

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

BUDGET SECTION

Tuesday, June 21, 2011
Senate Chamber, State Capitol
Bismarck, North Dakota

Senator Tony Grindberg, Chairman, called the meeting to order at 10:00 a.m.

Members present: Senators Tony Grindberg, Bill Bowman, Randel Christmann, Robert Erbele, Tom Fischer, Ray Holmberg, Ralph L. Kilzer, Karen K. Krebsbach, David O'Connell, Larry Robinson, Mac Schneider, Bob Stenehjem, Terry M. Wanzek, Rich Wardner; Representatives Larry Bellew, Michael D. Brandenburg, Al Carlson, Stacey Dahl, Jeff Delzer, Mark A. Dosch, David Drovdal, Kathy Hawken, Lee Kaldor, Jerry Kelsh, Matthew M. Klein, Gary Kreidt, Joe Kroeber, Bob Martinson, Ralph Metcalf, David Monson, Jon Nelson, Chet Pollert, Bob Skarphol, Blair Thoreson, Don Vigesaa, Alon Wieland, Clark Williams

Members absent: Senators Ryan M. Taylor, John Warner; Representatives Eliot Glassheim, Keith Kempenich

Others present: See [Appendix A](#)

BUDGET SECTION DUTIES AND RESPONSIBILITIES FOR THE 2011-13 BIENNIUM

At the request of Chairman Grindberg, the Legislative Council staff presented a memorandum entitled [Budget Section Duties and Responsibilities for the 2011-13 Biennium](#). The memorandum lists the following Budget Section duties for the 2011-13 biennium:

1. **Status of the State Board of Agricultural Research and Education (North Dakota Century Code Section 4-05.1-19(10))** - This section requires, within the duties of the State Board of Agricultural Research and Education, a status report to be presented to the Budget Section.
2. **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, excluding 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.

3. **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.
4. **Designation of a center of excellence (Section 15-69-02, effective through July 31, 2011)** - This section provides that designation of a center of excellence occurs upon State Board of Higher Education, North Dakota Economic Development Foundation, Emergency Commission, 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 take action on a commission funding award recommendation until the Emergency Commission (EC) reviews the commission recommendation and makes a recommendation to the Budget Section.
5. **Annual audits from center of excellence-awarded funds under Chapter 15-69 (Section 15-69-05, effective through July 31, 2023)** - 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 the commission's postaward monitoring of the center.
6. **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.
 7. **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.
 8. **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.
 9. **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.
 10. **Change or expand state building construction projects (Section 48-01.2-25)** - 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.
 11. **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 Management has assigned this responsibility to the Budget Section.
 12. **Report on the number of employees receiving bonuses above the 25 percent limitation (Section 54-06-30)** - This section authorizes agencies to pay bonuses to not more than 25 percent of the employees employed by the agency on July 1 of each state fiscal year. Human Resource Management Services (HRMS) may approve the payment of bonuses above the 25 percent limitation but is required to report any exceptions granted under this subsection to the Budget Section (effective August 1, 2009).
 13. **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.
 14. **Acceptance and expenditure of federal funds of more than \$50,000 which were not appropriated (Section 54-16-04.1)**.
 - a. Acceptance of federal funds - This section requires Budget Section approval 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 requires Budget Section approval 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.
 15. **Acceptance and expenditure of other funds of more than \$50,000 which were not appropriated (Section 54-16-04.2)**.
 - a. Acceptance of other funds - This section requires Budget Section approval 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 the 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 requires Budget Section approval 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.
16. **Consider authorization of additional full-time equivalent (FTE) positions (Section 54-16-04.3)** - This section provides that on the advice of the Office of Management and Budget (OMB) and the recommendation of the Emergency Commission the Budget Section may approve the employment by a state officer of FTE positions in addition to those authorized by the Legislative Assembly (effective July 1, 2009).
17. **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. A total of \$700,000 was provided for the 2011-13 biennium.
18. **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 \$150,000 is available for the 2011-13 biennium).
19. **Tobacco settlement funds (Section 54-44-04(23))** - This section requires the director of OMB to report to the Budget Section on the status of tobacco settlement funds and related information.
20. **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 Budget Section was assigned this responsibility.
21. **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.
22. **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 OMB to periodically report to the Budget Section on the success of the risk management workers' compensation program.
23. **Report regarding any transfers between line items and between subdivisions in excess of \$50,000 (2011 Senate Bill No. 2012, Section 3)** - This section requires the Department of Human Services to report to the Budget Section after June 30, 2012, on any transfers in excess of \$50,000 made during the 2011-13 biennium between line items within each subdivision and between subdivisions (effective July 1, 2011).
24. **Quarterly reports regarding the implementation of the comprehensive tobacco prevention and control plan and outcomes achieved (2011 House Bill No. 1025, Section 2)** - This section requires the Tobacco Prevention and Control Executive Committee to report to the Budget Section quarterly on the implementation of the comprehensive tobacco prevention and control plan and outcomes achieved for the 2011-12 interim (effective July 1, 2011).
25. **Report regarding emergency snow removal grants distributed to counties, townships, and cities before June 30, 2011 (2011 Senate Bill No. 2369, Section 2)** - This section requires the Department of Emergency Services to distribute emergency snow removal grants prior to June 30, 2011, and report to the Budget Section regarding the grants awarded (effective May 1, 2011).
26. **Periodic reports regarding 2009 flood disaster-related expenditures, transfers, reimbursements, and general fund deposits (2009 S.L., ch. 64, § 5)** - This section requires the Adjutant General to provide periodic reports to the Budget Section on 2009 flood disaster-related expenditures, transfers, reimbursements, and general fund deposits from April 9, 2009, through June 30, 2011.

