

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

BUDGET SECTION

Wednesday, October 27, 1999
Senate Chamber, State Capitol
Bismarck, North Dakota

Representative Jack Dalrymple, Chairman, called the meeting to order at 9:00 a.m.

Members present: Representatives Jack Dalrymple, Ole Aarsvold, LeRoy G. Bernstein, James Boehm, Merle Boucher, Rex R. Byerly, Ron Carlisle, Jeff Delzer, Pam Guleson, Robert Huether, James Kerzman, David Monson, Ken Svedjan, Mike Timm, Ben Tollefson, Francis J. Wald, Janet Wentz; Senators John Andrist, Bill L. Bowman, Ray Holmberg, Aaron Krauter, Ed Kringstad, Elroy N. Lindaas, Pete Naaden, Gary J. Nelson, David E. Nething, Larry J. Robinson, Ken Solberg, Rod St. Aubyn, Harvey D. Tallackson, Steve Tomac

Members absent: Representatives Al Carlson, John Dorso, Serenus Hoffner, Ed Lloyd, Ronald Nichols, Jim Poolman; Senators Tony Grindberg, Joel C. Heitkamp

Others present: See Appendix A

It was moved by Senator Solberg, seconded by Senator Robinson, and carried on a voice vote that the minutes of the June 9, 1999, meeting of the Budget Section be approved as distributed.

STATUS OF THE STATE GENERAL FUND

Chairman Dalrymple called on Mr. Rod A. Backman, Director, Office of Management and Budget, who presented information on the status of the state general fund. A copy of the information is on file in the Legislative Council office. Mr. Backman said 1999-2001 biennium general fund revenues through September 30, 1999, are 3.4 percent, or \$5.6 million, more than estimated in the 1999 legislative revenue forecast and 2.6 percent, or \$4.4 million, more than the first three months of the 1997-99 biennium. Mr. Backman presented the following information on the status of the state general fund based on revenue collections through the month of September 1999:

Unobligated general fund balance - July 1, 1999	\$61,114,425
Add	
General fund collections through September 30, 1999	170,618,809
Forecasted general fund revenue for the remainder of the 1999-2001 biennium (based on the 1999 legislative forecast)	1,388,583,411
Total estimated general fund revenue for the 1999-2001 biennium	\$1,620,316,645

Less	
1999-2001 biennium adjusted general fund appropriations (legislative appropriations of \$1,594,038,538 less emergency appropriations of \$4,452,065 spent during the 1997-99 biennium and a contingent appropriation of \$4,262,410 which is not anticipated to be spent)	1,585,324,063
Estimated general fund balance - June 30, 2001 (\$23,673,726 more than the 1999 legislative estimate of \$11,318,856)	\$34,992,582

Mr. Backman said one of the reasons actual 1999-2001 biennium general fund collections have been higher than forecasted is due to an additional \$2.6 million of insurance premium tax revenue which was deposited in the general fund during the 1999-2001 biennium rather than transferred to the insurance tax distribution fund. Mr. Backman said pursuant to the appropriations bills for the Insurance Commissioner (1997 House Bill No. 1010 and 1999 Senate Bill No. 2010), \$5.2 million per biennium is appropriated from the insurance tax distribution fund for the purpose of making payments to fire departments. He said the \$2.6 million transfer to the insurance tax distribution fund budgeted for fiscal year 2000 was mistakenly made in fiscal year 1999. He said the early transfer resulted in a \$2.6 million reduction in general fund revenue for the 1997-99 biennium and an additional \$2.6 million of general fund revenue for the 1999-2001 biennium.

