

# NORTH DAKOTA LEGISLATIVE COUNCIL

## Minutes of the

### BUDGET COMMITTEE ON GOVERNMENT ADMINISTRATION

Wednesday, June 19, 2002

Southeast Human Service Center and Division of Independent Study  
Fargo, North Dakota  
Agronomy Seed Farm  
Casselton, North Dakota

Senator Tim Mathern, Chairman, called the meeting to order at 8:30 a.m.

**Members present:** Senators Tim Mathern, Dave Nething, David O'Connell, Tom Trenbeath; Representatives Bruce Eckre, Kathy Hawken, William E. Kretschmar, Andrew G. Maragos, Lisa Meier, Laurel Thoreson, Elwood Thorpe

**Members absent:** Senator John M. Andrist; Representatives Larry Bellew, Curtis E. Brekke, Rex R. Byerly, Rod Froelich, Keith Kempenich, Dave Weiler

**Others present:** Carolyn Nelson, State Senator, Fargo

See attached appendix for other persons present

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

#### SOUTHEAST HUMAN SERVICE CENTER BUDGET TOUR

Ms. Nancy McKenzie, Director, Southeast Human Service Center, presented information on the programs and services of the center. She said the center serves individuals experiencing problems with mental health, chemical dependency, developmental disabilities, severe and persistent mental illness, vocational rehabilitation, crisis, and other issues.

Ms. McKenzie said that in fiscal year 2001 the center served 5,265 individuals, an increase of 1,464 or 38.5 percent compared to the previous year. She said the number of adults served increased by 9 percent and the number of children served increased by 226 percent, from 813 in fiscal year 2000 to 2,652 in fiscal year 2001. She said the increase in children's services is primarily in developmental disabilities case management services and parental capacity evaluations. She said the frequency and severity of medical, mental, and behavioral problems in children appears to be increasing. Ms. McKenzie said the Adoption and Safe Families Act has also impacted the number of services provided to children due to the increasing number of adoptions.

Ms. McKenzie reviewed reasons the center's overall caseload continues to increase, including increased ethnic and racial diversity in the southeast region, the high number of single-parent families, low-paying jobs, fewer resources and options for low-income families to relocate, and the depressed rural economy which results in population shifts to the urban areas.

Ms. McKenzie said the number of State Hospital admissions from the southeast region decreased from 262 in fiscal year 2000 to 222 in fiscal year 2001, a 15.2 percent decrease.

Ms. McKenzie expressed concern regarding the cost of prescription drugs that continues to rise. She said the average cost of a prescription in the medical assistance program increased from \$25.60 in 1997 to \$39.20 in 2001, a 53 percent increase during the four-year period.

Ms. McKenzie reviewed the center's current budget. She said the center's 2001-03 biennium budget totals \$20.4 million, of which \$9.2 million is from the general fund.

Ms. McKenzie presented information on the center's 2003-05 biennium budget request. Ms. McKenzie said the Governor has asked all agencies to submit a 95 percent budget request. She said the department is in the process of identifying its "noncore" services that may be considered for budget reductions. She said the department is developing its budget request based on a number of factors, one of which is client caseload. She said because the Southeast Human Service Center's caseload has increased substantially, the Southeast Human Service Center's target amount is actually 97.5 percent rather than 95 percent. She said the center may need to reduce full-time equivalent (FTE) positions to meet the 97.5 percent target; however, she anticipates this to be achieved through attrition rather than a reduction in force.

Ms. McKenzie said the center is considering expanding its partnerships with other agencies and organizations providing similar services in the southeast region in order to provide more efficient services.

Ms. McKenzie said outreach services are a key component of the human service center program.

She said to operate more efficiently, the center may consider hiring, in partnership with hospitals, nursing homes, etc., in the region, individuals already living in rural communities in the region to work part time for the human service center and part time for the hospital, nursing home, etc. She said this type of arrangement would allow the center to provide its outreach services without the travel-related costs that it is incurring now.

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

In response to a question from Senator O'Connell, Ms. McKenzie said the center has experienced an increase in the number of children involved in substance abuse, primarily methamphetamine use.

In response to a question from Representative Kretschmar, Ms. McKenzie said Minnesota has passed a law allowing Minnesota residents in a North Dakota hospital to be transported to a Minnesota mental health facility and vice versa. Ms. McKenzie said the 2003 Legislative Assembly will be asked to consider a bill during the next legislative session to make North Dakota law compatible with Minnesota's law. She said the Legislative Council's Judiciary A Committee is considering these statutory changes.