27. **Report on specified commodities and services exempted from the procurement requirements of Section 54-44.4-02.2** - This section requires the director of OMB 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 (December 2010).
28. **Review and report on budget data (Legislative Management directive)** - Pursuant to Legislative Management 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 2012).
29. **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.
30. **Statement from ethanol plants in operation before July 1, 1995, that received production incentives (Section 17-02-01)** - 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.
31. **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.
32. **Provision of contract services by the Developmental Center at Westwood Park, Grafton (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.
33. **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.
34. **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.
35. **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.
36. **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 for which funding was provided by the Legislative Assembly.
37. **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.
38. **Acceptance of federal funds for a specific purpose or program which were not appropriated (Section 54-16-04.1(4))** - 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.

39. **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.
40. **Cashflow financing (Section 54-27-23)** - This section provides that in order to meet the cashflow needs of the state, OMB 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.
41. **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.
42. **Purchases of "put" options (Section 54-44-16)** - This section requires OMB to report any purchases of "put" options to the Budget Section.
43. **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.
44. **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.
45. **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.
46. **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 or Legislative Assembly 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.
47. **Report on reductions made in homestead property income tax credit (Section 57-38-01.29)** - This section requires the Tax Commissioner to report to the Budget Section for review any adjustments in the homestead property income tax credit which was available in taxable years 2007 and 2008.
48. **Consider request to reduce the commercial property income tax credit (Section 57-38-01.30)** - This section provides that Budget Section approval is required for any adjustments made by the Tax Commissioner to the commercial property income tax credit which was available in taxable years 2007 and 2008.
49. **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.
50. **Federal block grant hearings (2011 House Concurrent Resolution No. 3002)** - This resolution authorizes the Budget Section, through September 30, 2013, to hold any required legislative hearings for federal block grants.
51. **State Board of Higher Education's monthly project variance reports (Section 15-10-47)** - This section requires OMB to provide to the Budget Section upon request information relating to the State Board of Higher Education's monthly project variance reports regarding construction projects valued at more than \$250,000.
52. **Legacy and Budget Stabilization Fund Advisory Board semiannual reports (Section 21-10-11)** - This section requires the Legacy and Budget Stabilization Fund Advisory Board to provide at least semiannual reports to the Budget Section regarding asset allocation and investment policies developed for the legacy and budget stabilization fund as well as recommendations presented to the State Investment Board regarding investment of funds in the legacy fund and budget stabilization fund.
53. **Approve expenditures from the state disaster relief fund (Section 37-17.1-27)** - This section requires Emergency Commission and Budget Section approval of expenditures

- from the state disaster relief fund to provide the required state share of funding for expenses associated with presidential-declared disasters in the state.
54. **Warrants and checks outstanding for more than 90 days and less than three years (Section 54-11-01)** - This section requires the State Treasurer to report to the Budget Section, within 90 days of the beginning of each fiscal year, all warrants and checks outstanding for more than 90 days and less than three years.
 55. **Reports from state agencies that applied for federal grants estimated to be \$25,000 or more (Section 54-27-27)** - This section requires OMB to present at each meeting of the Budget Section reports received from state agencies, other than entities under the control of the State Board of Higher Education, that have applied for federal grants estimated to be \$25,000 or more (effective July 1, 2011).
 56. **Higher education electronic portfolio system pilot program (Section 54-60-27, expires July 1, 2013)** - This section requires the Division of Workforce Development to report to the Budget Section on the use of funding provided for the higher education electronic portfolio system pilot program.
 57. **Annual audits from a center of research excellence (Section 54-65-03)** - This section requires a center of research excellence receiving funds under Chapter 54-65 to provide its annual audit on funds distributed to the center.
 58. **Western Area Water Supply Authority state reimbursement (Section 61-40-09)** - This section provides that if the Western Area Water Supply Authority is in default and unable to repay its loans and interest to the state in the time period required by the Budget Section, the Budget Section may give written notice to the authority that the state has taken possession and ownership of the water system and the liabilities of the authority.
 59. **State Water Commission plan to return governance to the Western Area Water Supply Authority (Section 61-40-09)** - This section provides that if the state takes possession and ownership of the water system and the liabilities of the Western Area Water Supply Authority, the State Water Commission is the governing board from the date of notice delivered by the Budget Section. If the commission determines that governance, possession, and ownership of the water system is not necessary for the authority to be able to reimburse the state in the necessary time period, the commission may request Budget Section approval of a plan to return governance, possession, and ownership to the authority.
 60. **North Dakota University System joint information technology building project (2011 House Bill No. 1003, Section 7)** - This bill requires the University System to report to the Budget Section any funds expended for the University System and University of North Dakota (UND) joint information technology building project.
 61. **North Dakota State University (NDSU) Minard Hall project (2011 House Bill No. 1003, Section 8)** - This bill requires North Dakota State University to report to the Budget Section on the status of the Minard Hall project and that the Budget Section may authorize NDSU to increase spending authorization for the project.
 62. **State Department of Health status report on United States Environmental Protection Agency litigation and other administrative proceedings (2011 House Bill No. 1004, Section 5)** - This bill provides the Budget Section receive quarterly reports from the State Department of Health during the 2011-12 interim regarding the status of any litigation and other administrative proceedings involving the Environmental Protection Agency.
 63. **Department of Corrections and Rehabilitation quarterly reports on the prison expansion project (2011 House Bill No. 1015, Section 5)** - This bill provides the Budget Section receive quarterly reports from the Department of Corrections and Rehabilitation during the 2011-12 interim regarding the progress of the prison expansion project and any amounts and purposes of loans from the Bank of North Dakota to defray expenses of the project.
 64. **Office of Management and Budget reports on the status of implementation of the compensation system changes (2011 House Bill No. 1031, Section 4)** - This bill provides the Budget Section receive periodic reports from OMB during the 2011-12 interim on the status of the implementation of the compensation system changes in accordance with identified compensation system initiatives.
 65. **Insurance Commissioner report regarding the status of provisions of the Patient Protection and Affordable Care Act (2011 Senate Bill No. 2010, Section 9)** - This bill requires the Insurance Commissioner to report at each meeting of the Budget Section during the 2011-12 interim regarding the status of the provisions of the Patient Protection and Affordable Care Act.
 66. **Upper Great Plains Transportation Institute annual report on transportation infrastructure needs (2011 Senate Bill No. 2325, Section 1)** - This bill provides the Budget Section receive at least annual

