

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

BUDGET SECTION

Wednesday, September 23, 2015
Senate Chamber, State Capitol
Bismarck, North Dakota

Senator Gary A. Lee, Chairman, called the meeting to order at 10:00 a.m.

Members present: Senators Gary A. Lee, Bill L. Bowman, Ron Carlisle, Robert Erbele, Joan Heckaman, Ralph Kilzer, Jerry Klein, Tim Mathern, David O'Connell, Larry J. Robinson, Mac Schneider, Ronald Sorvaag, Terry M. Wanzek, Rich Wardner; Representatives Larry Bellew, Randy Boehning, Mike Brandenburg, Al Carlson, Jeff Delzer, Mark A. Dosch, Eliot Glassheim, Ron Guggisberg, Kathy Hogan, Richard G. Holman, Keith Kempenich, Gary Kreidt, Bob Martinson, Corey Mock, David Monson, Kenton Onstad, Chet Pollert, Mark Sanford, Jim Schmidt, Roscoe Streyle, Blair Thoreson, Don Vigesaa

Members absent: Senators Ray Holmberg, Karen K. Krebsbach; Representatives Wesley R. Belter, Tracy Boe, Jon O. Nelson, Peter F. Silbernagel, Robert J. Skarphol

Others present: See [Appendix A](#) for additional persons present.

It was moved by Senator O'Connell, seconded by Senator Wardner, and carried on a voice vote that the minutes of the June 16, 2015, meeting be approved as distributed.

At the request of Chairman Lee, Legislative Council staff presented information regarding the following:

- The [Supplementary Rules of Operation and Procedure of the Legislative Management](#).
- The final [Budget Status Report](#) on appropriations and estimated revenues for the 2015-17 biennium.
- An [Analysis of Legislative Assembly State Budget Actions for the 2015-17 Biennium](#).
- The [64th Legislative Assembly State Budget Actions for the 2015-17 Biennium](#).
- The [2015 North Dakota Finance Facts](#) pocket brochure. The publication includes information regarding economic statistics, the state budget, education, human services, corrections, and transportation.

ECONOMIC INDICATORS

Ms. Pam Sharp, Director, Office of Management and Budget, presented information ([Appendix B](#)) on the key economic indicators, including consumer prices, money markets, personal income, commodity prices, unemployment, employment growth, personal income, energy prices and production, and interest rates.

STATUS OF THE GENERAL FUND

Ms. Sharp presented a report ([Appendix C](#)) on the status of the general fund.

Ms. Sharp presented the following information on the status of the general fund 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 June 30, 2015	\$5,801,797,506	
Total revenues		5,801,797,506
Total available		\$7,453,234,353
Less		
Legislative appropriations	(\$6,862,587,354)	
Contingent appropriation - Dickinson State University	(6,000,000)	

Contingent appropriation - Department of Public Instruction	(5,000,000)	
Authorized carryover from the 2013-15 biennium	(89,503,462)	
2013-15 emergency appropriations utilized in the 2011-13 biennium	163,812,041	
Supplemental appropriations	(6,084,026)	
2015-17 authority used in 2013-15 pursuant to emergency clause	(9,858,196)	
Total expenditures		(6,815,220,997)
Unspent authority returned to general fund		92,432,516
Ending balance before transfers and adjustment		\$730,445,872
Transfers and adjustments		
Transfer to budget stabilization fund	\$0	
Net effect of other transfers, adjustments, and cash certifications	(916,483)	
Total transfers and adjustments		(916,483)
Ending unobligated balance - June 30, 2015		\$729,529,389

Ms. Sharp said the actual 2013-15 biennium general fund ending balance was \$729.5 million, which was \$130.8 million more than the estimated 2013-15 biennium general fund balance of \$598.7 million.

