Kempenich, Chairman, Legacy and Budget Stabilization Fund Advisory Board, presented a status report ([Appendix U](#)) regarding the investment of funds in the legacy fund and budget stabilization fund pursuant to Section 21-10-11. He said the assets of the legacy fund had been held in 100 percent fixed income type investments. He said the advisory board revised the investment policy and recommended the following asset allocation mix for the legacy fund:

- Broad US Equity 30 percent;
- Broad International Equity 20 percent;
- Fixed Income 35 percent;

- Core Real Estate 5 percent; and
- Diversified Real Assets 10 percent.

Representative Kempenich said the investment allocations will be adjusted to the new asset allocation mix during an 18-month period, which began in August 2013.

Representative Kempenich said there were no significant changes to the investment policy for the budget stabilization fund.

STATE HISTORICAL SOCIETY - LAWRENCE WELK HOMESTEAD

Mr. Merl Paaverud, Director, State Historical Society, presented information ([Appendix V](#)) regarding the status of the Lawrence Welk homestead property. He said volunteers have committed an estimated \$20,000 of materials and time to paint the buildings prior to a potential acquisition. He said the State Historical Society is in the process of developing a purchase agreement. He said if the site is purchased, potential capital improvements for future development include stabilization of a barn, a visitor center, and a parking lot.

DEPARTMENT OF COMMERCE REPORTS Renaissance Fund Organizations Annual Audits

Ms. Andrea Pfennig, Program Administrator, Department of Commerce, presented information ([Appendix W](#)) regarding annual audits of renaissance fund organizations pursuant to Section 40-63-07(9). She said of the 55 cities with a renaissance zone, 8 cities have renaissance fund organizations. She said approximately \$5.5 million of tax credits have been claimed, and approximately \$3 million of tax credits are still available.

Child Care Facility Grants Status Report

Ms. Pfennig presented information ([Appendix X](#)) regarding the status of grants awarded to child care facilities pursuant to Section 14 of 2013 Senate Bill No. 2014. She said the Department of Commerce has committed the full appropriation of \$2.6 million for grants to 22 projects across the state. She said the department received 77 applications requesting approximately \$4.95 million. She said the facilities are anticipated to increase child care capacity by approximately 1,150 children at a cost of approximately \$2,300 per child.

In response to a question from Senator Heckaman, Ms. Pfennig said the selection criteria included priority for projects serving infants and priority for projects located in an area with a child care deficiency.

In response to a question from Representative Dosch regarding a project in Tioga, Ms. Pfennig said the selection of the project was influenced by the child care needs in the area and by the order in which the application was received by the department. She said the project focuses on providing child care for infants.

In response to a question from Representative Delzer, Ms. Pfennig said she would provide information on the amount of matching funds from nonstate sources provided for the project in Tioga.

In response to a question from Representative Grande, Ms. Pfennig said the project in Tioga is anticipated to increase capacity by 9 children for a total capacity of 18 children.

Nursing Home Grants Status Report

Ms. Beth Zander, Director, Workforce Development Division, Department of Commerce, presented information ([Appendix Y](#)) regarding the status of grants awarded to nursing homes, basic care facilities, and providers of services to individuals with developmental disabilities located in oil-producing counties pursuant to Section 8 of 2013 House Bill No. 1358. She said the department is planning two grant rounds with \$1 million to be awarded in both January 2014 and January 2015. She said the January 2014 recipients will be awarded approximately \$389 per full-time equivalent (FTE) position.

Homeless Shelter Grants Status Report

Ms. Adele Sigl, Program Administrator, Department of Commerce, presented information ([Appendix Z](#)) regarding the status of grants awarded to homeless shelters pursuant to Section 13 of 2013 Senate Bill No. 2014. She said the department is planning two grant rounds, \$1,250,000 in fiscal year 2014 and \$750,000 in fiscal year 2015. She said the first grant round was divided into five categories, including emergency shelter, rapid rehousing, homeless prevention, homeless management information systems, and administration. She said \$1,250,000 of the \$2 million available has been committed.