In response to a question from Senator Nething, Mr. Backman said each biennium the first \$2.6 million of insurance premium tax collections are deposited in the insurance tax distribution fund to make payments to fire departments. He said the Insurance Department mistakenly withheld \$2.6 million in March 1999 that should have been deposited in the general fund and transferred that amount to the insurance tax distribution fund. He said the Office of Management and Budget became aware of this mistake in September 1999. He said because the transfer to the insurance tax distribution fund took place in March 1999, it did not affect the revenue forecast for the 1997-99 biennium and consequently did not affect the amounts available for appropriation by the 1999 Legislative Assembly. He said the Office of Management and Budget has taken steps, including

discussions with the Insurance Department, to ensure that in the future the transfer will take place at the appropriate time.

In response to a question from Senator Robinson, Mr. Backman said although state agency general fund turnback for the 1997-99 biennium was higher than anticipated, it is difficult to determine which specific agencies generated the additional turnback. He said the Office of Management and Budget will prepare a schedule showing the amount of general fund turnback by agency and mail that information to each member of the committee.

FISCAL IRREGULARITIES

Pursuant to North Dakota Century Code (NDCC) Section 54-14-03.1, Mr. Backman presented information on state agencies that overspent their appropriation line item authority for the 1997-99 biennium and state agencies that provided irregular salary payments. A copy of the information is on file in the Legislative Council office. Mr. Backman said three agencies--the State Treasurer, Indian Affairs Commission, and Securities Department--overspent their line item appropriation authority for salaries and wages or operating expenses, but did not exceed their overall appropriation authority for the biennium.

Mr. Backman said NDCC Section 54-14-03.1 provides that fiscal irregularities must be reported to the Budget Section. This section defines fiscal irregularities to include the use of state funds to provide bonuses, cash incentive awards, and temporary salary adjustments for state employees. Mr. Backman said the State Board for Vocational and Technical Education granted six employees a cash incentive award of \$500 each to become an "agency expert" in one area of the software package used by the department. He said \$500 cash incentive awards were provided to these employees in 1998 and 1999. Mr. Backman said 25 University System employees received one-time salary adjustments during the current fiscal year. He said the salary adjustments ranged from \$300 to \$1,500.

In response to a question from Representative Delzer, Mr. Backman said one-time salary adjustments do not affect base pay.

Senator St. Aubyn expressed concerns regarding the practice by state agencies of making irregular salary payments as identified in NDCC Section 54-14-03.1. Senator St. Aubyn said during the 1995-97 biennium, the Budget Section received a similar report on one-time salary payments made by state agencies. He said at that time, the Budget Section expressed opposition to the practice of making irregular salary payments rather than making salary payments on the basis of entitlement and merit and requested this position be communicated to state agencies and institutions. He said Budget Section opposition to this practice should again be communicated to state agencies to discourage the practice

until standards for such salary payments are established by the Legislative Assembly.

Senator Nething said there may be benefits to allowing state agencies to distribute one-time salary payments in certain circumstances. He suggested the Budget Section begin work on establishing appropriate standards for the distribution of irregular salary payments by state agencies.

Chairman Dalrymple requested the Legislative Council staff, with the assistance of the Office of Management and Budget, prepare information to be considered by the Budget Section regarding the establishment of standards for making irregular salary payments by state agencies.

In response to a question from Representative Dalrymple, Ms. Laura Glatt, Vice Chancellor for Administrative Affairs, North Dakota University System, said NDCC Section 54-14-03.1 does not prohibit the making of irregular salary payments but requires they be reported to the Budget Section. She said Section 11 of 1999 Senate Bill No. 2015, which provides guidelines for state agencies in providing state employee compensation adjustments, provides that any increases given to state employees greater than \$35 per month must be based on merit and equity. She said the one-time salary adjustments given to University System employees were given to those employees who provided exemplary service. Senator St. Aubyn said the Legislative Assembly has given the University System special flexibility in distributing moneys appropriated for salaries and wages.

It was moved by Senator St. Aubyn, seconded by Representative Wald, and carried on a voice vote that the Budget Section oppose the practice by state agencies and institutions of making irregular salary payments as identified in NDCC Section 54-14-03.1 until standards relating to this practice have been established by the Legislative Assembly and that the Budget Section opposition to this practice be communicated to all state agencies and institutions.

