

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

BUDGET COMMITTEE ON GOVERNMENT ADMINISTRATION

Monday, April 15, 2002
Roughrider Room, State Capitol
Bismarck, North Dakota

Senator Tim Mathern, Chairman, called the meeting to order at 9:00 a.m.

Members present: Senators Tim Mathern, John M. Andrist, David O'Connell, Tom Trenbeath; Representatives Curtis E. Brekke, Rex R. Byerly, Bruce Eckre, Kathy Hawken, William E. Kretschmar, Andrew G. Maragos, Lisa Meier, Laurel Thoreson, Elwood Thorpe, Dave Weiler

Members absent: Senator Dave Nething; Representatives Larry Bellew, Rod Froelich, Keith Kempenich

Others present: See attached appendix

It was moved by Senator O'Connell, seconded by Representative Eckre, and carried on a voice vote that the minutes of the previous meeting be approved as distributed.

VETERANS HOME

The Legislative Council staff presented a bill draft as requested by the committee changing the residency requirement for a veteran to be eligible for admission to the Veterans Home from one year to 30 days.

Senator Andrist said he is concerned that a veteran who has been a resident of North Dakota for only 30 days may be placed in the Veterans Home before a veteran who has lived in North Dakota for a number of years. He said he is particularly concerned with potential admissions to the skilled care unit which seldom has a vacant bed.

The Legislative Council staff presented a bill draft as requested by the committee changing the requirements for spouses and surviving spouses of veterans to be admitted to the Veterans Home. The changes include reducing the number of years the spouse or surviving spouse must be married to a veteran from five years to one year and eliminating the requirement that the spouse or surviving spouse be at least 45 years old.

The Legislative Council staff presented a bill draft as requested by the committee allowing a veteran's service-connected compensation to be included in the veteran's contribution to the cost of care at the Veterans Home.

The Legislative Council staff said all of the bill drafts include an emergency clause.

Mr. Ken Anderson, Commandant, Veterans Home, commented on the bill drafts and on the estimated fiscal impact of the bill drafts. Mr. Anderson said reducing the residency requirement for veterans from one year to 30 days would improve access to care at the Veterans Home for veterans who live in surrounding states near the North Dakota border. He said eligibility for placement in the skilled care unit of the Veterans Home is determined by Medicaid regulations; therefore, veterans from other states are already eligible for placement in the skilled care unit.

Senator Mathern asked for the estimated fiscal impact of the bill draft if it results in more residents for the Veterans Home. Mr. Anderson said if an additional five veterans reside in the basic care unit of the Veterans Home, he estimated the Veterans Home would collect an additional \$60,000 to \$80,000 of revenue per biennium.

Representative Byerly asked for the general fund share of the cost of care at the Veterans Home. Mr. Anderson said the general fund currently provides approximately one-third of the cost of care at the Veterans Home.

Representative Byerly asked for the current number of beds filled in the basic care unit. Mr. Anderson said the basic care unit is licensed for 111 beds and on April 16, 2002, will have 101 beds filled, which is a 91 percent occupancy rate.

Representative Thoreson asked why the Veterans Home recommended a 30-day residency requirement for veterans. Mr. Anderson said the Administrative Committee on Veterans Affairs believed some level of residency should be required. He said 30 days was chosen because that is the same length of time required for voting in North Dakota.

Senator Trenbeath suggested having no residency requirement in statute but provide the Veterans Home with authority to give priority placement to North Dakota residents who have lived in the state for at least one year.

Representative Byerly expressed concern with the bill draft that would reduce the residency requirement for veterans. He said additional general fund support will be needed to provide care for these additional residents.

Senator Andrist suggested the Veterans Home discuss with Minnesota the possibility of developing a

reciprocity agreement which would allow Minnesota residents to live at the North Dakota Veterans Home with Minnesota paying for the cost of care and North Dakota residents to reside in Minnesota veterans' homes with North Dakota paying for the cost of care.

Mr. Anderson said no material fiscal impact is associated with the bill draft changing the requirements for admission of spouses or surviving spouses to the Veterans Home.

Mr. Anderson estimated additional Veterans Home collections of \$20,000 to \$25,000 per biennium would result from the bill draft allowing the Veterans Home to use a veteran's service-connected compensation in the calculation of the veteran's contribution to the cost of care.

