

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

BUDGET SECTION

Wednesday, October 4, 2000
Senate Chamber, State Capitol
Bismarck, North Dakota

Senator Pete Naaden, Vice Chairman, called the meeting to order at 9:10 a.m.

Members present: Representatives Jack Dalrymple, Ole Aarsvold, James Boehm, Rex R. Byerly, Ron Carlisle, Al Carlson, Robert Huether, James Kerzman, Ed Lloyd, David Monson, Ken Svedjan, Janet Wentz; Senators Bill L. Bowman, Joel C. Heitkamp, Ray Holmberg, Aaron Krauter, Ed Kringstad, Elroy N. Lindaas, Pete Naaden, Gary J. Nelson, David E. Nething, Larry J. Robinson, Ken Solberg, Harvey D. Tallackson, Steve Tomac

Members absent: Representatives LeRoy G. Bernstein, Merle Boucher, Jeff Delzer, John Dorso, Pam Guleson, Serenus Hoffner, Ronald Nichols, Jim Poolman, Mike Timm, Ben Tollefson, Francis J. Wald; Senators John Andrist, Tony Grindberg

Others present: See attached appendix

It was moved by Senator Tallackson, seconded by Representative Carlisle, and carried on a voice vote that the minutes of the June 21, 2000, and August 18, 2000, meetings of the Budget Section be approved as distributed.

STATUS OF THE STATE GENERAL FUND

Vice Chairman Naaden called on Mr. Rod E. Backman, Director, Office of Management and Budget, who presented information on the status of the state general fund. A copy of the information presented is on file in the Legislative Council office. Mr. Backman said the consumer price index was up 3.4 percent nationally from one year ago as of August 2000. He said one percent of the 3.4 percent increase is due to higher oil prices. He said the economy's growth has moderated in recent weeks and concerns regarding related inflation are now fading. Mr. Backman said locally taxable sales on purchases for the second quarter of 2000 were up 1.2 percent compared to the same period one year ago. Mr. Backman said North Dakota small grain producers have reported a 36 percent increase in wheat production compared to 1999 due to higher yields and more harvested acres. He said the index of prices received for all farm products in September 2000 was down six percent from last year and down 12 percent from two years ago. Mr. Backman presented the following information on the status of the state general fund, based on revenue collections through August 31, 2000:

Unobligated general fund balance - July 1, 1999	\$61,114,425
Add	
Actual general fund collections through August 31, 2000	897,660,477
Remaining forecasted general fund revenues for the 1999-2001 biennium (based on the 1999 legislative forecast)	687,871,772
Total estimated general fund revenue for the 1999-2001 biennium	\$1,646,646,674
Less	
1999-2001 biennium adjusted general fund appropriations (legislative appropriations of \$1,594,038,538 less 1999-2001 emergency appropriations of \$4,452,065 spent during the 1997-99 biennium and a contingent 1999-2001 appropriation of \$4,262,410, which is not anticipated to be spent)	1,585,324,063
Estimated general fund balance - June 30, 2001 (\$50,003,755 more than the 1999 legislative estimate of \$11,318,856)	\$61,322,611

Mr. Backman said the current price of oil in North Dakota is approximately \$25 per barrel. He said North Dakota has 20 rigs operating compared to 11 rigs one year ago. He said due to the strong price of oil, revenue collections from oil taxes are \$20 million higher than originally expected at this point in the biennium.

In response to a question from Senator Tomac, Mr. Backman said corporate tax collections are down for the biennium and have been tracking behind forecast for most of the biennium. He said recent reports may have indicated higher corporate profits nationally, but that would take a year or more to be reflected in actual North Dakota tax collections.

In response to a question from Senator Krauter, Mr. Backman said there will be an estimated \$20 million deficiency appropriation to repay loans from the Bank of North Dakota related to disaster costs in the state of North Dakota. He said this represents the state match, which is in addition to the Federal Emergency Management Agency (FEMA) funds that have been received.

In response to a question from Senator Nething, Mr. Backman said there is a formula for determining North Dakota's share of corporate profits from out-of-state corporations that do business in North Dakota. He said there is a correlation between retail sales

made in North Dakota and corporate taxes collected, but there are other factors in addition to retail sales that should be considered. Mr. Backman said the corporate income tax variance to date is small enough that hopefully it can still be made up by the end of the biennium.