2013-15 BIENNIUM GENERAL FUND TURNBACK

Ms. Sharp presented information ([Appendix D](#)) on 2013-15 biennium unspent general fund appropriations (turnback) by agency. She said 2013-15 unspent general fund appropriation authority totaled \$92.4 million, which was \$39.8 million more than the legislative estimate of \$52.6 million. She said the Office of Management and Budget (OMB) had turnback of \$2.6 million, most of which was unused appropriation authority relating to health insurance for temporary employees. She said the State Treasurer had turnback of \$2.8 million, which primarily related to remaining funds from distributions to townships for road improvements. She said the Tax Commissioner had turnback of \$10.5 million, which primarily related to the homestead tax credit program. She said the Department of Public Instruction had turnback of \$42 million, of which \$37 million related to state aid to schools and \$4 million related to rapid enrollment grants. She said the Department of Human Services had turnback of \$9.5 million related primarily to nursing home payments. She said the Department of Corrections and Rehabilitation had turnback of \$3.8 million, of which \$1.3 million related to DUI community bed contracts that did not occur and \$2.5 million related to the discontinuance of treatment bed contracts. She said the Department of Transportation had turnback of \$3.2 million related to capital construction carryover for road improvements near Devils Lake.

STATUS OF THE 2015-17 BIENNIUM GENERAL FUND

Ms. Sharp presented information ([Appendix E](#)) on the status of the general fund for the 2015-17 biennium.

Ms. Sharp presented the following information on the status of the general fund as of August 31, 2015, for the 2015-17 biennium:

Unobligated general fund balance - July 1, 2015		\$729,529,389
Balance obligated for authorized carryover from the 2013-15 biennium		147,653,143
Total beginning general fund balance - July 1, 2015		\$877,182,532
Add		
General fund collections through August 2015	\$1,035,373,433	
Forecasted general fund revenue for the remainder of the 2015-17 biennium	4,561,388,476	
Total revenues		5,596,761,909
Total available		\$6,473,944,441
Less		
Legislative appropriations - One-time	(\$1,173,663,758)	
Legislative appropriations - Ongoing	(4,852,498,920)	
Department of Transportation contingent appropriation	(20,000,000)	
Authorized carryover from the 2013-15 biennium	(147,653,143)	
2015-17 emergency appropriations utilized in the 2013-15 biennium	9,858,196	
Total appropriations		(6,183,957,625)
Estimated ending general fund balance - June 30, 2015		\$289,986,816 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 F](#)) on actual and forecasted 2015-17 biennium general fund revenue compared to the 2015 Legislative Assembly forecast and compared to the 2013-15 biennium. She said sales tax revenue collections were \$44 million below the legislative forecast for the month of August, due in large part to the decrease in the number of oil rigs drilling within the state.

Ms. Sharp presented information ([Appendix G](#)) on the Attorney General's 2015-17 biennium targeted market equity increases and general fund savings through September 30, 2015. She said the Attorney General's office reports general fund savings of \$340,585 related to salaries and wages for the period of July 1, 2015, through September 30, 2015. She said the savings is due to vacancies in new positions.

IRREGULARITIES IN THE FISCAL PRACTICES OF THE STATE

Pursuant to Section 54-14-03.1, Ms. Sharp presented information ([Appendix H](#)) on irregularities in the fiscal practices of the state. She presented the following fiscal irregularities for the period May 2015 through July 2015:

Agency	Fiscal Irregularity	Amount
Adjutant General	Three months of temporary workload increase for employee	\$1,587.00
Tax Department	Temporary responsibility change	\$600.00
North Dakota Vision Services - School for the Blind	Payment for teachers working additional days for summer contracts	\$4,521.97
Public Service Commission	Severance pay for employee	\$25,000.00
State Water Commission	Settlement agreement	\$3,000.00
Veterans' Home	Settlement agreement	\$17,500.00

STATE AGENCY APPLICATIONS FOR FEDERAL GRANTS

Ms. Sharp presented information ([Appendix I](#)) on state agencies that applied for federal grants estimated to be \$25,000 or more pursuant to Section 54-27-27. She said for the period June 2015 through September 23, 2015, the following agencies have applied for a federal grant estimated to be \$25,000 or more:

Agency	Time Period of Grant	Amount
Department of Public Instruction	October 2015 through September 2017	\$148,225
Department of Agriculture	September 2015 through August 2018	\$375,000
State Water Commission	October 2015 through June 2016	\$26,000

Ms. Sharp said for the period June 2015 through September 23, 2015, the following agencies were awarded a federal grant estimated to be \$25,000 or more:

Agency	Time Period of Grant	Amount
Department of Public Instruction	October 2015 through September 2017	\$141,002
Department of Agriculture	September 2015 through August 2018	\$375,000

EMPLOYEE BONUSES

Ms. Sharp presented information on the number of state employees receiving salary bonuses above the 25 percent limitation pursuant to Section 54-06-30. She said agencies may not give bonuses to more than 25 percent of its employees, except in special circumstances approved by Human Resource Management Services. She said Human Resource Management Services is required to report any exceptions to the Budget Section. She said no agencies made requests or exceeded the 25 percent limitation as of September 23, 2015.