STATUS OF WATER PROJECTS

Chairman Dalrymple called on Mr. David Sprynczynatyk, State Engineer, State Water Commission, who presented information on the status of 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 presented the following information on the status of water projects:

1. **Southwest Pipeline Project** - The State Water Commission has established a line of credit with the Bank of North Dakota pursuant to 1999 Senate Bill No. 2188 and has made an initial draw of \$250,000 on the line of credit for the Southwest Pipeline

Project. Construction is under way on the Mott-Elgin phase of the project.

2. **Grand Forks Flood Control Project** - The Grand Forks Flood Control Project is expected to require state funding beginning in February 2000, but the entire \$52 million available for the project will not be needed until approximately the year 2003. The State Water Commission anticipates an initial payment of approximately \$12 million will be requested by the city by February 2000.
3. **Wahpeton Flood Control Project** - The United States Army Corps of Engineers is anticipating the start of the design of the Wahpeton Flood Control Project in 2000. Construction is likely to begin in 2001.
4. **Grafton Flood Control Project** - The Grafton Flood Control Project was authorized by Congress in 1999. The United States Army Corps of Engineers intends to do a general reevaluation report on the project in 2000 and may start the design in 2001 and construction in 2002.
5. **Devils Lake** - In October 1999 the North Dakota Congressional Delegation announced the United States Army Corps of Engineers had agreed to declare Devils Lake an emergency, thus expediting the design and construction of an outlet. The State Water Commission is continuing to explore nonfederal options, including a channel to Stump Lake and a temporary emergency outlet to the Sheyenne River near Twin Lakes.

Mr. Sprynczynatyk said the State Water Commission anticipates that in February 2000 bonds in the amount of approximately \$30 million will be issued to finance various water projects, including \$25 million for the Grand Forks Flood Control Project, \$4.5 million for the Southwest Pipeline Project, and \$500,000 for the Wahpeton Flood Control Project.

Senator Bowman asked if it is prudent for the State Water Commission to continue to explore options for a temporary outlet to Devils Lake. He said all options will be costly, and perhaps state funds would be best spent on establishing a permanent outlet. Mr. Sprynczynatyk said the establishment of a permanent outlet to Devils Lake by the United States Army Corps of Engineers could take two to three years. He said each of the temporary outlet options being considered will cost \$6 to \$8 million, but every one-foot rise in Devils Lake will result in \$20 to \$25 million of additional damage. He said the benefits of a temporary outlet outweigh the costs.

In response to a question from Senator Naaden, Mr. Sprynczynatyk said the funding provided by Senate Bill No. 2188 for the Devils Lake project is limited to a federally authorized project. He said the State Water Commission is exploring options to fund

the construction of a temporary emergency outlet within the department's current budget.

In response to a question from Representative Byerly, Mr. Sprynczynatyk said parties affected by the downstream impact of the construction of a Devils Lake outlet will not be prohibited from bringing a lawsuit for damages because of the United States Army Corps of Engineers' emergency declaration. He said, however, such a declaration will make it easier for the State Water Commission to have such a case dismissed.

In response to a question from Representative Aarsvold, Mr. Sprynczynatyk said the State Water Commission is involved in discussions regarding compensation for landowners and Nelson County for lands that will be inundated if a channel is constructed to Stump Lake. Mr. Sprynczynatyk said such a channel will not constitute an outlet to Devils Lake. He said the construction of a channel will only expedite the flow of water from Devils Lake to Stump Lake, which will occur naturally within two years if the channel is not constructed. He said discussions with landowners have been based on compensation for a two-year loss of land use at the same rates the State Water Commission has used to compensate other landowners for water storage. He said discussions have not addressed the loss of revenue to Nelson County.