Mr. Paul Aaberg, Chairman of the Veterans Home Subcommittee of the Administrative Committee on Veterans Affairs, commented on the proposed bill drafts. Mr. Aaberg said the administrative committee has a method of prioritizing applicants for admission to the Veterans Home and believes a 30-day residency requirement would be appropriate.

Regarding the bill draft allowing a veteran's service-connected compensation to be used for the cost of care at the Veterans Home, Mr. Aaberg said the administrative committee has learned that veterans' homes in 26 other states as well as private nursing homes consider this source of income when calculating the cost of a veteran's contribution to the cost of care.

Senator Mathern asked whether the administrative committee supports the bill drafts. Mr. Jerry Balzer, Secretary, Administrative Committee on Veterans Affairs, said the committee has considered all the bill drafts and although support was not unanimous, the committee supports all three bill drafts.

It was moved by Representative Maragos and seconded by Senator O'Connell that the bill drafts changing the admission requirements for veterans at the Veterans Home, changing admission requirements for spouses and surviving spouses of veterans at the Veterans Home, and allowing service-connected compensation received by veterans to be used for the veteran's cost of care at the Veterans Home be approved and recommended to the Legislative Council.

Representative Byerly asked that the committee hear testimony on the budget and operations of the Veterans Home before considering the bill drafts. **The motion was withdrawn.**

Ms. Sharon Ulmer, Director of Administration, Veterans Home, presented a status report on the Veterans Home 2001-03 biennium budget and operations. Ms. Ulmer said through March 2002, the Veterans Home has spent \$3.3 million or 35 percent of its appropriation. Ms. Ulmer said with 62.5 percent of the biennium remaining, the Veterans Home has 65 percent of its funds remaining.

Through March 2002, Ms. Ulmer said the Veterans Home has collected approximately \$147,000 more in federal funds than anticipated. She said this primarily resulted from the federal Veterans Administration per diem rates increasing by more than the Veterans Home anticipated when the budget was prepared. Regarding special funds collections, Ms. Ulmer said actual collections through March 2002 have been approximately \$37,000 less than anticipated due primarily to fewer residents residing at the Veterans Home than anticipated.

Ms. Ulmer said based on committee member suggestions, the Veterans Home has begun submitting its federal Veterans Administration claims monthly rather than quarterly.

Ms. Ulmer discussed the occupancy rates of the Veterans Home. She said through March 2002, the basic care unit has averaged 94 filled beds out of 111 available per month for an average occupancy rate of 85 percent while the skilled care unit has averaged 37.67 beds filled per month out of the 38 available for an occupancy rate of 99 percent.

Ms. Ulmer presented information on the federal and special funds available at the beginning of each month. She said that as of April 1, 2002, \$584,000 of federal funds and \$4,000 of special funds were available.

A copy of the report is on file in the Legislative Council office.

Senator Andrist asked whether the Governor's directive that agencies submit a 95 percent budget request for the 2003-05 biennium is a concern for the Veterans Home. Mr. Anderson anticipates that additional federal funds should be available during the next biennium and if the Veterans Home is successful in increasing its occupancy rate, additional special fund collections will also assist in meeting the 95 percent budget request.

Mr. Gordy Smith, State Auditor's office, reported on the status of the performance audit of the Veterans Home. Mr. Smith said the State Auditor's office is currently in the fieldwork stage of conducting the performance audit. He said the State Auditor's office has hired Pathway Health Services, a consulting firm from Minnesota, to assist in the performance audit at a cost of \$16,800 which will be paid by the Veterans Home. He said the consultant will be reviewing the appropriateness of the Veterans Home staffing levels, management and administration, and the quality and level of care provided by the Veterans Home.

Mr. Smith said the State Auditor's office has surveyed residents, staff, former staff, and legislators to collect information for use in completing the performance audit. In addition, Mr. Smith said the State Auditor's office has reviewed information from 12 veterans' homes in other states. He said the State Auditor's office plans to complete the performance audit by the end of June 2002.

It was moved by Representative Maragos and seconded by Senator O'Connell that the bill draft changing the residency requirements for veterans to be admitted to the Veterans Home from one year to 30 days be approved and recommended to the Legislative Council.

Representative Byerly suggested the committee receive additional information on the fiscal impact of the bill draft before recommending it to the Legislative Council.

Senator Andrist suggested the committee delay acting on the bill draft until after receiving the final performance audit report from the State Auditor's office.