presentations from the Upper Great Plains Transportation Institute during the 2011-12 interim regarding the status of report updates and maintenance relating to transportation infrastructure needs for all county and township roads in the state.

67. **State Water Commission expenditure in excess of \$447,913,774 in the water and atmospheric resource line item (2011 Senate Bill No. 2020, Section 4)** - This bill requires Budget Section approval for State Water Commission expenditure of funds in excess of \$447,913,774 in the water and atmospheric resource line item of the commission's 2011-13 appropriation.
68. **Approve Adjutant General expenditures for presidential-declared state disasters and certain flood mitigation efforts (2011 Senate Bill No. 2369, Section 4)** - This bill requires Emergency Commission and Budget Section approval for the use of funds appropriated to the Adjutant General for defraying expenses associated with presidential-declared state disasters and certain flood mitigation efforts.
69. **Federal funds report** - Receive a report from the Legislative Council staff in the fall of 2012 on the status of the state's federal funds receipts for the current biennium and estimated federal funds receipts for the subsequent biennium.

BUDGET STATUS REPORT FOR THE 2011-13 BIENNIUM

At the request of Chairman Grindberg, the legislative budget analyst and auditor presented the Legislative Council report entitled [62nd Legislative Assembly Budget Status Report for the 2011-13 Biennium](#). The report provides information on the status of the general fund and estimated June 30, 2011, ending balance, legislative changes to general fund revenues, and legislative appropriation changes to the executive recommendation.

ANALYSIS OF LEGISLATIVE CHANGES TO THE EXECUTIVE BUDGET 2011-13 BIENNIUM

At the request of Chairman Grindberg, the legislative budget analyst and auditor presented the Legislative Council report entitled [Analysis of Legislative Changes to the Executive Budget 2011-13 Biennium](#). The report provides information on legislative changes to the executive budget and is a compilation of the statements of purpose of amendment for action taken on appropriation bills during the legislative session.

62nd LEGISLATIVE ASSEMBLY STATE BUDGET ACTIONS FOR THE 2011-13 BIENNIUM

At the request of Chairman Grindberg, the legislative budget analyst and auditor presented the Legislative Council report entitled [62nd Legislative Assembly State Budget Actions for the 2011-13 Biennium](#). The report provides information on legislative changes to the executive budget, FTE positions, ongoing and one-time general fund appropriations, federal fiscal stimulus funding, one-time funding, major programs, and related legislation for each state agency. The report also includes an analysis of major special funds and statistical information. The legislative budget analyst and auditor said the reports are also available online at the Legislative Council website.

STATUS OF THE GENERAL FUND

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

Ms. Sharp presented the following information on the status of the general fund for the 2009-11 biennium based on revenue collections through May 2011:

Unobligated general fund balance - July 1, 2009		\$361,843,514
Add		
General fund collections through May 31, 2011	\$3,045,520,450	
Forecasted general fund revenue for the remainder of the 2009-11 biennium (based on the April 2011 legislative forecast)	142,356,064	
Transfer estimated balance from permanent oil tax trust fund	676,723,993	
Total estimated general fund revenue for the 2009-11 biennium		\$3,864,600,507
Balance obligated for authorized carryover from the 2007-09 biennium		76,383,530
Estimated total available		\$4,302,827,551
Less		
2009-11 biennium general fund ongoing appropriations	(\$2,970,380,754)	
2009-11 biennium general fund one-time appropriations	(278,984,727)	
Contingent appropriation for centers of excellence (2009 SB 2018)	(5,000,000)	
Contingent appropriation for school district transportation (2009 HB 1013)	(5,000,000)	
Balance obligated for authorized carryover from the 2007-09 biennium	(76,383,530)	

Recommended supplemental appropriations	(37,230,168) ¹	
Total appropriations and estimated deficiency requests		(\$3,372,979,179)
Estimated transfer to the budget stabilization fund		(\$61,414,562) ²
Add		
Estimated unspent authority		20,103,000
Estimated general fund balance - June 30, 2011		\$888,536,810
¹ Recommended supplemental (deficiency) appropriations include:		
State Treasurer		(\$35,000,000)
Tax Department		(1,810,000)
Industrial Commission		(150,000)
Department of Public Instruction		(211,264)
Valley City State University		(58,904)
		(\$37,230,168)
² This estimated transfer is based on the maximum balance allowed in the budget stabilization fund as a percentage of 2011-13 legislative general fund appropriations.		