TOBACCO SETTLEMENT PROCEEDS

Mr. Backman presented information on the status of tobacco settlement proceeds received by the state. A copy of the information presented is on file in the Legislative Council office. Mr. Backman said approximately \$30 million has been received to date by the state as a result of the tobacco settlement and deposited in the tobacco settlement trust fund. He said the moneys were apportioned among the community health trust fund, common schools trust fund, and water development trust fund, pursuant to 1999 House Bill No. 1475:

Fund	Amount Transferred From the Tobacco Settlement Trust Fund
Community health trust fund (10 percent)	\$2,995,461
Common schools trust fund (45 percent)	13,479,574
Water development trust fund (45 percent)	13,479,574
Total transfers from the tobacco settlement trust fund	\$29,954,609

Mr. Backman presented information on the total projected impact of tobacco settlement moneys in North Dakota. Mr. Backman said the community health trust fund will receive \$77.6 million through the year 2025 based on 10 percent share of the tobacco settlement proceeds. He said the water development trust fund will receive \$349 million through 2025 based on a 45 percent share of the tobacco settlement moneys. Mr. Backman said the 45 percent share of tobacco settlement moneys projected to go to the common schools trust fund will result in \$2.3 billion in assets in the fund by the year 2025 as opposed to \$1.7 billion of assets if no tobacco settlement moneys were received. He said in addition, total distributions from the common schools trust fund through 2025 will increase by \$258 million as a result of the tobacco settlement moneys.

STATUS OF WATER PROJECTS

Vice Chairman Naaden called on Mr. David Sprynczynatyk, State Engineer, State Water Commission, who presented information on the state water management plan and various water projects, pursuant to Section 9 of 1999 Senate Bill No. 2188. A copy of the information is on file in the Legislative Council office. Mr. Sprynczynatyk said the State Water Commission has completed a draft report of a new comprehensive statewide water development program. The report focuses on water project needs

for the 2001-03 biennium. The report also addresses methods and priorities of funding.

Mr. Sprynczynatyk said \$13.7 million of the \$27.5 million bond issuance in March 2000 has been spent on water projects to date. He said \$9.2 million has been provided to Grand Forks and \$4.5 million has been spent on the Southwest Pipeline Project. He said an estimated additional \$31.5 million authorized by Senate Bill No. 2188 will be needed during the 2001-03 biennium for water projects in Grand Forks, Wahpeton, Grafton, and potentially Devils Lake. He said the State Water Commission should not need to do any additional bonding during the 1999-2001 biennium.

Mr. Sprynczynatyk said with the assistance of the North Dakota Water Coalition, the State Water Commission staff identified \$40.84 million of new projects that should receive priority for funding in the next biennium. He said when this is combined with the \$31.5 million of projects authorized in Senate Bill No. 2188, the total project needs are \$72.34 million. He said the priority water development needs are:

Prioritized Projects	State Costs (Amounts Shown in Millions)
Garrison municipal, rural, and industrial water supply program	\$15.00
Irrigation (statewide)	3.29
General water management	5.00
Flood control	5.75
Eastern Dakota water supply	0.15
Devils Lake	4.00
Missouri River management	0.00
Northwest Area Water Supply Project	0.00
Southwest Pipeline Project	7.30
Weather modification	0.35
Subtotal	\$40.84
Senate Bill No. 2188 authorized projects	31.50
Total	\$72.34

Mr. Sprynczynatyk said revenues for these projects are anticipated to be available from the resources trust fund (\$12.5 million), water development trust fund (\$43.8 million), and bonding (\$16.04 million). He said this assumes 45 percent of the tobacco settlement revenues will continue to be deposited into the water development trust fund, and the funds will be available for new projects. He said this leaves a balance of \$16 million of identified projects which may have to be bonded for or be delayed. He said if \$16 million of projects are delayed beyond the 2001-03 biennium, no bonding will be needed in the 2001-03 biennium.

Mr. Sprynczynatyk said the availability of federal funds for three state water projects is uncertain. He said the Dakota Water Resources Act is still being considered by Congress, and he is hopeful the bill will be passed sometime this year. He said the Northwest

Area Water Supply Project is being held up due to concerns regarding biota transfer, but the State Water Commission is continuing to work with federal agencies in order to show compliance with the Boundary Waters Treaty. He said funding for a Devils Lake outlet is also being widely discussed.