It was moved by Senator Andrist, seconded by Senator Trenbeath, and carried on a roll call vote that the committee table until the next meeting the bill draft reducing the residency requirement for veterans to be admitted to the Veterans Home from one year to 30 days. Senators Andrist and Trenbeath and Representatives Brekke, Byerly, Eckre, Hawken, Kretschmar, Meier, and Weiler voted "aye." Senators Mathern and O'Connell and Representatives Maragos, Thoreson, and Thorpe voted "nay."

It was moved by Representative Maragos, seconded by Senator Andrist, and carried on a roll call vote that the bill draft changing admission requirements for spouses and surviving spouses of veterans be approved and recommended to the Legislative Council. Senators Mathern, Andrist, O'Connell, and Trenbeath and Representatives Brekke, Byerly, Eckre, Hawken, Kretschmar, Maragos, Meier, Thoreson, Thorpe, and Weiler voted "aye." No negative votes were cast.

It was moved by Representative Byerly, seconded by Senator Andrist, and carried on a roll call vote that the bill draft allowing service-connected compensation received by veterans to be used for the veteran's cost of care at the Veterans Home be approved and recommended to the Legislative Council. Senators Mathern, Andrist, O'Connell, and Trenbeath and Representatives Brekke, Byerly, Eckre, Hawken, Kretschmar, Maragos, Meier, Thoreson, Thorpe, and Weiler voted "aye." No negative votes were cast.

Chairman Mathern asked the Legislative Council staff to provide additional information to committee members on the fiscal impact of reducing the residency requirement for veterans to be admitted to the Veterans Home.

RACING COMMISSION

The Legislative Council staff distributed a proposed bill draft considered by the committee at its January 2002 meeting relating to the deposit of select receipts of the Racing Commission in a special fund rather than the general fund to be used subject to legislative appropriation.

Mr. Paul J. Bowlinger, Executive Director, Racing Commission, commented on the proposed bill draft and on the status of the Fargo race facility.

Mr. Bowlinger said based on provisions of the bill draft, Racing Commission collections from licenses and fees would be deposited in the commission's special operating fund rather than in the general fund in order to provide a funding source for the operations of the commission. Mr. Bowlinger said the commission considered Representative Byerly's suggestion from the January 2002 committee meeting to limit collections that would be available to the Racing Commission to \$50,000 per biennium, with the remainder continuing to be deposited in the general fund. Mr. Bowlinger said the commission does not support limiting the collections that would be available to the commission.

In regard to the proposed Fargo Horse Park, Mr. Bowlinger said bids for the Fargo Horse Park totaled \$2.9 million, \$900,000 more than anticipated. He said the Racing Commission will be meeting on Wednesday, April 17, to consider its options to address the funding shortfall.

In response to a question from Senator Mathern, Mr. Bowlinger said the Fargo Horse Park Foundation will own the horse park. He said the land was donated to the city and the city has entered into a 99-year lease with the Horse Park Foundation for \$1 per year.

Representative Kretschmar asked for the amount of funds the Racing Commission has spent to date. Mr. Bowlinger said the commission has allocated \$1 million for construction of the racetrack. To date, he said, the commission has spent approximately \$100,000. In addition, he said, the commission has allocated \$100,000 per year for five years for operating costs and \$100,000 per year for five years for enhancing the purses; however, none of these funds have been spent.

Representative Eckre said he is concerned with the viability of the Fargo racetrack. He does not believe the track will attract enough bettors to make operations feasible.

Representative Weiler asked for the size of the grandstand at the racetrack. Mr. Bowlinger said because the bids came in higher than anticipated, the Fargo Horse Park Foundation and the Racing Commission will need to determine the amount of funds that will be spent on the track versus the amount to be spent on the grandstand and other facilities.

In response to a question from Representative Maragos, Mr. Bowlinger said he does not know whether the Racing Commission will provide additional funding to the Fargo Horse Park related to the bids exceeding estimates. Representative Maragos suggested the Racing Commission proceed cautiously as it considers its options in handling the Fargo Horse Park.

It was moved by Representative Maragos, seconded by Representative Thoreson, and carried on a roll call vote that the bill draft providing that Racing Commission fee collections be deposited in the Racing Commission operating fund rather than the general fund be approved and recommended to the Legislative Council. Senators Mathern, Andrist, O'Connell, and Trenbeath and Representatives Brekke, Hawken, Kretschmar, Maragos, Meier, Thoreson, Thorpe, and Weiler voted "aye." Representatives Byerly and Eckre voted "nay."