Representative Maragos asked whether the cost of services varies among the human service centers. Ms. McKenzie said the cost of services does vary to some extent by center. She said the department is attempting to provide more consistent services among all the human service centers.

Representative Thoreson asked for the number of employee positions at the human service center and caseloads of case managers. Ms. McKenzie said the center currently employs 193.5 FTE positions. She said developmental disabilities case managers generally have caseloads of 60 to 70 clients, case managers involved in the children's partnership project each have from 10 to 15 clients, and mental health-related case managers have from 30 to 40 clients each.

Senator Nething suggested allowing the human service centers more funding flexibility, with accountability, similar to the higher education block grant funding system approved by the 2001 Legislative Assembly. He said this would allow each center to make decisions locally on the types of programs and services and delivery methods that would be most beneficial to the region. Ms. McKenzie said this may be a possibility; however, she expressed concern that it may result in a loss of service consistency among the centers across the state.

Senator Mathern asked for the center's process of involving others in developing its 2003-05 biennium budget request. Ms. McKenzie said the center held stakeholder meetings as it began its budget request development process. She said these meetings involved consumers, providers, advocacy groups,

legislators, and others. She said this process was beneficial in determining priorities for the center's budget.

## VETERANS HOME STUDY

The Legislative Council staff presented a bill draft reducing the residency requirement for veterans to be admitted to the Veterans Home from one year to 30 days.

The Legislative Council staff presented a memorandum entitled *Veterans Home Basic Care Unit - Estimated Fiscal Impact of 10 Additional Residents*. The Legislative Council staff said at the committee's April 2002 meeting, the Veterans Home testified that the bill draft changing the residency requirement for veterans to be admitted to the Veterans Home from one year to 30 days may result in additional residents at the Veterans Home. The Legislative Council staff said the Veterans Home basic care unit is licensed for 111 beds. In fiscal year 2001, the Veterans Home averaged 92.75 basic care residents, 88.5 of whom were eligible for Veterans Administration per diem.

The Legislative Council staff presented the following schedule showing Veterans Home basic care unit costs for fiscal year 2001:

Cost Center	Cost
Therapy	\$21,061
Nursing	567,693
Meals	143,250
Laundry	28,007
Social services	92,904
Activities	22,702
Administration	267,529
Chaplain	3,549
Pharmacy	2,127
Plant services	285,652
Housekeeping	114,855
Dietary	244,818
Property	26,298
<b>Total</b>	<b>\$1,820,445</b>

The Legislative Council staff said Veterans Home revenue collections for fiscal year 2001 were:

Federal Veterans Administration (per diem)	\$905,573
Resident collections	354,260
<b>Total</b>	<b>\$1,259,833</b>

The Legislative Council staff said the Veterans Home projects its annual costs to increase by \$18,470 if an additional 10 basic care residents receive care at the Veterans Home. The Legislative Council staff said the cost increases relate to meals (\$15,513 per year) and plant services (\$2,957 per year).

The Legislative Council staff said the Veterans Home projects the following annual revenue increases if an additional 10 basic care residents receive care at the Veterans Home and all are eligible for Veterans Administration per diem:

Federal Veterans Administration (per diem)	\$89,060 <sup>1</sup>
Resident collections	30,000
Total annual revenue increase	\$119,060
<sup>1</sup> Assumes all 10 new residents would be eligible for federal Veterans Administration per diem (\$24.40 per day).	

The Legislative Council staff said the estimated biennial fiscal impact of 10 additional Veterans Home residents, if all are eligible for Veterans Administration per diem, is:

	Biennial Estimate
Veterans Home revenue increase	\$238,120
Veterans Home cost increase	36,940
Potential reduction in Veterans Home biennial general fund appropriation	\$201,180

Representative Maragos asked who is not eligible for Veterans Administration per diem. Mr. Ken Anderson, Commandant, Veterans Home, said the only individuals at the Veterans Home who are not eligible for Veterans Administration per diem are spouses and widows of veterans. Mr. Anderson said the home currently has 103 basic care residents.