In response to a question from Senator Heitkamp, Mr. Sprynczynatyk said the State Water Commission is very concerned with the potential problem of proposed federal arsenic regulations. He said it is not known what the fiscal impact of those standards will be and whether the Environmental Protection Agency will provide assistance in meeting those standards.

Senator Heitkamp asked if the State Water Commission is concerned about proposed federal legislation that would provide money for a Devils Lake outlet but also take management of the Missouri River away from the Corps of Engineers. Mr. Sprynczynatyk said the language in the bill is not new, and the State Water Commission has not strongly opposed it in the past. He said the language in the bill deals only with the upcoming year. He said the State Water Commission is still working with the Corps of Engineers to come up with a revision to the *Master Manual*, which will not happen until 2003 at the earliest. He said by that time hopefully the Missouri River water level management problem will be resolved with North Dakota's downstream "neighbors." He said if the problem is not resolved by that time and the *Master Manual* keeps the Corps of Engineers out of the management of the Missouri River, then there will be a serious problem.

Senator Solberg said the Great Lakes Commission is trying to end the International Boundary Water Agreement with Canada. He asked if the State Water Commission has checked into the possibility of joining the Great Lakes Commission in its efforts. Mr. Sprynczynatyk said both the United States and Canada would have to agree to end the treaty. He said the State Water Commission is continuing to work with the Red River Basin Board to try to convince Canada and Manitoba to agree to the proposed water projects within North Dakota. He said he would contact the Great Lakes Commission for additional details of its proposal.

In response to a question from Senator Nething, Mr. Sprynczynatyk said bond payments for the bonds issued this biennium are approximately \$5.4 million per biennium. He said the first payment of \$2.7 million is due in August 2001. He said the interest rate on the bonds is just over six percent. He said the bond payments have been reflected in \$43.8 million estimated to be available during the 2001-03 biennium from the water development trust fund.

In response to a question from Senator Nething, Mr. Sprynczynatyk said the Southwest Pipeline Project is expected to continue for the next six to seven years. He said the next stage of development will be in the Bowman, Scranton, and Belfield areas.

He said the project will then continue to Beach and ultimately end in Pick City.

In response to a question from Senator Nething, Mr. Sprynczynatyk said the Atmospheric Resource Board has been part of the State Water Commission for the last four or five bienniums. He said the State Water Commission has been authorized by the legislature to use \$125,000 of the contract fund in the resources trust fund for weather modification purposes. He said the State Water Commission wants to increase that to \$350,000 for the 2001-03 biennium to expand the program to additional counties and update the Safeguard study report, the Hypothesis Committee report, and program evaluations.

In response to a question from Representative Monson, Mr. Sprynczynatyk said a recent Supreme Court ruling has ordered some dikes along the Pembina River to be removed. He said Manitoba is opposing the removal of the dikes because it may result in flooding in Manitoba. He said the Governor of North Dakota and the Premier of Manitoba are meeting to try to resolve this problem. Mr. Sprynczynatyk said the solution may be to take down all the dikes in Manitoba and North Dakota and find other ways of flood control.

STATUS OF INTERGOVERNMENTAL TRANSFER PROGRAM

Chairman Dalrymple called on Mr. Sheldon Wolf, Assistant Director, Medical Services, Department of Human Services, who presented information on the status of the intergovernmental transfer program. A copy of the information presented is on file in the Legislative Council office. Mr. Wolf said the intergovernmental transfer program was established to provide loan and grant funds to nursing facilities and other entities to develop appropriate alternatives to nursing facility care especially in the rural communities of North Dakota. He said the Health Care Financing Administration is considering making changes to the federal regulation that allows states to access federal funds through the intergovernmental transfer process. He said the Health Care Financing Administration is proposing a rule change that would place North Dakota in a group of approved states whose funding would be phased out over a period of several years.

Mr. Wolf said in addition to the controversy over federal rule changes to the intergovernmental transfer program, on August 31, 2000, the Department of Human Services was informed by the Health Care Financing Administration that the agency disagrees with North Dakota's method used to calculate the first-year payment for the intergovernmental transfer program. He said the Health Care Financing Administration has said the Department of Human Services has claimed approximately \$13 million more than was allowed under the Medicaid state plan amendment

approved by the Health Care Financing Administration and effective April 1, 1999. The Health Care Financing Administration said the payments were based on the period October 1, 1998, through September 30, 1999. He said the Health Care Financing Administration concluded that since the state plan was not effective until April 1, 1999, the Department of Human Services claimed funds for the six-month period before the state plan was effective. He said the Department of Human Services disagrees with the Health Care Financing Administration's conclusion and believes that the payment does not specifically attach to any fiscal time period. He said the Department of Human Services intends to appeal this decision upon the receipt of the written denial from the Health Care Financing Administration. He said there are adequate uncommitted funds in the health care trust fund to repay the possible federal disallowance, and no general fund moneys are in jeopardy as a result of the Health Care Financing Administration's ruling.