STATE GRANT PREAPPROVAL PROCESS STUDY

At the request of Chairman Dalrymple, Legislative Council staff presented a memorandum entitled *State Grant Preapproval Processes*. The memorandum included the results of a survey conducted by the Legislative Council staff of all 50 states and the District of Columbia to gather information on grant preapproval processes. Of the 46 responses to the survey, seven states--California, Connecticut, Delaware, Illinois, Oregon, Wisconsin, and Wyoming--utilize a preapproval process for grants. Of the seven states that utilize a grant preapproval process:

- Five states utilize an executive branch agency or office to grant the preapproval (California, Connecticut, Illinois, Wisconsin, and Wyoming), and two states utilize a legislative committee or a committee including legislative and executive branch members to grant the preapproval (Delaware and Oregon).
- Three states subject all state agencies and institutions to the preapproval requirement (Connecticut, Delaware, and Wisconsin), one state excludes only higher education institutions (Oregon), one state excludes only agencies dealing with highways (California), and two states exclude all agencies and institutions not under the direct control of the Governor (Illinois and Wyoming).

- Three states require preapproval for federal and private grants (Connecticut, Delaware, and Wyoming), and four states require preapproval for only federal grants (California, Illinois, Oregon, and Wisconsin).

Senator Nething suggested that the Legislative Council staff be requested to prepare a bill draft that would establish a grant preapproval process.

Senator Nelson said the Budget Section should consider this issue because the Legislative Assembly needs to be kept informed of grant applications being submitted by state agencies. He said occasionally a state agency will submit a grant application, receive funding, and establish a program the Legislative Assembly did not intend to fund. He said the Legislative Assembly is then faced with the decision of whether to allow the agency to continue the program or to eliminate an established program.

Chairman Dalrymple requested that the Legislative Council staff prepare, for consideration by the Budget Section at its next meeting, a bill draft to implement a grant preapproval process in North Dakota.

Chairman Dalrymple called on Mr. Jim Boyd, Manager, Government Services Division, Division of Community Services, who presented information on the process used for the intergovernmental review of federal programs pursuant to Presidential Executive Order No. 12372 and the feasibility of and estimated costs associated with implementing a grant preapproval process. A copy of the information is on file in the Legislative Council office. Mr. Boyd said the North Dakota federal program review system was developed in 1982 in response to Presidential Executive Order No. 12372, which was issued to provide state and local governments greater opportunities to coordinate and influence federal actions affecting their jurisdictions. Mr. Boyd said not all federal grant programs are covered under the order. He said each year the Division of Community Services processes between 450 and 500 applications. He said approximately 75 percent of those are from local units of government and nonprofit organizations.

Mr. Boyd said if the state implements a grant preapproval process, it will be duplicative to require a review of multiyear ongoing grants already approved by the Legislative Assembly and included in agency biennial budget requests. Mr. Boyd said it is unlikely that agencies will go through the trouble of preparing a complete grant application prior to receiving approval to submit it; therefore, a form will be needed to collect the pertinent information policymakers need to review the request. He said because timeframes are frequently very short in the federal grant application process, an expedient process for preapproval will be necessary. He said even if a grant preapproval process is implemented, the Emergency Commission, and in some cases the Budget Section, will still be required to consider authorizing the expenditure of the funds. Mr. Boyd said the cost of

implementing a grant preapproval process will depend on the number of agencies subject to the process, the types of grants to be reviewed, and the level of analysis required.