HIGHWAY FUNDING

Representative Arlo E. Schmidt, Maddock, commented on the need for improving North Dakota Highway 30 north of United States Highway 2 in Benson and Pierce Counties. Representative Schmidt distributed testimony from representatives of the Leeds and Maddock Public School Districts regarding the need for paving this road. Representative Schmidt presented a video of the unimproved section of Highway 30.

Senator Andrist asked for the Department of Transportation's position on paving this roadway and why the counties have not improved the roadway. Representative Schmidt said the Department of Transportation responded that it does not intend to increase the number of miles on the state highway system. At the county level, he said, Benson and Pierce Counties do not have adequate funding to improve this 12-mile section.

Mr. Ralph Olson, Maddock, expressed support for improving Highway 30 north of Highway 2. He said the current roadway is not safe for transporting children to various school activities.

Ms. Linda Warner, York, expressed support for improving Highway 30 north of Highway 2. Ms. Warner said she lives on this section of Highway 30. She said many travelers stop at her home to ask directions to Highway 30. She said the road is heavily used and is very unsafe during wet conditions.

Mr. Gene Hager, Benson County road superintendent, expressed support for improving Highway 30 north of Highway 2. He estimated the cost of paving the road at \$150,000 to \$180,000 per mile.

Mr. Lowell Johnson, representative of the Dale and Martha Hawk Museum near Wolford, expressed support for improving Highway 30 north of Highway 2. Mr. Johnson said paving Highway 30 is important for the tourism industry in the area to provide a safe road for tourists to use when traveling to the museum.

Ms. LaNita Bolton, Cando, expressed support for improving Highway 30 north of Highway 2. She said Highway 30 is important for tourism in this region because it provides access to the Dale and Martha Hawk Museum as well as the International Peace Garden and the scenic byway (Highway 43).

Mr. Duane Johnston, Pierce County Commissioner, expressed support for improving Highway 30 north of Highway 2. He said Pierce County spent \$27,000 in 2001 graveling the road. He said the road is used heavily.

Ms. Marion Schmidt, Maddock, read testimony from the superintendent of the International Peace Garden expressing support for paving Highway 30 north of Highway 2.

Mr. David Sprynczynatyk, Director, Department of Transportation, commented on Highway 30. Mr. Sprynczynatyk said that as Highway 30 crosses the state from north to south, there are four sections that are the responsibility of the county in which the road is located. He said all of Highway 30 used to be a part of the state system, but many years ago these four sections were turned back to the counties.

Senator Andrist asked why the state does not want this section of Highway 30 on the state system. Mr. Sprynczynatyk said the primary reason is the lack of funding needed to improve the section and to maintain it in the future.

Senator Andrist asked whether any traffic counts are available on Highway 30 north of Highway 2. Mr. Sprynczynatyk said the latest information available is from 1996. At that time, he said 80 vehicles per day traveled this section of Highway 30.

The committee recessed for lunch at 12:15 p.m. and reconvened at 1:00 p.m.

Mr. Sprynczynatyk presented a report on the status of the development of a strategic transportation plan, on the status of highway tax distribution fund revenues, and on recommendations for increasing transportation-related revenues. Mr. Sprynczynatyk said through March 2002, highway tax distribution fund revenues are within 1 percent of revenue projections. He anticipates actual collections to meet projections for the biennium.

Mr. Sprynczynatyk said during the 2001 construction season, the department spent \$33 million on emergency relief projects requiring \$8.25 million of state matching funds. For the 2002 construction season, he said, the department anticipates spending \$16.6 million on emergency relief projects requiring a \$4.15 million state match. Pursuant to provisions of 2001 Senate Bill No. 2112, he said, the department anticipates borrowing \$12.4 million from the Bank of North Dakota by the end of the 2001-03 biennium.

Mr. Sprynczynatyk said the department learned in January 2002 that federal highway funding available to the state may be reduced. He said based on current House and Senate bills, North Dakota's annual federal funding may decrease by as much as \$16 million beginning in 2003, which is approximately 9 percent of North Dakota's federal highway funding program. If this occurs, Mr. Sprynczynatyk said the department will need to reprioritize its annual highway construction plans.