STATUS OF FUNDING FOR TRADITIONAL MEDICAID GRANTS

Mr. Wolf presented information on the status of funding for traditional Medicaid grants. A copy of the information presented is on file in the Legislative Council office. Mr. Wolf said the Department of Human Services appropriation of expenditures for Medicaid grants through August 2000 was \$278,015,753. Actual expenditures for this period were \$270,299,225 for a savings of \$7,716,528 for all services, of which \$1,682,045 is from the general fund. He said these savings are mainly in the nursing facilities, inpatient and outpatient services, and HMO premiums categories. He said the number of individuals receiving and/or the number of services provided during the period were less than projected. He said, however, expenditures through August 2000 in the drug category were \$33,339,123, \$6,079,769 more than appropriated. He said because overall expenditures are anticipated to be less than the amount appropriated, the Department of Human Services does not anticipate reducing any services provided to Medicaid recipients or reimbursements provided to Medicaid providers during the remainder of the biennium.

STATUS OF THE HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT REQUIREMENTS

Chairman Dalrymple called on Mr. Roger Hertz, Director, Information Management Division, Department of Human Services, who presented information on the requirements of the Health Insurance Portability and Accountability Act. A copy of the information presented is on file in the Legislative Council office. Mr. Hertz said the Health Insurance Portability

and Accountability Act's goal is to reduce the costs and administrative burdens of health care by standardizing electronic transmission of health care data. He said it also creates standards for the security of electronically held health care data and provides standards for the protection of confidential health information. He said each payer, which includes insurance companies and Medicaid administrators, has its own set of rules, electronic billing procedures, identifiers, and documentation needs that must be followed when a provider submits a claim for payment. He said the Health Insurance Portability and Accountability Act's goal is for a standardized set of procedures for all payers. Mr. Hertz said there are currently nine different areas that will require compliance once the rules are finalized. He said the regulations require compliance within two years and sixty days from the date of each final regulation. He said the regulations for electronic transactions were finalized on August 17, 2000, and compliance is required by October 16, 2002. He said the regulations for provider identifier, employer identifier, security and electronic signature, and privacy are now expected to be finalized by the end of 2000. He said the Department of Human Services has prepared an optional adjustment request to the 2001-03 biennium budget in the amount of \$25 million to cover the estimated cost to implement these changes. He said because the implementation timeframe is set for the electronic transactions, the department is proposing to request an emergency clause be included in the appropriations bill for funding related to computer changes. He said the funding will be needed as soon as possible in order to implement the regulations within the required timeframes. He said the Department of Human Services did not budget for the Health Insurance Portability and Accountability Act in the 1999-2001 biennium. Mr. Hertz said the \$25 million request will consist of \$7.75 million from the general fund and \$17.25 million of federal funds.

In response to a question from Senator Nething, Mr. Hertz said he is not certain when the remaining rules will be published. He said public input has been slowing down the process. He said there is a possibility that the need for funding could be carried over to a third biennium depending upon the timing of the regulation approval process.

In response to a question from Senator Bowman, Mr. Hertz said providers such as hospitals will be able to follow a single claims processing plan, rather than hundreds from each of the different insurance companies. This will result in fewer employees and an overall efficiency for the payers.

In response to a question from Representative Kerzman, Mr. Hertz said the Department of Human Services will be discussing with Blue Cross Blue Shield the possibility of outsourcing its Medicaid Management Information System.