Chairman Dalrymple called on Ms. Karen Romig-Larson, Director, Division of Mental Health and Substance Abuse Services, Department of Human Services, who presented information relating to the department's receipt of federal and private sector grants. A copy of the information is on file in the Legislative Council office. Ms. Romig-Larson said the Division of Mental Health and Substance Abuse Services applies for and receives grants in three main categories--block grants, new noncompetitive federal grants, and competitive federal or private grants. She said as part of the department's strategic planning efforts, the following process is being developed to ensure adequate analysis of applications for new federal grants:

1. Internal Department of Human Services procedure - The applying division of the department will present to the executive office and the director of fiscal services an analysis of the grant, including the fiscal and long-range impacts and the impact on the department's number of required full-time equivalent (FTE) positions.
2. Governor's office review - The analysis, along with the Department of Human Services executive office recommendation, will be reviewed by the Governor's office.
3. Grant application submitted to the granting federal or private agency.
4. Emergency Commission and Budget Section approval - Upon notification of approval or award, the department will prepare an Emergency Commission request with a detailed analysis of the fiscal and programmatic components of the grant, a timeframe, and the relation to the Department of Human Services strategic plan.

Chairman Dalrymple called on Mr. Murray G. Sagsveen, State Health Officer, State Department of Health, who presented information on federal grants, the feasibility of implementing a grant preapproval process, and measures currently taken by the department to determine that proposed grants do not violate state law or policy and do not obligate the state to provide future funding. A copy of the information is on file in the Legislative Council office. Mr. Sagsveen said the operations of the State Department of Health are primarily funded with federal grants. He said the 1999-2001 biennium appropriation for the department is \$85.1 million, \$14.5 million from the general fund and approximately \$70.6 million from federal funds. He said the State Department of Health periodically applies for grants outside the normal budget process, usually because the grants become available during the interim. He said these grants are carefully

scrutinized, and he personally signs all grant applications. He said if the federal agency approves the grant and the funding or personnel have not been approved in the normal budget and appropriation process, the department submits the grant to the Emergency Commission before obligating or spending any of the funds or hiring any personnel to implement the grant. He said the department does not accept grants that could obligate the state to provide future funding.

HIGHER EDUCATION

Chairman Dalrymple called on Ms. Glatt, who presented information on capital improvement projects and a comparison of budgeted expenditures to actual expenditures of local funds at each institution of higher education for the 1997-99 biennium. A copy of the information is on file in the Legislative Council office.

Ms. Glatt presented a schedule of local fund appropriation authority provided to each institution of higher education for the 1997-99 biennium and additional local fund amounts approved by the Board of Higher Education. A copy of the information is on file in the Legislative Council office. The 1997 Legislative Assembly appropriated \$92.8 million of local funds, and the Board of Higher Education increased that amount by \$6.1 million.

Representative Byerly asked if the information distributed by Ms. Glatt regarding capital projects and local fund expenditures indicated the amount of local match required for capital projects and the amount actually raised by each institution required to provide a local match. Ms. Glatt said the local match is included in other funds listed on the capital improvement tracking report but is not specifically identified. She said each biennium the University System will prepare a schedule identifying local match requirements for capital projects and the amounts actually raised by the institutions and will mail that schedule to committee members.

Chairman Dalrymple requested that in the future, in addition to the detailed local fund report, the University System prepare a report identifying only significant variances between expenditures and budgeted amounts and the reasons for those variances. Ms. Glatt said the University System will prepare the requested information, but said many of the explanations will indicate that the variances resulted from estimating errors because the 1997-99 biennium was the first biennium local funds were appropriated by the Legislative Assembly.

The committee recessed for lunch from 12:15 to 1:15 p.m.

Chairman Dalrymple called on Mr. Mike Renk, Vice President, Administrative Affairs, State College of Science, who presented information on a performance contracting initiative at the State College of Science. A copy of the information is on file in the

Legislative Council office. Mr. Renk said the college is currently in final contract negotiations with Energy Services Group, a Minneapolis, Minnesota-based performance contracting firm. He said performance contracting is a method for a building owner to make capital improvements to a facility, finance all associated costs for the improvements, and receive a guarantee that the resulting operational savings will cover the debt service.