Regarding the statewide strategic transportation plan, Mr. Sprynczynatyk said the following five goals have been established:

1. Safety.
2. Personal mobility.
3. Freight mobility.
4. Economic competitiveness.
5. Revenue and finance.

Mr. Sprynczynatyk said 16 preliminary initiatives have been developed to improve the level of service to the public, including:

1. Strategically prioritize the use of transportation resources.
2. Define the levels of transportation service the state will strive to provide and maintain.
3. Enhance communication and facilitate cooperation between and within governmental units, tribal authorities, modes of transportation, and the public and private sectors.
4. Improve the performance of priority transportation corridors and facilities.
5. Incorporate economic competitiveness as an integral component of transportation investment strategies.
6. Analyze the economic impacts of load limits and benefits of establishing a statewide program to coordinate the administration of load limits.

Mr. Sprynczynatyk said these initiatives will be discussed at public hearings to be held across the state beginning in May 2002.

Regarding recommendations for increasing highway-related revenues, Mr. Sprynczynatyk said the department provided the committee at its January 2002 meeting a list of 31 options for raising additional transportation revenue. He said the department is still in the process of developing the statewide strategic transportation plan and is not prepared to recommend specific revenue changes.

A copy of the report is on file in the Legislative Council office.

Senator Andrist asked whether the department has considered the possibility of establishing partnerships with counties to improve various roads and highways across the state. Mr. Sprynczynatyk said that these types of discussions have begun as part of the strategic planning process. He said while a number of options may be considered, statutory changes may be needed. He said one option would be collocating county shops and state section buildings.

Representative Byerly asked when the statewide strategic transportation plan will be completed. Mr. Sprynczynatyk said the department plans to have a draft available by September 2002.

Chairman Mathern asked the department to notify committee members of the public hearings scheduled across the state regarding the statewide strategic transportation plan.

Mr. Terry Traynor, Assistant Director, North Dakota Association of Counties, commented on recommendations for increasing transportation-related revenues. Mr. Traynor said at the January 2002 committee meeting, the Department of Transportation provided a number of options for providing additional transportation-related revenues. He said the North Dakota Association of Counties is participating in the department's strategic planning process and is not prepared to recommend a particular revenue option. Mr. Traynor said, however, the Association of Counties' preliminary discussions are that the more traditional tax sources such as vehicle fees and fuel taxes appear to be the most acceptable. He said North Dakota is still a relatively low tax state for motor vehicle registration fees. A copy of the report is on file in the Legislative Council office.

Ms. Connie Sprynczynatyk, Director, North Dakota League of Cities, commented on recommendations for increasing transportation-related revenues. Ms. Sprynczynatyk said the North Dakota League of Cities is involved in the North Dakota strategic planning process with the Department of Transportation and plans to be supportive of the recommendations resulting from that process. She said the North Dakota League of Cities is not prepared to make specific recommendations for increasing transportation-related revenues. She said that while it is difficult for the public to accept tax and fee increases, she believes changing traditional tax types may be more acceptable than generating additional revenue from new sources.

Representative Thorpe expressed concern with the variation in retail gas prices across the state. He asked whether the cities are also concerned with this price variation. Ms. Sprynczynatyk said local governments are also concerned with this issue; however, they are unsure of the specific causes.

Representative Kretschmar expressed concern with the condition of North Dakota Highway 30. He suggested the state add the sections of Highway 30 that are currently the responsibility of the county to the state system.

Senator Andrist suggested the Department of Transportation develop partnerships with cities and counties to complete needed projects like the North Dakota Highway 30 project.

Senator Mathern asked whether statutory changes would be needed to allow the department to create partnerships with cities and the counties. Mr. Sprynczynatyk said statutory provisions require the department to spend state funds only on the state system.

Chairman Mathern asked the Legislative Council staff to provide the committee with options that would allow the state and political subdivisions to do collaborative highway projects using a dedicated new revenue source.

Chairman Mathern announced the next committee meeting is tentatively scheduled for Wednesday, June 19, 2002, in Fargo.

It was moved by Senator Trenbeath, seconded by Representative Meier, and carried on a voice vote that the meeting be adjourned subject to the call of the chair. The meeting was adjourned at 2:15 p.m.

Allen H. Knudson
Assistant Legislative Budget Analyst and Auditor

Jim W. Smith
Legislative Budget Analyst and Auditor

ATTACH:1