ADDITIONAL FULL-TIME EQUIVALENT POSITIONS AT DEPARTMENT OF HUMAN SERVICES AGENCIES AND INSTITUTIONS

Chairman Dalrymple called on Ms. Yvonne Smith, Acting Executive Director, Department of Human Services, who presented information on full-time equivalent (FTE) positions at human service centers, the State Hospital, and the Developmental Center pursuant to Section 6 of 1999 Senate Bill No. 2012. A copy of the information presented is on file in the Legislative Council office. Ms. Smith said for the current biennium the Legislative Assembly authorized 883.8 FTEs for the human service centers. She said in total the human service centers have added 18.75 FTEs to the number approved by the legislature. She said the total cost of the additional positions is approximately \$1.2 million, with \$237,000 from the general fund. She said the federal funds additions to the human service centers' budgets were through either Emergency Commission approval or transfers from areas previously contracted. She said the State Hospital and the Developmental Center have not added to the FTEs authorized by the Legislative Assembly, which were 537.1 and 481.3, respectively.

In response to a question from Senator Solberg, Ms. Smith said the Northeast Human Service Center received federal funding for the retired and senior volunteer program, which allowed it to hire 1.5 additional FTEs. She said the retired and senior volunteer program at the North Central Human Service Center is a pilot program from the Northeast Human Service Center which is why only .5 FTE was hired at that location. She said if the pilot program is successful, additional federal funding could be provided to the North Central Human Service Center.

STATUS ON PROPOSED REDUCTION TO THE SOCIAL SERVICE BLOCK GRANT

Ms. Smith presented information on the status of the current funding reduction proposed for the federal social service block grant. A copy of the information presented is on file in the Legislative Council office. Ms. Smith said at the June 21, 2000, meeting of the Budget Section, the department informed the committee of proposed legislation in Congress, which would have reduced North Dakota's annual allocation of social service block grant funds from \$4.2 million to \$1.4 million. She said this was the result of action by Congress to reduce funding from \$2.38 billion per year to \$600 million per year. She said it now appears that Congress will restore funding to \$1.7 billion. She said North Dakota's share of that would be just over \$4 million per year. She said the funding picture for the social service block grant has improved, but the Department of Human Services is still unsure of the final funding level.

DETAILS OF THE NEW BUSINESS COMMUNICATION SPECIALIST POSITION AT THE DEPARTMENT OF PUBLIC INSTRUCTION

Chairman Dalrymple called on Dr. Wayne Sanstead, Superintendent, Department of Public Instruction, who presented information on the new business communication specialist position hired at the Department of Public Instruction. A copy of the information presented is on file in the Legislative Council office. Dr. Sanstead said the business communication specialist position was created in June 2000 and was a result of legislative directive for department web site development. Dr. Sanstead introduced Ms. Irish Linnertz, Personnel Director, Department of Public Instruction, who presented background documentation regarding the position. She said the business communication specialist position replaces a federally funded director's position that no longer exists. She said it is being paid out of federal funds derived from the department's indirect cost allocation. She said indirect costs are specifically intended to support internal department operations, and the development and operation of the web site is an activity in the department's plan approved by the federal government. She said a major element of the new position is to establish and implement guidelines and standards for the format and design of the agency's educational and informational resources. She said the position is responsible for the setup and delivery of an electronic newsletter notifying schools and the public about items of educational improvement. She said the position will eventually be responsible for electronic storage and disposal of multimedia materials.

HIGHER EDUCATION

Chairman Dalrymple called on Mr. Larry Isaak, Chancellor, North Dakota University System, who introduced a status report on flood damage and potential deficiency appropriation requests from the University of North Dakota and North Dakota State University. A copy of the information presented is on file in the Legislative Council office. Mr. Isaak called on Mr. Bob Gallager, Vice President, Finance and Operations, University of North Dakota, and Mr. Dick Rayl, Vice President, Finance and Operations, North Dakota State University, to present flood damage reports and deficiency appropriation requests for each of the universities, respectively.

Mr. Gallager said the net estimated 1999-2001 deficiency appropriation request for the University of North Dakota as of August 31, 2000, is \$3,115,908. He said the request is based upon categories of costs approved to be submitted by the State Board of Higher Education. He said the current loan balance with the Bank of North Dakota is \$7 million. He said interest costs on the loan will continue to accrue until

final payments are received from FEMA and insurance companies. He said there are two flood recovery projects ongoing at this time--steamline replacement and sewer restoration. He said steamline replacement is estimated to cost \$28 million, and the project is expected to be completed by June 2001. He said an assessment of the storm's water and sanitary sewer systems have been completed. He said cost estimates for both FEMA-eligible and noneligible work are being developed to assist in determining what amount of repair can be done to the sewer system with the available funding sources.