Mr. Renk said NDCC Section 48-05-11 provides that an energy savings or performance contract must include a written guarantee by the qualified provider that the energy and operating cost savings will meet or exceed the cost of the system. He said pursuant to this section, Energy Services Group is required to provide a written guarantee regarding the amount of savings that are projected over the term of the agreement. He said if the projected savings are not realized by the college, Energy Services Group will be required to pay the difference between the guaranteed amount and the actual amount each year. He said any excess savings generated will remain with the college. He said the project will result in \$1.9 million in capital improvements for the college. He said the total cost of the project, with annual measurement and verification fees and finance charges, will be approximately \$2.8 million.

In response to a question from Representative Dalrymple, Ms. Glatt said the State College of Science performance contracting initiative was not discussed with the 1999 Legislative Assembly but is authorized by NDCC Section 48-05-11.

Chairman Dalrymple called on Mr. Dick Rayl, Vice President, Business and Finance, North Dakota State University (NDSU), who presented information on the university's development of a technology research park. A copy of the information is on file in the Legislative Council office. Mr. Rayl said the mission statement of the proposed NDSU research and technology park is to achieve successful, technology-based economic development through the establishment of a park where partnerships between startup entrepreneurs, high-tech businesses, and the research of NDSU will lead to the creation of new business ventures. He said NDSU Research Park, Inc., will be formed, with NDSU retaining a one-third control of the board of directors. He said the corporation will lease land from the university and sublease to tenants.

In response to a question from Senator Nothing, Mr. Rayl said the land lease entered into between NDSU and the corporation will prohibit certain uses, which will allow the university to retain some control. He said the board of directors will include three representatives of NDSU, four representatives of private industry, one representative of the Fargo-Cass County Economic Development Corporation, and two others.

In response to a question from Representative Dalrymple, Mr. Rayl said the corporation will be

independent and will receive no backing or financial guarantees from the state.

Chairman Dalrymple called on Ms. Peggy Lucke, Interim Vice President, Finance and Operations, University of North Dakota, who presented a request for Budget Section approval to increase the spending limit for the construction of the biomedical research facility from \$6,000,000 to \$6,716,803 for a grant from the National Institutes of Health. A copy of the information is on file in the Legislative Council office. She said the university was notified in October 1999 that it will receive a \$716,803 grant from the National Institutes of Health to renovate unfinished space in the basement of the existing medical complex, construct a tunnel connecting the new facility with the lower level of the existing complex, and install an elevator and stairwell.

In response to a question from Senator Nething, Ms. Glatt said the estimated operating costs for the facility were disclosed in the capital project request forms included in the University System's 1997-99 biennium budget request. She said the items included in the request being presented to the Budget Section will not have a significant impact on operating or maintenance costs.

In response to a question from Senator Nething, Ms. Lucke said the \$716,803 grant from the National Institutes of Health will not affect other sources of revenue for the project. She said a previous funding guarantee of \$1.2 million from the University of North Dakota Alumni Foundation, which was contingent upon other funds not being available for the project, will not be affected by the grant. She said the sources of funding for the project are:

State bonding	\$3,000,000
United States Department of Agriculture grant	600,000
Local funds	1,200,000
Alumni Foundation funds	1,200,000
National Institutes of Health grant	716,803
Total	\$6,716,803

It was moved by Senator Nething, seconded by Representative Svedjan, and carried on a roll call vote that pursuant to NDCC Sections 15-10-12.1 and 48-02-20, the Budget Section approve the University of North Dakota request to increase the spending limit for the construction of the biomedical research facility from \$6,000,000 to \$6,716,803 for a grant from the National Institutes of Health to be used to renovate unfinished space in the basement of the existing medical complex, the construction of a tunnel connecting the new facility with the lower level of the existing medical complex, and the installation of an elevator and stairwell. Representatives Dalrymple, Aarsvold, Bernstein, Carlisle, Gulleason, Huether, Kerzman, Monson, Svedjan, Timm, and Wald and Senators Andrist, Bowman, Holmberg, Krauter, Kringstad, Lindaas, Naaden, Nelson, Nething, Robinson,

Solberg, St. Aubyn, Tallackson, and Tomac voted "aye." Representatives Boehm, Byerly, and Delzer voted "nay."