Ms. Sharp presented the following information on the status of the permanent oil tax trust fund for the 2009-11 biennium:

Beginning permanent oil tax trust fund balance - July 1, 2009	\$489,727,017
Add	
Revenue collections through fiscal year 2010	429,798,186
Revenue collections fiscal year 2011 through May 31, 2011	395,425,554
Forecasted revenues for the remainder of fiscal year 2011	143,607,494 ¹
Total estimated funds available for the 2009-11 biennium	\$1,458,558,251
Less expenditures and transfers	
Transfer to the general fund (2009 HB 1015)	(\$140,000,000)
Transfer to the general fund for mill levy reduction grants program (2009 SB 2199)	(295,000,000)
Transfer to the property tax relief sustainability fund (2009 SB 2199 and 2011 SB 2023)	(299,233,000)
Transfer to the state disaster relief fund (2011 SB 2369)	(22,000,000)
Appropriations (2009 HB Nos. 1015, 1305, and 1394 and SB Nos. 2003 and 2020)	(16,175,100)
Appropriation authority continued from previous biennium	(9,426,158)
Transfer remaining balance to the general fund	(676,723,993)
Estimated permanent oil tax trust fund balance - June 30, 2011	\$0
¹ This estimate assumes June 2011 and July 2011 revenues equal \$71.8 million per month, the same as the amount collected in May 2011.	

Ms. Sharp said \$71 million in oil and gas tax revenue has been deposited in the general fund, and currently all oil and gas tax collections allocated to the state for the 2009-11 biennium are being deposited in the permanent oil tax trust fund. Through May 2011 oil tax collections totaling \$825.2 million have been transferred to the permanent oil tax trust fund. She said deposits totaled \$71.8 million in May 2011. She said if the deposits remain at this level for the remainder of the biennium, the estimated transfer from the permanent oil tax trust fund to the general

fund at the end of the 2009-11 biennium could be \$676.7 million.

Ms. Sharp presented information on general fund revenue collections for May 2011 and the 2009-11 biennium to date. She said general fund revenues collected biennium to date are 8.4 percent more than the legislative forecast. She said interest income has exceeded estimates by \$6.1 million, or 25.3 percent. She said biennium to date motor vehicle excise tax collections have also exceeded estimates by \$35.2 million, or 42.7 percent.

Representative Skarphol suggested OMB provide more information at the next Budget Section meeting regarding the effect of the spring and summer flooding on the farm economy and the subsequent effect on state revenues. Ms. Sharp said OMB would consult with Moody's Analytics and provide additional information at the next meeting.

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 there have been no reportable instances of irregularities in the fiscal practices of the state for the period November 2010 to May 2011.

TOBACCO SETTLEMENT PROCEEDS

Ms. Sharp presented information on the status of tobacco settlement proceeds received by North Dakota. She said total payments received to date are \$336.3 million, and the next payment is anticipated to be received in April 2012. She said the April 2011 payment totaled \$30.9 million, of which \$19.7 million was deposited in the tobacco settlement trust fund and \$11.2 million was deposited in the tobacco prevention and control trust fund. A summary of recent collections is:

	Tobacco Settlement Trust Fund (Amounts Shown In Millions)	Tobacco Prevention and Control Trust Fund (Amounts Shown In Millions)	Total (Amounts Shown In Millions)
April 2009	\$25.0	\$14.1	\$39.1
April 2010	20.8	12.3	33.1
April 2011	19.7	11.2	30.9
Total	\$65.5	\$37.6	\$103.1

AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

Ms. Sharp presented information ([Appendix C](#)) regarding the American Recovery and Reinvestment Act (ARRA), including an update of funding information and the number of state employees who have been employed using federal stimulus funding.

ARRA Funding Update

Ms. Sharp provided a listing of ARRA funding to political subdivisions, including airports, cities, counties, fire districts, housing authorities, nonprofit organizations, private entities, school districts, state agencies, tribes, and water districts. She said awards total \$858.2 million, of which \$460 million has been received through March 2011. She said a total of 3,679.22 jobs were reported as having been created or retained by the recipients of the funding.

IMPLEMENTATION OF STATE EMPLOYEE COMPENSATION SYSTEM INITIATIVES

Chairman Grindberg called on Ms. Sharp to present a status update ([Appendix D](#)) on the implementation of the compensation philosophy and compensation initiatives pursuant to 2011 House Bill No. 1031. She said that the adoption of new classification evaluations, grade structures, and new market-related salary ranges will be effective July 1, 2012. Ms. Sharp reported the following status per initiative outlined in 2011 House Bill No. 1031, Section 2:

Initiative	Status
1. Adjust methods to determine classified state employee classifications	HRMS is working with Hay Group to finalize position documentation forms and steps used in job evaluation analysis to assign classifications
2. Minimize salary inequities within agencies and within state government	HRMS has adopted the Hay Guide Chart Job Profile method of job evaluation. Job evaluation is now completed by a committee of HRMS and agency human resources staff to appropriately value job classes.
3. Develop appropriate market comparisons	Custom salary survey completed by Hay Group - Includes comparison to North Dakota employers, Hay Group database of North Dakota employers, Central States salary survey of regional states, Job Service North Dakota data, and the North Dakota Hospital Association and North Dakota Healthcare Association survey
4. Develop cost estimates for potential fringe benefits adjustments--life insurance, long-term disability, and health insurance premiums	Under the jurisdiction of the Legislative Management Interim Employee Benefits Programs Committee
5. Expand recruitment and retention tools	Hay Group responsibility - In the process of finalizing
6. Develop a consistent long-term salary increase administration policy	Hay Group responsibility - In the process of finalizing
7. Analyze the effect of appropriating funds for accrued annual leave and sick leave and defining "vacant" positions to reduce long-term vacant positions included in the budget process	Hay Group responsibility - In the process of finalizing