Mr. Rayl said the damage to buildings and contents at North Dakota State University is estimated to be \$15.5 million. Mr. Rayl said one area where the university is unsure of what the total damage will be is to the library collection. He said potentially 40,000 to 50,000 volumes could be lost pending the result of the freeze drying process. He said North Dakota State University is currently negotiating with FEMA to determine the coverage on the steamlines at the university. Mr. Rayl said based on a 25 percent cost share with FEMA, the university is estimating a deficiency appropriation of \$4.75 million. Mr. Rayl said claims are approaching totals where FEMA could go to a 90/10 percent cost share with 90 percent covered by FEMA and 10 percent covered by state and local funds.

In response to a question from Representative Carlson, Mr. Rayl said there are only four buildings on the North Dakota State University campus which are within the 500-year floodplain. He said the cost to obtain flood insurance, which does not cover the basements, is substantial and does not make economic sense except that FEMA now requires flood insurance for those buildings damaged in the flood. He said FEMA will not pay damages twice for the same building.

Ms. Laura Glatt, Vice Chancellor, Administrative Affairs, North Dakota University System, presented information on the annual local fund tracking report. A copy of the information presented is on file in the Legislative Council office. Ms. Glatt requested approval to modify the format of the annual local fund tracking report presented to the Budget Section. She said during this past year, a subcommittee, consisting of members of the North Dakota University System Administrative Affairs Council, suggested changes to the current report format to ensure enhanced consistency and streamlined reporting. She said the most significant change would be to modify the local funds report to report on revenues by source rather than expenditures by source. She said a second change would be to show revenue sources in total rather than by function. She said since revenue sources are used to pay expenses in multiple functional categories, the functional breakdown requires extensive manual effort and results in inconsistent reporting between campuses. She said under the current

reporting format, the functional detail is given for the budgeted amounts, and the total budget is then compared to total actual expenditures. She said the subcommittee has requested to provide the functional detail for actual expenditures and compare total actual expenditures to total budget. She said the subcommittee has suggested these format changes in order to address audit concerns, including consistent reporting between campuses and to simplify the reporting requirements while simultaneously reducing the amount of hours spent preparing the reports.

In response to a question from Representative Dalrymple, Ms. Glatt said the North Dakota University System is prepared to present a major variance report that would explain areas where actual expenditures vary significantly from budgeted amounts.

In response to a question from Representative Carlson, Ms. Glatt said the Legislative Assembly would be presented a complete picture of revenues and expenditures of the University System. She said the budget request process would report on all income sources, and the local funds report will show actual revenues and expenditures compared to the budget.

In response to a question from Representative Svedjan, Ms. Glatt said the alumni foundations are separate entities and the funds managed by a foundation would not show up on University System financial reports. She said, however, there are some gifts that are made directly to an institution rather than through the foundation, and those would be included within the University System reports.

It was moved by Senator Tallackson, seconded by Representative Kerzman, and carried on a voice vote that the Budget Section adopt the proposed changes to the local funds report to detail actual expenditures by function, to compare total expenditures to budgeted amounts, and to provide revenues rather than expenditures by source.

The committee recessed for lunch from 12:10 to 1:10 p.m.

LEGISLATIVE HEARINGS FOR FEDERAL BLOCK GRANTS

At the request of Chairman Dalrymple, the Legislative Council staff presented a memorandum entitled *Federal Block Grants - Legislative Hearings*. The memorandum states that of the 13-block grant programs listed in the *1999 Catalog of Federal Domestic Assistance*, only the community services block grant requires a public hearing held by the Legislative Assembly. A summary of the proposed use-and-distribution plan for the block grant will be provided by the Office of Management and Budget prior to the agency's appropriation hearing during the 2001 legislative session. The required public hearing will be held as part of the appropriation hearing for the Office of Management and Budget.

At the request of Chairman Dalrymple, the Legislative Council staff presented a resolution draft authorizing the Budget Section to hold any public hearings required during the period from adjournment of the 57th Legislative Assembly through September 30, 2003.

It was moved by Senator Nething, seconded by Representative Byerly, and carried on a roll call vote that the resolution draft providing Budget Section authority to hold public legislative hearings required for the receipt of federal block grant funds during the period from the recess or adjournment of the 57th Legislative Assembly through September 30, 2003, be approved and recommended to the Legislative Council. Representatives Dalrymple, Aarsvold, Byerly, Carlisle, Carlson, Huether, Kerzman, Lloyd, Monson, and Svedjan and Senators Bowman, Heitkamp, Kringstad, Lindaas, Naaden, Nelson, Nething, Robinson, Solberg, Tallackson, and Tomac voted "aye." No negative votes were cast.