Ms. Lucke presented a request by the University of North Dakota to spend \$350,000 of other funds for improvements to the entrance, foyer, and hallway of the UND School of Medicine and Health Sciences. A copy of the information presented is on file in the Legislative Council office. Ms. Lucke said the funding for the project will be raised from private sources.

It was moved by Senator Nething, seconded by Senator St. Aubyn, and carried on a roll call vote that pursuant to NDCC Section 15-10-12.1, the Budget Section authorize the University of North Dakota to spend up to \$350,000 from private sources for the renovation of the front entrance, foyer, and hallway of the UND School of Medicine and Health Sciences, if the \$350,000 is raised from private sources during the 1999-2001 biennium. Representatives Dalrymple, Aarsvold, Bernstein, Boehm, Byerly, Carlisle, Gulleason, Huether, Kerzman, Monson, Svedjan, Timm, and Wald and Senators Andrist, Bowman, Holmberg, Krauter, Kringstad, Lindaas, Naaden, Nelson, Nething, Robinson, Solberg, St. Aubyn, Tallackson, and Tomac voted "aye." Representative Delzer voted "nay."

STATUS OF BOVINE TUBERCULOSIS DISEASE

Chairman Dalrymple called on Dr. Larry Schuler, State Veterinarian, Board of Animal Health, who presented information on the status of the 1999 bovine tuberculosis case in Morton County. A copy of the information is on file in the Legislative Council office. Dr. Schuler said the infected herd contained 123 cattle. He said indemnity was paid to the producer based on the appraised value of the herd, minus the salvage value and the federal indemnity. He said the cattle owner has agreed to stay out of the dairy business for at least one year. He said the State Board of Animal Health quarantined an area that was approximately a five-mile radius from the affected farm and tested approximately 4,000 head of cattle and goats. Mr. Schuler said no animals tested positive for tuberculosis outside the affected herd and North Dakota has maintained its tuberculosis-free status. He said the total amount appropriated by the 1999 Legislative Assembly for the tuberculosis case was \$65,000. He said including the indemnity payment, the State Board of Animal Health has incurred costs of \$58,449 related to the case. He said one additional indemnity of \$1,050 remains to be paid. He said United States Department of Agriculture expenses associated with the tuberculosis case were \$146,879.

STATUS OF FUNDING FOR MEDICAID

Chairman Dalrymple called on Mr. Sheldon Wolf, Assistant Medicaid Director, Department of Human

Services, who presented information on the status of funding for Medicaid. A copy of the information is on file in the Legislative Council office. Mr. Wolf said the department's estimate for Medicaid expenditures for August and September 1999 was \$44,287,021, but actual expenditures were \$40,343,383, resulting in savings of approximately \$3.9 million. He said during August and September 1999, Medicaid drug expenditures have exceeded projections, but savings in other categories have covered the expenditures. He said because data is only available for two months of the current biennium, it is too early to see if changes will be required in projections or payment structures.

In response to a question from Senator Krauter, Mr. Wolf said the increase in drug expenditures is primarily due to an increase in drug costs. He said the department had anticipated a five percent increase in drug costs, but the actual increase has been considerably higher.

CHILDREN'S SERVICES COORDINATING COMMITTEE GRANTS

Chairman Dalrymple called on Lt. Governor Rosemarie Myrdal, Chairman, Children's Services Coordinating Committee, who presented information on statewide grants approved by the Children's Services Coordinating Committee. A copy of the information is on file in the Legislative Council office. Lt. Governor Myrdal said the Children's Services Coordinating Committee has recommended the approval of grants totaling \$632,710 to be distributed during the 1999-2001 biennium. She said the committee is recommending the distribution of \$388,942 the first year of the biennium and \$243,768 the second year. A copy of the entities recommended for grants, the amount of the grant for each year of the biennium, and a description of the grant purpose is attached as Appendix B.