Representative Carlson expressed concern regarding the potential for general fund revenues to be less than projected for the 2015-17 biennium. He said Moody's Analytics was optimistic in its revenue outlook for the state even though oil prices had decreased substantially. He also expressed concern regarding the potential negative effect on the unemployment insurance trust fund due to higher unemployment claims resulting from reduced activity in the oil industry.

In response to a question from Representative Carlson, Ms. Sharp said if the \$44 million reduction in sales tax revenue continues to be a trend over several months, OMB would consider developing a new revenue forecast for the 2015-17 biennium. She said OMB would involve Moody's Analytics in the development of the new forecast.

In response to a question from Senator Carlisle, Ms. Sharp said the targeted market equity funding for the Department of Corrections and Rehabilitation has been distributed to its correctional officers.

In response to a question from Senator Mathern, Ms. Sharp said OMB will have more data regarding sales tax revenues when the Tax Commissioner releases the second quarter taxable sales and purchases report. She also said the major part of the reduction in sales tax revenue is due to the reduction in oil industry activity.

In response to a question from Representative Delzer, Ms. Sharp said OMB will monitor revenues over a number of months before it prepares a new forecast. She said OMB may not transfer funds from the budget stabilization fund to the general fund unless OMB prepares a new forecast and the new forecast anticipates general fund revenues to be at least 2.5 percent less than the legislative estimate.

In response to a question from Chairman Lee, Ms. Sharp said a new revenue forecast could be completed within approximately two weeks after the data is provided to Moody's Analytics.

In response to a question from Representative Delzer, Ms. Sharp said she believes Moody's Analytics' projections have been satisfactory.

In response to a question from Representative Brandenburg, Ms. Sharp said if OMB prepares a new revenue forecast it would include updated agricultural economic statistics.

AGENCY REQUESTS APPROVED BY THE EMERGENCY COMMISSION

Chairman Lee directed the Budget Section to consider agency requests ([Appendix J](#)), 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:

- **Attorney General's Office (Request #1866)** - Request to transfer \$75,000 from the abortion litigation fees line item to the litigation fees line item related to fees and costs for other pending litigation. The Attorney General requested a \$120,000 transfer, but the Emergency Commission approved only \$75,000.
- **North Dakota Council on the Arts (Request #1868)** - Request to increase the operating expenses line item by \$100,000 of special funds from a Bush Foundation Community Creative Cohort program grant for the agency's Art for Life program toolkits.
- **Department of Agriculture (Request #1869)** - Request to increase federal funds spending authority by \$229,500 in the salaries and wages line item (\$81,500) and the operating expenses line item (\$148,000). The funding is for a United States Food and Drug Administration drug residue cooperative agreement.

In response to a question from Senator Schneider, Mr. Doug Bahr, Director, Civil Litigation, Attorney General's office, said federal law allows, under civil rights action, a district court to award attorney fees and costs to a plaintiff if the plaintiff wins the lawsuit.

In response to a question from Senator Schneider, Mr. Bahr said there is a possibility that the state may be required to pay attorney fees and costs regarding abortion litigation, but the amount cannot be determined at this time.

In response to a question from Chairman Lee, Ms. Peterson said the Emergency Commission approved \$75,000 rather than \$120,000 for the Attorney General because the amount due was known in only one of the two cases. She said the amount due is \$58,000.

Representative Delzer said historically the Attorney General has only requested \$50,000 for litigation fees in the agency's budget and subsequently requests Emergency Commission approval for state contingencies funding for additional amounts needed during the biennium.

In response to a question from Senator Kilzer, Ms. Peterson said the abortion litigation line item amount for the 2015-17 biennium is \$400,000.

Representative Delzer expressed concern regarding the Department of Agriculture (Request #1869) request. If approved, he said, the Budget Section will authorize a new program to begin without the Legislative Assembly having any input.