AGENCY REQUESTS AUTHORIZED BY EMERGENCY COMMISSION

Chairman Dalrymple directed the committee to consider agency requests which have been authorized by the Emergency Commission and forwarded to the Budget Section pursuant to North Dakota Century Code (NDCC) Sections 54-16-04, 54-16-04.1, and 54-16-04.2. The information relating to the requests was distributed to the Budget Section members prior to the meeting and is on file in the Legislative Council office.

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

- Department of Corrections and Rehabilitation (Request #1303) - To increase federal funds spending authority and the Adult Services Division victim services line item by \$525,000 to accept a grant from the Office of Victims of Crime to provide grants to victim services agencies and crime victims.
- Department of Corrections and Rehabilitation (Request #1304) - To increase federal funds spending authority and the Juvenile Services Division grants line item by \$1,713,400 to accept a grant from the United States Department of Justice, Office of Justice Programs, for community sanctions and other programs for juvenile offenders.

- Department of Transportation (Request #1305) - To increase federal funds and other funds spending authority by \$32,917,495 for funds available from the Federal Highway Administration and FEMA (\$7,023,400), the Federal Highway Administration (\$994,095), and cities and counties (\$24,900,000) for flood-related work performed in the Devils Lake Basin and other areas of the state.
- Parks and Recreation (Request #1306) - To increase federal funds spending authority and the natural resource line item by \$1,400,000 for a grant from FEMA for flood damage at the Turtle River State Park and for authority to obtain an emergency disaster loan of up to \$1,400,000 from the Bank of North Dakota pursuant to NDCC Section 54-16-13.
- Parks and Recreation (Request #1307) - To increase other funds spending authority by \$185,000 (\$60,000 for a Fort Lincoln interpretive program, \$35,000 for equipment, \$32,000 for seasonal salaries, \$33,000 for park operating expenses, and \$25,000 for additional ATV safety and educational programs).
- Department of Corrections and Rehabilitation (Request #1308) - To increase federal funds spending authority by \$252,238 for a grant from the Department of Justice, Bureau of Justice Assistance, for costs incurred for the imprisonment of undocumented criminal aliens who are convicted of felony offenses or two or more misdemeanors.
- Department of Corrections and Rehabilitation (Request #1309) - To transfer \$283,032 of spending authority from the program services line item to the support services line item to reflect the department's decision to account for psychiatric evaluations and related costs at the James River Correctional Center under the support services line item rather than under the program services line item.
- Council on the Arts (Request #1310) - To increase federal funds spending authority and the grants line item by \$101,124.75 to accept additional federal funds and carryover funds from the 1997-99 biennium for various art education programs.
- Department of Public Instruction (Request #1312) - To increase federal funds spending authority and the operating expenses line item by \$420,000 for funds available from the United States Department of Agriculture to develop a