ADJUTANT GENERAL REPORTS

Earlier in the meeting, Chairman Grindberg called on Major General David Sprynczynatyk, Adjutant General, to provide information ([Appendix E](#)) regarding:

- An update on 2011 flood disasters and related expenditures.
- A report on 2009 flood disaster-related expenditures, transfers, reimbursements, and general fund deposits pursuant to 2009 Senate Bill No. 2444.
- A report on emergency disaster relief grants awarded to political subdivisions pursuant to 2009 Senate Bill No. 2012.
- Information on the total funding by funding source for each disaster being paid for during the 2009-11 biennium.
- Emergency snow removal grants distributed to counties, townships, and cities pursuant to 2011 Senate Bill No. 2369.

Disaster Relief Funding

Major General Sprynczynatyk reported that 2011 flood expenditures as of June 17, 2011, totaled \$6.96 million. He said this amount includes National Guard salaries of \$4.8 million through June 10, 2011, and disaster response materials and support of \$1.3 million. Major General Sprynczynatyk provided a map of the state that highlighted 2011 flood declaration areas and areas receiving federal public assistance. Major General Sprynczynatyk acknowledged the work of the National Guard troops in the flood fighting efforts.

Major General Sprynczynatyk provided a comparison of 2009 flood estimates to actual expenditures through May 2011. He said 2009 flood costs are estimated at \$190.8 million and through May 2011 expenditures have totaled \$133.7 million.

Major General Sprynczynatyk provided a report on 2009 flood disaster-related expenditures, transfers, reimbursements, and general fund deposits pursuant to 2009 Senate Bill No. 2444. He said the \$12.5 million provided from the general fund in 2009 Senate Bill No. 2444 was utilized for public assistance grants (\$6.8 million), National Guard disaster response costs (\$5 million), and other assistance grants (\$700,000). Major General Sprynczynatyk said of the \$5 million National Guard disaster response costs, he expects Federal Emergency Management Assistance (FEMA) reimbursements to total \$3.27 million, which will be deposited in the general fund before June 30, 2011, pursuant to provisions of 2009 Senate Bill No. 2444.

Major General Sprynczynatyk provided a report on 2009 flood disaster relief grants that provide 50 percent of the local share. The report identifies the estimated state share by grant applicant awarded pursuant to 2009 Senate Bill No. 2012. He said grant awards total \$3.17 million.

Major General Sprynczynatyk provided information on the total funding by funding source for each

disaster being paid for during the 2009-11 biennium. He said disaster expenditures for the 2009-11 biennium through May 2011 total \$187.2 million--\$6 million from the general fund, \$14.5 million from special funds, and \$166.7 million from federal funds.

State Disaster Relief Fund

Major General Sprynczynatyk said the estimated June 30, 2013, balance in the state disaster relief fund is \$1,794,480 ([Appendix F](#)). Major General Sprynczynatyk explained due to the flooding disasters in the state, funding available in the state disaster relief fund may not be sufficient for the 2011-13 biennium, and if necessary, the agency may seek a deficiency appropriation.

Of the \$43 million available in the state disaster relief fund provided by 2009 Senate Bill No. 2012, expenditures as of May 2011 total \$18.94 million. The 2011 Legislative Assembly provided \$22 million from the permanent oil tax trust fund for costs associated with state disasters and flood mitigation efforts and \$9 million from the state disaster relief fund balance for emergency snow removal grants in Senate Bill No. 2369. The 2011 Legislative Assembly provided \$3.5 million from the state disaster relief fund balance for the required state share of funding for expenses associated with presidential-declared disasters in the state in Senate Bill No. 2016. Section 1 of 2011 Senate Bill No. 2016 includes spending authority of \$7.8 million from the state disaster relief fund for expenses related to the 2009 flood disaster and other unclosed state disasters in the 2011-13 biennium. Major General Sprynczynatyk said expenditures for the 2007-09 biennium and projected expenditures for the 2009-11 and 2011-13 bienniums include:

Estimated Expenditures	2007-09 Biennium	2009-11 Biennium	2011-13 Biennium
Emergency snow removal grants (2009 SB 2012, 2011 SB 2369)	\$5,376,784	\$9,000,000	
Disaster costs relating to disasters occurring prior to 2009		800,834	\$860,000
Disaster costs relating to 2009 flooding		5,266,228	6,900,000
Disaster costs relating to the January 2010 winter snowstorm		1,506,693	270,000
Disaster costs relating to 2010 flooding		3,122,119	1,600,000
Disaster costs relating to the April 2010 ice storm		2,847,775	940,000
Disaster costs relating to the April 2011 blizzard		16,871	
Disaster costs relating to 2011 flood and winter storm disasters (2011 SB 2369, EC Request #1768)		2,500,000	15,000,000
Disaster costs relating to flooding in incorporated cities (2011 SB 2369, EC Request #1772 - \$1.2 million)			3,200,000

Disaster response coordination contract (2011 SB 2016)			400,000
Road grade raising projects and political subdivision matching grants (2011 SB 2369, EC Request #1772)			4,800,000
Total estimated expenditures	\$5,376,784	\$25,060,520	\$33,970,000

Emergency Snow Removal Grants

Major General Sprynczynatyk provided information ([Appendix G](#)) regarding emergency snow removal grants distributed to counties, townships, and cities pursuant to 2011 Senate Bill No. 2369. Major General Sprynczynatyk said grants were provided to counties and cities that during the first quarter of 2011 spent more than 200 percent of their average cost for snow removal for the same period during years 2004 through 2008. Major General Sprynczynatyk said applications submitted total \$9.07 million as of June 20, 2011. He said applications submitted were from 109 cities, 42 counties, and 6 townships. He said final award determinations will be completed by June 30, 2011, and reported to Budget Section in September 2011.