It was moved by Representative Carlisle, seconded by Senator Robinson, and carried on a voice vote that pursuant to NDCC Section 54-56-03 and Section 2 of 1999 House Bill No. 1014, the Budget Section approve the distribution of grants as recommended by the Children's Services Coordinating Committee in the amount of \$632,710.

AGENCY REQUESTS AUTHORIZED BY THE 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 NDCC Sections 54-16-04, 54-16-04.1, and 54-16-04.2. 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.

In response to a question from Representative Svedjan, Lt. Governor Myrdal said Emergency Commission Request No. 1236 to increase other funds spending authority for the Children's Services Coordinating Committee by \$448,889 to reflect a grant from the Robert Wood Johnson Foundation will not impact general fund expenditures by the Department of Human Services for the children's health insurance program. She said the grant will be used to design an outreach program aimed at identifying and enrolling children eligible for the children's health insurance program and Medicaid. She said the project will provide outreach to two target groups--the farm and rural population and American Indian children within a six-county area.

In response to a question from Representative Delzer, Lt. Governor Myrdal said the Children's Services Coordinating Committee has no plans to continue the outreach program after the term of the grant, which is three years.

In response to a question from Senator Solberg, Lt. Governor Myrdal said the Children's Services Coordinating Committee will act as a fiscal agent and coordinator for the program. She said the Children's Services Coordinating Committee will not directly run the program or hire staff to do so.

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

- **Historical Society (Request #1234) - To increase federal funds spending authority by \$89,391 for salaries and wages (\$21,679), operating expenses (\$67,597), and equipment (\$115) for preliminary planning and design of an interpretive center at Fort Buford, a collections records management system, the maintenance and update of the State Historical Records Advisory Board's development plan, and a shelving project.**
- **State Radio Communications (Request #1235) - To increase other funds spending authority by \$84,855 for operating expenses (\$44,855) and equipment (\$40,000) for a computerized identification system to be integrated with the Federal Bureau of Investigation's data base.**
- **Children's Services Coordinating Committee (Request #1236) - To increase other funds spending authority by \$448,889 to reflect a Robert Wood Johnson Foundation grant to be used for administration (\$25,000) and grants (\$423,889).**
- **Children's Services Coordinating Committee (Request #1237) - To increase other funds spending authority and the**

grants line item by \$442,851 to reflect unspent funds from the 1997-99 biennium generated through "refinancing."

- Department of Human Services (Request #1242) - To transfer general fund spending authority of \$5.5 million from Program and Policy (Subdivision 3) to Economic Assistance (Subdivision 2) and to transfer federal funds spending authority of \$5.5 million from Economic Assistance (Subdivision 2) to Program and Policy (Subdivision 3) to meet federal maintenance of effort requirements for the temporary assistance for needy families (TANF) grant.
- Department of Human Services (Request #1243) - To increase federal funds spending authority for the Northeast Human Service Center by \$85,100 for a retired and senior volunteer program.
- State Department of Health (Request #1245) - To increase federal funds spending authority by \$733,000 for salaries and wages (\$66,700), operating expenses (\$151,000), equipment (\$180,300), and grants (\$335,000) for the following programs: public health preparedness and

response for bioterrorism, to reduce the burden of arthritis and other rheumatic conditions, and to increase booster seat and seatbelt use among children.

- Department of Economic Development and Finance (Request #1248) - To increase other funds spending authority and the operating expenses line item by \$820,575 for \$452,499 of federal funds and \$368,076 of special funds to be used for the manufacturing extension partnership program.

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

Joe R. Morrisette
Senior Fiscal Analyst

Chester E. Nelson, Jr.
Legislative Budget Analyst and Auditor

ATTACH:2