Representative Pollert said federal regulations, effective January 1, 2017, will require feed manufacturing businesses to comply with the Food and Drug Administration's (FDA) antibiotic policy. He said this new program will help educate businesses on how to comply with the new requirements.

Senator Wanzek said the livestock industry will also need to be educated regarding the new FDA policy changes.

It was moved by Senator Carlisle, seconded by Representative Glassheim, and carried on a roll call vote that pursuant to Chapter 54-15 the Budget Section approve the Attorney General's Request #1866, which has been approved by the Emergency Commission. Senators Lee, Bowman, Carlisle, Erbele, Heckaman, Kilzer, Klein, Mathern, O'Connell, Robinson, Schneider, Sorvaag, Wanzek, and Wardner and Representatives Bellew, Boehning, Brandenburg, Carlson, Dosch, Glassheim, Guggisberg, Hogan, Holman, Martinson, Mock, Monson, Onstad, Pollert, Sanford, Schmidt, Streyle, Thoreson, and Vigesaa voted "aye." Representatives Delzer, Kempenich, and Kreidt voted "nay."

Representative Delzer said the Emergency Commission made statements that the North Dakota Council on the Arts (Request #1868) and the Department of Agriculture (Request #1869) items are to be one-time items and are not to be considered for a general fund appropriation in the next legislative session.

It was moved by Senator Mathern, seconded by Senator Heckaman, and carried on a roll call vote that pursuant to Chapter 54-15 the Budget Section approve the North Dakota Council on the Arts Request #1868, which has been approved by the Emergency Commission. Senators Lee, Bowman, Carlisle, Erbele, Heckaman, Kilzer, Klein, Mathern, O'Connell, Robinson, Schneider, Sorvaag, Wanzek, and Wardner and Representatives Bellew, Boehning, Brandenburg, Carlson, Delzer, Glassheim, Guggisberg, Hogan, Holman, Kempenich, Kreidt, Martinson, Mock, Monson, Onstad, Pollert, Sanford, Schmidt, Thoreson, and Vigesaa voted "aye." Representatives Dosch and Streyle voted "nay."

Representative Delzer expressed concerns that this policy issue was not discussed during the 2015 legislative session especially since the new federal policy affects many North Dakota citizens and businesses.

Ms. Peterson said the FDA did not open the grant application period until May 2015. She said the Agriculture Commissioner was not aware of the grant during the legislative session.

It was moved by Senator Erbele, seconded by Senator Wanzek, and carried on a roll call vote that pursuant to Chapter 54-15 the Budget Section approve the Department of Agriculture Request #1869, which has been approved by the Emergency Commission. Senators Lee, Bowman, Carlisle, Erbele, Heckaman, Kilzer, Klein, Mathern, O'Connell, Robinson, Schneider, Sorvaag, Wanzek, and Wardner and Representatives Bellew, Boehning, Brandenburg, Carlson, Delzer, Dosch, Glassheim, Guggisberg, Hogan, Holman, Kempenich, Kreidt, Martinson, Mock, Monson, Onstad, Pollert, Sanford, Schmidt, Streyle, Thoreson, and Vigesaa voted "aye." No negative votes were cast.

NORTH DAKOTA UNIVERSITY SYSTEM - LOCAL FUNDS REPORT

Ms. Laura Glatt, Vice Chancellor, Administrative Affairs, North Dakota University System, reported on sources of funds received for construction projects of entities under the State Board of Higher Education pursuant to Section 15-10-12.3. She said the following projects were completed by June 30, 2015:

- The President's home upgrades at Valley City State University;
- The National Energy Center of Excellence fourth floor project at Bismarck State College;
- The Bisek Hall project at North Dakota State College of Science;
- The geothermal project at Minot State University; and
- The North Dakota State University (NDSU) main research green house project.

NORTH DAKOTA UNIVERSITY SYSTEM - VALLEY CITY STATE UNIVERSITY HEATING PLANT REPORT

Mr. Rick Tonder, Director, Facility Planning, North Dakota University System, presented information ([Appendix K](#)) regarding a change in the Valley City State University heating plant project. Mr. Tonder said after review of the project, it was determined that it would be more cost efficient to construct the new plant on adjacent property owned by the Valley City State University alumni foundation rather than on the site of the existing heating plant.