ADJUTANT GENERAL REQUESTS AUTHORIZED BY THE EMERGENCY COMMISSION

Chairman Grindberg called on Major General Sprynczynatyk to provide information regarding the following requests for Budget Section approval to spend funds from the state disaster relief fund pursuant to Chapter 54-16 that have been authorized by the Emergency Commission and require consideration by the Budget Section:

- **Adjutant General (Request #1768)** - Request is to authorize the expenditure of \$17.5 million from the state disaster relief fund pursuant to 2011 Senate Bill Nos. 2016 and 2369 for expenses related to flooding disasters throughout the state and for snow and ice disasters that have received presidential declarations.
- **Adjutant General (Request #1772)** - Request is to authorize the expenditure of up to \$6 million from the state disaster relief fund pursuant to 2011 Senate Bill No. 2369 as follows:

Pursuant to subsection 2 of Section 4, up to \$1.2 million is available for flood disaster relief or disaster mitigation projects in eligible incorporated cities.

Pursuant to subsections 3 and 4 of Section 4, up to \$4.8 million for grants to political subdivisions for a portion of the local share to match federal funds on road grade raising projects in townships meeting inundated land provisions and grants to political subdivisions for a portion of the local

share to match federal emergency relief funding for disasters occurring from January to June 2011.

Major General Sprynczynatyk said Emergency Commission and Budget Section approval of expenditures from the state disaster relief fund is required pursuant to 2011 Senate Bill Nos. 2016 and 2369. In regard to Request #1768, he said, the total cost of 2011 spring flooding is estimated at \$44 million and 2011 summer flooding is estimated at \$44 million. The presidential declaration qualifies as a 75 percent federal and 25 percent local reimbursed disaster. In response to a question from Representative Delzer, Major General Sprynczynatyk said to qualify for federal reimbursement at 90 percent, total costs for both disasters must exceed \$100 million. In regard to Request #1772, Major General Sprynczynatyk said the portion of the request relating to disaster mitigation projects in eligible cities was reduced from \$3.2 million to \$1.2 million by the Emergency Commission to provide for only the estimated expenditures likely to be incurred prior to the next Budget Section meeting.

It was moved by Senator Holmberg, seconded by Representative Carlson, and carried on a roll call vote that the Budget Section pursuant to 2011 Senate Bill Nos. 2016 and 2369 authorize the expenditure of \$17.5 million from the state disaster relief fund for expenses related to flooding disasters throughout the state and for snow and ice disasters that have received presidential declarations and pursuant to 2011 Senate Bill No. 2369 authorize expenditures of up to \$1.2 million for flood disaster relief or disaster mitigation projects in eligible incorporated cities and up to \$4.8 million for grants to political subdivisions for a portion of the local share to match federal funds on road grade raising projects in townships meeting inundated land provisions and grants to political subdivisions for a portion of the local share to match federal emergency relief funding for disasters occurring from January to June 2011. Senators Grindberg, Bowman, Christmann, Erbele, Fischer, Holmberg, Kilzer, Krebsbach, O'Connell, Robinson, Schneider, Stenehjem, and Wardner and Representatives Bellew, Brandenburg, Carlson, Dahl, Delzer, Dosch, Drovdal, Hawken, Kaldor, Kelsh, Klein, Kreidt, Kroeber, Martinson, Metcalf, Monson, Nelson, Pollert, Skarphol, Thoreson, Vigesaa, Wieland, and Williams voted "aye." No negative votes were cast.

AGENCY REQUESTS AUTHORIZED BY THE EMERGENCY COMMISSION

Chairman Grindberg directed the Budget Section to consider agency requests, which have been authorized by the Emergency Commission and forwarded to the Budget Section pursuant to Section 54-16-04.1. The information relating to the requests was provided to Budget Section members prior to the meeting.

It was moved by Senator Robinson, seconded by Senator O'Connell, 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:

- **Tax Commissioner (Request #1770) - Request for a line item transfer of \$300,000 from the salaries and wages line item to the homestead tax credit line item (\$150,000) and the disabled veterans tax credit line item (\$150,000) to allow for full distribution of tax credits under both programs for the 2009-11 biennium.**
- **Department of Transportation (Request #1771) - Request to increase the grants line item by \$10 million of federal emergency relief funding from the Federal Highway Administration to reimburse counties and cities for costs associated with roadways damaged by high water levels during 2010.**

Senators Grindberg, Bowman, Christmann, Erbele, Fischer, Kilzer, Krebsbach, O'Connell, Robinson, Schneider, Stenehjem, Wanzek, and Wardner and Representatives Bellew, Brandenburg, Carlson, Dahl, Delzer, Dosch, Drovdal, Hawken, Kaldor, Kelsh, Klein, Kreidt, Kroeber, Martinson, Metcalf, Monson, Nelson, Pollert, Skarphol, Thoreson, Vigesaa, and Williams voted "aye." No negative votes were cast.