In response to a question from Representative Delzer, Ms. Sigl said the administration category provided funding for salaries and wages for program administration staff for costs relating to application and reporting requirements.

In response to a question from Representative Grande, Ms. Sigl said she believes some homeless shelters in western North Dakota did not apply for grants because the grant round coincided with a federal grant round. She said the dates of the second grant round will be adjusted to prevent an overlap with the federal grant.

HOUSING FINANCE AGENCY STATUS REPORTS

Housing Incentive Fund Status Report

Ms. Jolene Kline, Acting Executive Director, Housing Finance Agency, presented a status report ([Appendix AA](#)) regarding the progress being made to reduce the overall number of housing units owned, master leased, or subsidized by cities, school districts, or other employers of essential service workers pursuant to Section 54-17-40. She said the Housing Finance Agency awarded conditional commitments of \$16.5 million to 16 projects. She said the \$16.5 million awarded included \$1.5 million that was reallocated due to a project in Mandan being discontinued. She said all of the funds have been committed and are anticipated to create 934 housing units, 220 units of which are for essential service workers.

In response to a question from Representative Streyle regarding the cost per unit, Ms. Kline said the grant awards were limited to 30 percent of the total project cost. She said the grants increase the affordability of housing units by offsetting construction costs.

In response to a question from Representative Delzer, Ms. Kline said the agency does not have any guidelines that require public entities to transfer ownership of the property to a private entity.

Representative Delzer suggested the Housing Finance Agency be asked to provide an updated status report at the Budget Section meeting in December 2014.

Flood-Impacted Housing Assistance Grants Status Report

Ms. Kline presented a status report ([Appendix BB](#)) regarding the status of grants awarded for flood-impacted housing assistance pursuant to Section 4 of 2013 House Bill No. 1016. She said the Housing Finance Agency initially awarded \$1.5 million to the Minot Housing Authority; however, residents were relocated more rapidly than anticipated, therefore, the Minot Housing Authority reduced its request to \$20,000.

Senator Krebsbach said there is still a need for affordable housing units in Minot, and the remaining \$1.48 million could be used to help address that need.

Representative Streyle said the 2013 Legislative Assembly provided funding for the grants only for the purpose of relocating flood victims into permanent housing.

DEPARTMENT OF TRUST LANDS - ENERGY IMPACT GRANTS REPORT

Mr. Lance Gaebe, Director, Energy Infrastructure and Impact Office, Department of Trust Lands, presented a status report ([Appendix CC](#)) regarding grants awarded from the oil and gas impact grant fund to oil-impacted political subdivisions for the 2013-15 biennium to date. He said \$107.9 million from the oil and gas impact grant fund to political subdivisions for city infrastructure, dust control, sheriff's departments, K-12 education, airports, fire districts, and emergency medical services. He said an additional \$31.8 million has been designated for fiscal year 2015. He said the department also awarded \$5 million from the strategic investment and improvements fund for law enforcement grants. He said the applications included requests totaling approximately \$738 million.

In response to a question from Senator Bowman, Mr. Gaebe said the total amount requested included some ineligible requests. He said some of the requests were for projects outside of the area impacted by oil and gas development or were for neglected infrastructure that had not been impacted directly by oil and gas development.

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

Senator Kilzer suggested the Budget Section receive a report at its next meeting regarding naming opportunities at the UND School of Medicine and Health Sciences.

Senator Wardner suggested the Budget Section receive a report at its next meeting regarding the results of an Upper Great Plains Transportation Institute study of county and township roads and bridges.

Chairman Pollert announced the next meeting of the Budget Section is tentatively scheduled for Wednesday, March 12, 2014, and asked committee members to contact the Legislative Council regarding any conflicts.

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

The meeting adjourned subject to the call of the chair at 2:50 p.m.

Adam Mathiak
Fiscal Analyst

Allen H. Knudson
Legislative Budget Analyst and Auditor

ATTACH:29