- web-enabled computer system for the management and administration of federal nutrition programs.
- Department of Corrections and Rehabilitation (Request #1313) - To increase other funds spending authority and the operating expenses line item by \$64,920 for the Youth Correctional Center to accept passthrough funds from the Children's Services Coordinating Committee to contract for the services of a chaplain and to provide a work program for juveniles.
 - Department of Human Services (Request #1317) - To increase federal funds spending authority by \$205,100 (\$160,000 for salaries and wages and \$45,100 for operating expenses) to accept funds from FEMA to provide crisis counseling for Devils Lake area residents recovering from a severe windstorm and for residents in the Grand Forks and Fargo areas recovering from heavy rainfall and subsequent flooding.
 - Department of Human Services (Request #1319) - To increase federal funds spending authority and the grants line item by \$288,925 to accept funds from the Social Security Administration to process an increased number of disability determinations being requested by claimants.
 - Department of Human Services (Request #1320) - To increase federal funds spending authority and the grants line item by \$1,300,000 to expend a larger portion of the federal fiscal year 2001 grant award during the current biennium to serve an increased number of vocational rehabilitation clients.
 - Department of Human Services (Request #1321) - To increase the federal funds spending authority by \$260,000 (\$35,000 for operating expenses, \$30,340 for equipment, and \$194,660 for grants) to accept funds from the Department of Education for Vocational Rehabilitation - Older Blind Services.
 - Department of Human Services (Request #1322) - To transfer \$249,780 from the Northwest Human Service Center to the operating expenses line item of the information management program of the Management and Councils Subdivision for increased costs relating to the statewide area network upgrade.
 - State Historical Society (Request #1323) - To increase federal funds spending authority and the capital improvements line item by \$480,000 to accept passthrough funds from the Department of Transportation to be used for improvements at Fort Abercrombie.
 - Division of Emergency Management (Request #1326) - To increase federal funds spending authority by \$40,068,995 (\$39,500,000 for grants, \$375,300 for salaries and wages, \$156,540 for operating expenses, and \$37,155 for equipment) to accept funds from FEMA for the expenses associated with flood disasters in 1996, 1997, 1998, and 1999.
 - Division of Emergency Management (Request #1327) - To increase federal and state loan funds spending authority by \$49,727,698 (\$49,486,310 for grants, \$206,238 for salaries and wages, \$30,150 for operating expenses, and \$5,000 for equipment) to accept funds from FEMA (\$43,460,475) and a Bank of North Dakota loan (\$6,267,223) for expenses associated with flooding during the spring and summer of 2000.
 - Highway Patrol (Request #1328) - To increase federal funds spending authority and the field operations line item by \$100,000 to accept passthrough funds from the Department of Transportation to purchase digital cameras for Highway Patrol officers.
 - Information Technology Department (Request #1329) - To increase other funds spending authority by \$1,500,000 (\$1,100,000 for operating expenses and \$400,000 for equipment) to accept passthrough funds from Job Service North Dakota to provide computer application services to Job Service, which will allow services to be provided to citizens via the Internet.
 - Information Technology Department (Request #1330) - To increase other funds spending authority by \$4,062,800 (\$1,642,400 for operating expenses and \$2,420,400 for equipment) to accept funds from agencies to implement a statewide area network for voice, video, and data as mandated by 1999 Senate Bill No. 2043.
 - Information Technology Department (Request #1331) - To increase other funds spending authority and the operating expenses line item by \$1 million to accept funds from agencies to provide outside vendor contractual services on behalf of state agencies.

Representatives Dalrymple, Aarsvold, Byerly, Carlisle, Carlson, Huether, Kerzman, Lloyd, Monson, and Svedjan and Senators Bowman, Heitkamp,

Kringstad, Lindaas, Naaden, Nelson, Nething, Robinson, Solberg, Tallackson, and Tomac voted "aye." No negative votes were cast.

REPORT ON FEDERAL FUNDS

At the request of Chairman Dalrymple, the Legislative Council staff presented a report entitled *Analysis of Federal Funds for Bienniums Ending June 30, 2001, and June 30, 2003*. The report provided, for all state agencies and institutions receiving federal funds during the 1999-2001 or 2001-03 biennium, the following information:

- For the 1999-2001 biennium - Federal funds appropriated, federal funds estimated to be received, appropriated matching funds, required maintenance of effort, and estimated amount of indirect cost reimbursed.
- For the 2001-03 biennium - Federal funds estimated to be received, required matching funds, required maintenance of effort, and estimated amount of indirect cost reimbursed.

The report indicated that for the 1999-2001 biennium state agencies and institutions anticipate receiving \$1.747 billion of federal funds, approximately \$70 million more than the amount appropriated. For the 2001-03 biennium, state agencies and institutions anticipate receiving approximately \$1.779 billion of federal funds. Based on estimates, the 2001-03 biennium will require \$262,157,269 of general fund matching dollars,

\$22,968,751 more than the 1999-2001 biennium, if the estimated amounts are appropriated.

BUDGET TOUR REPORTS

Chairman Dalrymple asked if there were any questions on the budget tour reports as distributed.

It was moved by Senator Nething, seconded by Representative Svedjan, and carried on a voice vote that the budget committee tour reports be accepted as distributed.

It was moved by Senator Robinson, seconded by Representative Byerly, and carried on a voice vote that the chairman and the staff of the Legislative Council be requested to prepare a report and the bill drafts recommended by the committee and to present the report and recommended bill drafts to the Legislative Council.

Chairman Dalrymple adjourned the meeting at 1:40 p.m.

Donald J. Wolf
Fiscal Analyst

Jim W. Smith
Legislative Budget Analyst and Auditor

ATTACH:1