The Budget Section recessed for lunch at 12:19 p.m. and reconvened at 1:00 p.m.

UNIVERSITY SYSTEM - CHANGE IN SCOPE OF PROJECTS

Chairman Grindberg called on representatives of the University System to present information regarding requests for Budget Section approval of changes to the following project authorizations pursuant to Sections 48-01.2-25 and 15-10-12.1 and to provide information on a new facility that will hangar helicopters owned by UND and the UND Aerospace Foundation constructed with donations to the Aerospace Foundation.

Williston State College - Change in Scope of Projects

Dr. Ray Nadolny, President, Williston State College, presented information on the following requests ([Appendix H](#)) for Budget Section approval of project changes:

- An increase in the project authorization of the Residence Hall project by \$100,000, from \$9,875,000 to \$9,975,000. The additional funding is from a donation.
- An increase in the project authorization of the Workforce Training Center project by \$1,685,000, from \$2,225,000 to \$3,910,000. Funding for the project consists of \$500,000 from the general fund and \$1,725,000 from a Bank of North Dakota loan to be repaid from workforce training revenues as approved by the

2011 Legislative Assembly and new requests of \$10,000 from donations and \$1,675,000 from private or workforce training revenues.

- An increase in the project authorization for Phases I and II of the campus branding project by \$1.5 million, from \$1.5 million to \$3 million. Funding for the project consists of \$1 million from the general fund and \$2 million from private foundation funds.

In response to a question from Representative Skarphol regarding the Workforce Training Center project, Dr. Nadolny said that if demand for training from the oil and gas industry decreases to levels experienced prior to the oil boom in 2008, changes would need to be made within the college's operating budget to maintain the TrainND program and repay the Bank of North Dakota loan. He said the request would permit Williston State College to react quickly to industry training needs and allow the college the ability and flexibility to leverage funding from private industry and donors.

It was moved by Senator Wardner, seconded by Representative Hawken, and carried on a roll call vote that the Budget Section pursuant to Section 48-01.2-25 approve the Williston State College requests for increases in project authorization of the Residence Hall (\$100,000 from a donation), the Workforce Training Center (\$1,685,000, from \$10,000 in donations and \$1,675,000 from private or workforce training revenues), and Phases I and II of the campus branding project (\$1.5 million from private foundation funds). Senators Grindberg, Bowman, Christmann, Erbele, Kilzer, Krebsbach, O'Connell, Robinson, Schneider, Wanzek, and Wardner and Representatives Brandenburg, Dahl, Drovdal, Kaldor, Kelsh, Kroeber, Metcalf, Monson, Nelson, Pollert, Skarphol, and Williams voted "aye." Senator Fischer and Representatives Bellew, Carlson, Delzer, Dosch, Klein, Kreidt, Thoreson, Vigesaa, and Wieland voted "nay."

UND - Change in Scope of Projects

Mr. Rick Tonder, Campus Capital Projects and Planning, University of North Dakota, Grand Forks, presented a request ([Appendix I](#)) for Budget Section approval for project authorization of the Alumni Center construction project on the UND campus. Mr. Tonder said the funding will be utilized to attain platinum leadership in energy and environmental design (LEED) certification through the installation of geotransfer well fields, special storm water controls, special landscaping, and solar panel installations. Funding for the project of \$2 million is from a direct gift of funds to the UND Alumni Foundation. He explained the request is the result of a direct gift of funds to the UND Alumni Foundation that was finalized in May 2011 and, therefore, not presented to the 2011 Legislative Assembly. Mr. Tim O'Keefe, Executive Vice President, Alumni Association, University of North Dakota, Grand Forks, said the

donation was received by the Alumni Association for the purpose identified in the request.

It was moved by Representative Dahl, seconded by Representative Nelson, and carried on a roll call vote that the Budget Section approve the UND request for authorization of the alumni center construction project on the UND campus using \$2 million from a direct gift of funds to the UND Alumni Foundation. Senators Grindberg, Bowman, Erbele, Fischer, Kilzer, Krebsbach, O'Connell, Robinson, Schneider, Wanzek, and Wardner and Representatives Bellew, Carlson, Dahl, Dosch, Drovdal, Hawken, Kaldor, Kelsh, Klein, Kreidt, Kroeber, Metcalf, Monson, Nelson, Pollert, Thoreson, Vigesaa, Wieland, and Williams voted "aye." Senator Christmann and Representatives Brandenburg and Delzer voted "nay."

UND - Informational Reporting

Mr. Tonder presented information ([Appendix J](#)) on a new facility that will hangar helicopters owned by UND and the UND Aerospace Foundation constructed with donations to the Aerospace Foundation. He said the Aerospace Foundation will own the facility and execute a ground lease with the Grand Forks Regional Airport Authority; UND will enter a sublease for use of the facility. He said all operating costs will be shared between the two entities in the same manner as for all other airport facilities used in the delivery of the aviation programs. He estimated the facility would be available for occupancy by the fall of 2011.

STATE AGENCY UNCLAIMED PROPERTY

Chairman Grindberg called on Ms. Linda Fisher, Administrator, Unclaimed Property Division, Land Department, to present a report ([Appendix K](#)) regarding state agencies that have not submitted a claim for unclaimed property belonging to those agencies pursuant to Section 47-30.1-24.1.