In response to a question from Chairman Lee, Mr. Tonder said the cost of Valley City State University heating plant project will remain the same.

STATE BOARD OF HIGHER EDUCATION - REPORT ON WILLISTON STATE COLLEGE FEE INCREASE

Dr. Mark Hagerott, Chancellor, North Dakota University System, presented information regarding Williston State College fees. Dr. Hagerott said Williston State College followed the proper process, including obtaining student input through the student government. Dr. Hagerott said the State Board of Higher Education did not intend to circumvent legislative intent by approving the fee increase, but believed the increase was necessary. Dr. Hagerott said the board will continue to review the fees being charged and if possible, reduce fees for the next academic year.

In response to a question from Senator Schneider, Dr. Raymond Nadolny, President, Williston State College, said the community wellness center is located on campus and the construction was valued at \$76 million. Mr. Nadolny said there is a joint powers and operating agreement between State Board of Higher Education and the Williston Park District to facilitate the construction and operations of the wellness center. Dr. Nadolny said the use of student fees to support the operation of the wellness center is included in the operating agreement between the board and the Williston Park District. Dr. Nadolny said the joint powers agreement required an operating agreement in which student fees would be used to support the operation of the wellness center. Dr. Nadolny said the joint powers agreement was modeled after an agreement entered by Bismarck State College in 2008 and Valley City State University in 2015. Dr. Nadolny said that had an operating agreement not been entered between the board and the Williston Park District, the wellness center would have been operated at a reduced capacity and at increased costs to the students and the community. Dr. Nadolny said student fees did not support the construction of the wellness center and only support the operating costs of the wellness center.

Senator Schneider said Section 15-10.3-03 requires that before mandatory student fees can be used to support the construction or renovation of a campus building valued at more than \$1 million, the use must be approved by a majority of the students voting on the question at a campuswide election. He expressed concern that student fees, imposed without a student vote, were used as part of an agreement for the construction and operation of the facility.

In response to a question from Representative Monson, Dr. Nadolny said the building is owned by the Williston Park District which leases the property from Williston State College. He said the fee structure was based on the fee structures created by Bismarck State College and Valley City State University in which Williston State College works with the Williston Park District to identify how Williston State College can contribute to the operational costs based on the body of students at the campus. He said once the agreement was made it went to the student body and if the student body rejected the agreement, there would be no operational agreement. He said then the students would have to pay to be a member of the wellness center.

In response to a question from Representative Delzer, Dr. Nadolny said the fee is a mandatory fee for all students.

In response to a question from Representative Martinson, Dr. Nadolny said three scenarios were developed in negotiation with the Williston Park District and those were provided to student government to approve an option. He said student government did not like any of the three options so they developed an option which was accepted by the State Board of Higher Education and the Williston Park District. He said the fee structure was approved by the student government, the activity board, and at an open student forum.

In response to a question from Chairman Lee, Dr. Nadolny said there are 12 students in the student government, 15 students on the activities board, and he is unsure of the number of students that attended the open forum.

In response to a question from Chairman Lee, Dr. Nadolny said the fee is levied on a per-credit basis up to 15 credits. He said any student that pays for credits to attend Williston State College has access to the wellness center at no additional charge. He said there is a \$23.60 per-credit increase in fees for Williston State College students. He said that part of the fee increase is for technology services.

In response to a question from Representative Schmidt, Dr. Nadolny said distance education students are also charged the mandatory fees. He said dual credit students do not pay a fee for the wellness center but still have access to the facility.

In response to a question from Representative Boehning, Dr. Nadolny said for students that pay the mandatory fee at the maximum 15 credits, the cost is slightly less than what nonstudent users pay to use the facility.

Representative Martinson asked if any of the \$1.5 million in funding continued from the 2013-15 biennium, designated by the Legislative Assembly for deferred maintenance or extraordinary repair needs of Williston State College, was used for the construction of a parking lot. Dr. Nadolny said \$800,000 of the \$1.5 million was used to construct a new parking lot for the TrainND building.

Representative Carlson said the Legislative Assembly has made record investments in higher education over the last three bienniums to make higher education more affordable. He said the Legislative Assembly becomes concerned when the North Dakota University System charges students higher tuition rates or fees than reported to the Legislative Assembly as part of budget discussions during the legislative session. He expressed concern that the state needs more jobs, more skills training, and more workers at various levels, but that time is being spent instead discussing fees used for a recreation center. He suggested these concerns be addressed by the University System.

In response to Representative Carlson's comments, Dr. Hagerott said the issue will be addressed with the State Board of Higher Education and there will be better communication regarding fees and tuition increases with the Legislative Assembly in the future.

THEODORE ROOSEVELT PRESIDENTIAL LIBRARY

Mr. Bruce Pitts, Chairman, Theodore Roosevelt Presidential Library Foundation, presented information regarding the status of the Theodore Roosevelt Presidential Library. Mr. Pitts said the library will provide individuals access to President Roosevelt's papers online. Mr. Pitts said the Theodore Roosevelt Presidential Library Foundation board of directors was organized in early 2015 and had its first meeting in May 2015. He said the board of directors consists of nine members, three of which are from Dickinson and include Senator Rich Wardner and Representative Vicky Steiner. He said the foundation has met with stakeholders and the potential site for the library has been narrowed down to two locations, one on the campus of Dickinson State University and the other on North Dakota State University Agricultural Experimental Station land. He said a decision on the site will be made in October or November. He said the foundation is preparing an request for proposal for a program manager who will oversee the development of the project.

Mr. Pitts said the foundation is actively pursuing donations locally, regionally, and nationally. He said the foundation is developing relationships with the Theodore Roosevelt Association, descendants of Theodore Roosevelt, and other educational institutions in the nation. He said the foundation has developed an operational budget and staffing plan. He said the foundation anticipates the fundraising campaign goal will be approximately \$50 million.

In response to a question from Representative Delzer, Mr. Pitts said the Theodore Roosevelt Presidential Library will not be officially sanctioned as a presidential library, as Congress only approved funding for the archiving of presidential papers after President Herbert Hoover. He said presidential libraries previous to President Hoover are not officially sanctioned, but the goal of the foundation is to establish a presidential library that compares to sanctioned libraries. He said the Theodore Roosevelt Presidential Library will be the first fully digital presidential library.

In response to a question from Representative Delzer, Mr. Pitts said the foundation expects the library to be financially independent and self-sustaining through capital campaigns, endowments, visitors, grants, and institutional and for profit networks.

USE OF OIL AND GAS IMPACT GRANT FUNDS

Mr. Lance Gaebe, Commissioner, Board of University and School Lands, presented a report ([Appendix L](#)) on the oil and gas impact grant fund, the amounts awarded from the fund, 2015-17 biennium amounts spent to date, and the amounts anticipated to be continued into the 2017-19 biennium pursuant to Section 5 of 2015 House Bill No. 1176. He said the 2015 Legislative Assembly made \$139.3 million in funds available for oil and gas impact grants. He said as of September 23, 2015, the fund has received \$6 million in revenue from oil and gas gross production tax collections.

In response to a question from Representative Delzer, Mr. Gaebe said the \$113 million from the 2013-15 biennium was authorized by the 2015 Legislative Assembly to be continued into the 2015-17 biennium. He said that the funds are distributed on a reimbursement basis.

In response to a question from Representative Kempenich, Mr. Gaebe said the Board of University and School Lands has not discussed the potential reduction in revenues to the oil and gas impact grant fund due to lower oil prices. He said he anticipates if there is a revenue shortfall that the Department of Trust Lands would request funds from the 2017 Legislative Assembly from another source for the grant program.

STATE AGENCY UNCLAIMED PROPERTY

Mr. Gaebe presented a report ([Appendix M](#)) on state agencies that have not submitted a claim for unclaimed property belonging to those agencies. He said seven agencies have unclaimed property with a total value of \$16,673.42.

It was moved Senator Robinson, seconded by Senator O'Connell, 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 Board of University and School Lands of the following state agencies relinquishing their rights to recover unclaimed property:

- Insurance Department;
- Department of Emergency Services;
- Department of Veterans' Affairs;
- State Board of Pharmacy;
- North Dakota State University;
- Department of Human Services; and
- University of North Dakota.