Ms. Fisher said the 2003 Legislative Assembly enacted Section 47-30.1-24.1 in an effort to resolve the issue of state agency unclaimed property. She said this section provides that within one year of receipt of state agency property, the administrator of unclaimed property is to notify the agency by certified mail; the commissioner of University and School Lands is to 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. She presented a list of 12 state agencies that did not respond to the certified mailing--State Historical Society, Mayville State College, Department of Corrections and Rehabilitation, Indian Affairs Commission, State College of Science, Department of Agriculture, State Board of Pharmacy, University System, Department of Human Services, North

Dakota State University, North Dakota State University library, and the University of North Dakota.

It was moved by Representative Kaldor, seconded by Representative Skarphol, and carried on a roll call vote that pursuant to Section 47-30.1-24.1 the Budget Section approve the list provided by the Land Department of the following state agencies relinquishing their rights to recover unclaimed property:

- State Historical Society.
- Mayville State College.
- Department of Corrections and Rehabilitation.
- Indian Affairs Commission.
- State College of Science.
- Department of Agriculture.
- State Board of Pharmacy.
- University System.
- Department of Human Services.
- North Dakota State University.
- North Dakota State University library.
- University of North Dakota.

Senators Grindberg, Bowman, Christmann, Erbele, Fischer, Kilzer, Krebsbach, O'Connell, Robinson, Schneider, Wanzek, and Wardner and Representatives Bellew, Brandenburg, Carlson, Dahl, Delzer, Dosch, Drovda, Hawken, Kaldor, Kelsh, Klein, Kreidt, Kroeber, Metcalf, Monson, Nelson, Pollert, Skarphol, Thoreson, Vigasaa, Wieland, and Williams voted "aye." No negative votes were cast.

STATUS OF PROVISIONS OF THE PATIENT PROTECTION AND AFFORDABLE CARE ACT

Chairman Grindberg called on Ms. Rebecca Ternes, Deputy Commissioner, Insurance Department, to present information ([Appendix L](#)) regarding the status of provisions of the Patient Protection and Affordable Care Act pursuant to 2011 Senate Bill No. 2010, Section 9. Ms. Ternes said to implement provisions of the Patient Protection and Affordable Care Act, the Insurance Department has been awarded and the 2011 Legislative Assembly approved a federal grant of \$1 million for health insurance rate review enhancement and a federal grant of \$1 million for planning a health insurance exchange. She said the health insurance rate review enhancement grant may be spent for staffing needs, information technology software, and operating expenses. She said the funds are to be used to analyze historical industry assumptions in rate requests, develop a data system to enable more detailed rate review, development of team capabilities for rate review, and to utilize the system for electronic rate and form filing (SERFF) to capture required federal data.

Ms. Ternes said the health insurance exchange grant would be utilized to contract with entities to analyze the information technology needs and costs of building a health insurance exchange. She said the

state may be eligible to apply for an additional health insurance rate review enhancement grant and health insurance exchange grant in the 2011-13 biennium if deemed necessary. She said the Insurance Department continues to monitor regulatory provisions and directives of the Patient Protection and Affordable Care Act to ensure the state complies with all federal mandates.

DEPARTMENT OF HUMAN SERVICES Status of Medicaid Management Information System

Ms. Jennifer Witham, Director, Information Technology Services, Department of Human Services, presented information ([Appendix M](#)) regarding the status of the Medicaid management information system (MMIS) project. Ms. Witham said in December 2010 she reported to the Budget Section that the new system was expected to be operational by June 1, 2012; however, due to delays in the completion of the ACS base Enterprise MMIS system, that date is no longer viable. Ms. Witham said ACS representatives will be asked to appear at the next Budget Section meeting to explain the delays and provide additional information on the anticipated completion of the North Dakota system.

Ms. Witham provided the following project funding summary:

Description	Budget	Spent Through May 2011	Remaining
General fund	\$3,643,133	\$2,659,279	\$983,854
Federal funds	55,218,418	35,867,887	19,350,531
Other funds	3,667,820	2,187,570	1,480,250
Total project	\$62,529,371	\$40,714,736	\$21,814,635

Ms. Witham said that as of June 16, 2011, there were 28,081 Medicaid claims in suspense. She said this number is more than the 26,707 claims that were reported in December 2010 due to staff summer vacations and flooding impacts reducing the number of staff hours. She anticipates the number of claims will decrease by the next meeting of the Budget Section.

TOBACCO PREVENTION AND CONTROL COMMITTEE

Chairman Grindberg called on Ms. Jeanne Prom, Executive Director, Center for Tobacco Prevention and Control Policy, to present information ([Appendix N](#)) regarding the implementation of the comprehensive tobacco prevention and control plan pursuant to 2009 House Bill No. 1015 and 2011 House Bill No. 1025. Ms. Prom said the 2009-11 biennium appropriation for the Tobacco Prevention and Control Committee is \$12.9 million. She said through June 10, 2011, the Tobacco Prevention and Control Committee has spent \$7.2 million, including \$6.6 million for grants and professional fees provided to local communities to address tobacco use at the local level. Ms. Prom said \$940,000 was utilized for 28 state aid grants to each

local public health unit; \$5.95 million was utilized for 46 tobacco prevention programming grants to local public health units; \$1.16 million was utilized for 7 special initiative grants to implement Centers for Disease Control and Prevention best practices; and \$1.17 million was utilized for professional services, information technology contracts, and fees.

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

Chairman Grindberg announced the next meeting of the Budget Section is tentatively scheduled for Thursday, September 15, 2011.

It was moved by Senator Robinson, seconded by Representative Kelsh, 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 2:25 p.m.

Sara E. Chamberlin
Fiscal Analyst

Allen H. Knudson
Legislative Budget Analyst and Auditor

ATTACH:16