Senators Lee, Bowman, Carlisle, Erbele, Heckaman, Kilzer, Klein, Mathern, O'Connell, Robinson, Schneider, Sorvaag, Wanzek, and Wardner and Representatives Bellew, Boehning, Brandenburg, Carlson, Delzer, Dosch, Glassheim, Guggisberg, Hogan, Holman, Kempenich, Kreidt, Martinson, Mock, Monson, Onstad, Pollert, Sanford, Schmidt, Streyle, Thoreson, and Vigesaa voted "aye." No negative votes were cast.

GAME AND FISH DEPARTMENT

Mr. Terry Steinwand, Director, Game and Fish Department, presented a report ([Appendix N](#)) regarding funds the Game and Fish Department provides to other organizations, and the status of Game and Fish Department employees working in other entity offices. He said the Game and Fish Department has cost-shared two farm bill biologists with nongovernmental entities. He said the department began the cooperative agreements for the farm bill biologist in 2008 and 2009. He said the biologists were 50 percent funded by the Game and Fish Department and located in Natural Resources Conservation Service offices to assist and promote farm bill conservation programs such as Conservation Reserve Program, Wetland Reserve Program, Quality Incentive Program, and Conservation Stewardship Program and others.

STATE TREASURER - OUTSTANDING WARRANTS AND CHECKS

Ms. Kelly L. Schmidt, State Treasurer, presented information ([Appendix O](#)) on warrants and checks outstanding for more than 90 days and less than three years pursuant to Section 54-11-01. She said the number of checks outstanding increased by 5 percent from state fiscal year 2014 to state fiscal year 2015. She said the dollar value of checks outstanding totaled \$3,563,760, which is an increase of 11.9 percent from state fiscal year 2014 to state fiscal year 2015.

HOUSING FINANCE AGENCY - HOUSING INCENTIVE FUND UPDATE

Ms. Jolene Kline, Executive Director, Housing Finance Agency, presented information ([Appendix P](#)) on progress being made to address the housing needs of essential service workers in the oil-impacted areas of the state. She said 24 projects have been awarded approximately \$35 million from the housing incentive fund. She said the projects reduced the number of existing housing units owned by political subdivisions by 6 units, and units master leased by essential worker employers decreased by 94 units.

DEPARTMENT OF COMMERCE REPORTS - RENAISSANCE FUND ORGANIZATIONS ANNUAL AUDITS

Ms. Rikki Roehrich, Program Administrator, Department of Commerce, presented information ([Appendix Q](#)) regarding annual audits of renaissance fund organizations pursuant to Section 40-63-07(9). She said of the 58 cities with a renaissance zone, 8 cities have renaissance fund organizations. She said approximately \$5.6 million of tax credits have been claimed, and approximately \$4.9 million of tax credits are still available.

DEPARTMENT OF CORRECTIONS AND REHABILITATION - INMATE REPORT

Mr. Dave Krabbenhoft, Director, Administration, Department of Corrections and Rehabilitation, presented information ([Appendix R](#)) on the department's prison population management plan, inmate admissions, and the number of inmates not admitted after sentencing pursuant to Section 6 of 2013 Senate Bill No. 2015. He said the department has not refused to admit any inmates to date and the authority expired on June 30, 2015.

In response to a question from Senator Mathern, Mr. Krabbenhoft said the department had adequate capacity in its facilities during the 2013-15 biennium. He said the 2015-17 biennium budget estimate for male inmates is 1353 and as of September 22, 2015, the male inmate population was 1383.

In response to a question from Representative Pollert, Mr. Krabbenhoft said the 2015 Legislative Assembly authorized an increase in capacity at the Tompkins Rehabilitation and Corrections Center from 90 to 120, but because the State Hospital has had difficulty hiring the necessary staff, the program has not expanded.

In response to a question from Representative Hogan, Mr. Krabbenhoft said the Department of Corrections and Rehabilitation is in the process of finalizing a contract with the Corrections Corporation of America to house male inmates out of state. He said Section 5 of 2015 House Bill No. 1015 provides legislative intent that the Department of Corrections and Rehabilitation give priority for contract housing and programming contracts to in-state local and regional facilities for overflow inmates, but those facilities are at capacity. He said there has been an increase in contract housing of female inmates with county facilities, because of capacity issues.

In response to a question from Representative Guggisberg, Mr. Krabbenhoft said the Department of Corrections and Rehabilitation has budgeted \$75 per day to house inmates out of state, and currently anticipate housing between 100 and 200 inmates out of state. He also said it is possible that the inmate population may decrease because of the decrease in oil activity.

DEPARTMENT OF TRANSPORTATION - REPORT ON ONE-TIME FUNDING

Mr. Grant Levi, Director, Department of Transportation, presented information ([Appendix S](#)) on one-time state funding for road improvements for the 2015-17 biennium. He said the Department of Transportation has \$822 million of construction work on state highways, city and county roads, of which \$600 million was bid through the Department of Transportation and \$222 million was bid through counties.

NORTH DAKOTA OUTDOOR HERITAGE ADVISORY BOARD - BIENNIAL REPORT

Mr. Wade Moser, Chairman, Outdoor Heritage Fund Advisory Board, presented the board's 2013-15 biennial report ([Appendix T](#)). He said the board held two additional grant rounds during the 2013-15 biennium--November 1, 2014 and April 1, 2015. He said the Industrial Commission approved an additional 35 projects totaling \$9.6 million in the two additional rounds to provide a total of \$21 million in grants for the 2013-15 biennium. He said the board has established dates for four rounds of applications during the 2015-17 biennium--October 1, 2015, March 1, 2016, November 1, 2016, and May 1, 2017.

INFORMATION TECHNOLOGY DEPARTMENT - ANNUAL REPORT

Mr. Mike Ressler, Chief Information Officer, Information Technology Department, presented information ([Appendix U](#)) regarding a summary of the Information Technology Department (ITD) annual report pursuant to Section 54-59-19. He said the following three areas are strategic to ITD:

- "Cloud" Services - He said many agencies contract with private vendors for "cloud" services. He said ITD assists the agencies by reviewing the security at the vendor's data center, the backup policies, and disaster recovery.
- Security - He said ITD is involved in investigating security breaches. He said in regard to the May 2015 breach, ITD found during its investigation that two agencies (Retirement Investment office and the State Department of Health) had personally identifiable data on the affected server. He said ITD and its federal partner completed the forensic investigation and found that no information was copied from the server.
- Business process analysis - He said ITD has started doing business process analysis for IT projects in order to better control the expectations of its clients and to develop a better project plan, and to develop a more accurate completion date.

In response to a question from Representative Thoreson, Mr. Ressler said ITD's federal partner is the Multi-State Information Sharing and Analysis Center, which is a branch of the United States Department of Homeland Security.

DEPARTMENT OF HUMAN SERVICES - STATUS OF MEDICAID MANAGEMENT INFORMATION SYSTEM PROJECT

Ms. Jenny Witham, Director, Information Technology Services, Department of Human Services, presented information ([Appendix V](#)) regarding the Medicaid management information system project. She said the implementation date is scheduled for October 5, 2015. She said the Department of Human Services (DHS) has been conducting provider training. She said the federal compliance date of *International Statistical Classification of*

Diseases and Related Health Problems, tenth revision is October 1, 2015. She said the North Dakota Health Enterprise Medicaid management information system project is fully compliant and DHS will be processing claims with an October 1, 2015 or later date of service.

In response to a question from Chairman Lee, Ms. Witham said there will be a three-week period during the transition between systems, in which no checks will be issued. She said DHS offered selected providers advance payments, based on the providers historical claims, for the three-week period.

In response to a question from Representative Pollert, Ms. Witham said about 100 providers, or one-third, of the selected providers accepted the advance payments. She said nursing homes were considered higher risk providers and were selected for advance payouts.

In response to a question from Representative Carlson, Ms. Witham said the total cost of the Medicaid management information system project is approximately \$97.9 million, of which the federal share is \$85.5 million.

In response to a question from Representative Pollert, Ms. Witham said DHS will provide an update regarding how the new system is operating.

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

Representative Carlson asked that the Legislative Council staff monitor revenue collections on a monthly basis.

Representative Mock asked the Department of Transportation to provide an update regarding the status of the Lewis and Clark bridge project.

Chairman Lee announced the next meeting of the Budget Section is tentatively scheduled for Wednesday, December 16, 2015.

No further business appearing, Chairman Lee adjourned the meeting at 2:12 p.m.

Allen H. Knudson
Legislative Budget Analyst and Auditor

Chris Kadmas
Fiscal Analyst

ATTACH:22