Mr. John Grettum, State Auditor's office, provided information on the status of the performance audit of the Veterans Home. Mr. Grettum said the State Auditor's office has completed its field work and the consultant hired to assist with the audit has submitted the consultant's data. He said the State Auditor's office is in the process of finalizing the audit findings and preparing a draft audit report. Mr. Grettum said the draft audit report should be completed by early July 2002. He said the report will be provided to the Veterans Home and the Administrative Committee on Veterans Affairs at which time the Veterans Home will prepare its responses to the findings. Mr. Grettum said the State Auditor's office anticipates finalizing the audit by the end of July. He said the final audit will be provided to the Veterans Home, the Administrative Committee on Veterans Affairs, members of the Legislative Audit and Fiscal Review Committee, and if requested, the Budget Committee on Government Administration.

**It was moved by Senator Trenbeath, seconded by Representative Eckre, and carried on a voice vote that the State Auditor's office provide a copy of the executive summary of the performance audit of the Veterans Home to the Legislative Council staff for distribution to the Budget Committee on Government Administration, when available.**

Mr. Anderson said the Veterans Home is in support of the bill draft changing the residency requirement for veterans at the Veterans Home.

Mr. Larry Dakken, North Dakota Administrative Committee on Veterans Affairs, expressed the administrative committee's support for the bill draft.

**It was moved by Senator O'Connell, seconded by Representative Eckre, and carried on a roll call**

**vote that the bill draft changing admission requirements for veterans at the Veterans Home be approved and recommended to the Legislative Council.** Senators Mathern, Nething, O'Connell, and Trenbeath and Representatives Eckre, Hawken, Kretschmar, Maragos, Meier, Thoreson, and Thorpe voted "aye." No negative votes were cast.

### COMMITTEE DISCUSSION

Senator Mathern said he is concerned with the substantial growth in the number of clients at the Southeast Human Service Center and how the center can respond timely.

**It was moved by Senator O'Connell, seconded by Senator Nething, and carried on a voice vote that the Legislative Council staff draft a study resolution to consider options for allowing human service centers further funding flexibility, including block grant funding.**

Representative Maragos suggested the committee ask the Veterans Home to develop a strategic plan to use when planning for the future of the Veterans Home.

Senator Nething said the Veterans Home may need additional funding to hire a consultant to assist in the development of an indepth strategic plan.

Representative Hawken suggested the Veterans Home and the Administrative Committee on Veterans Affairs be given the opportunity to develop a strategic plan before providing additional funds to hire a consultant.

Chairman Mathern requested the Legislative Council staff to ask the Veterans Home and the Administrative Committee on Veterans Affairs to present information to the committee at its next meeting regarding its current strategic planning process and options for enhancing its process.

Chairman Mathern announced the next committee meeting is tentatively scheduled for Monday, September 9, 2002, in Bismarck.

### HIGHWAY FUNDING STUDY

The Legislative Council staff presented a memorandum entitled *State and Political Subdivision Collaborative Highway Projects - Statutory Changes*. The Legislative Council staff said the memorandum provides information on statutory changes that could be made to allow the state and political subdivisions to do collaborative highway projects with funding generated from a dedicated revenue source.

The Legislative Council staff presented the following two alternatives:

1. Enact a new statute to allow the department and political subdivisions to collaborate on highway projects using a dedicated source of revenue and establish a special fund for depositing and spending the funds for these collaborative projects. In addition, North Dakota Century Code Section 24-02-36,

which precludes state funds from being used for improving, maintaining, or repairing roads not on the state highway system, could be amended to exempt these projects from this requirement.

2. Enact a section allowing the department to expand its use of the state infrastructure bank to provide funding for collaborative highway projects involving the state and a political subdivision and to provide that funds generated from a dedicated revenue source be deposited in the infrastructure bank. In addition, North Dakota Century Code Section 24-02-36 could be amended to provide that the requirement that state funds be used only on the state highway system does not apply to the infrastructure bank.

The Legislative Council staff said the infrastructure bank was established by the 1997 Legislative Assembly and has been used by the state for providing loans for completing state highway projects eligible for federal participation. The funds borrowed have been repaid from subsequent federal allocations and state highway fund money.

Mr. David Martin, Fargo-Moorhead Chamber of Commerce, expressed support for the Department of Transportation's strategic planning process. He stressed the importance of the state's transportation infrastructure and systems for economic development in North Dakota.

Mr. Wade Williams, North Dakota Association of Counties, expressed support for the state and counties conducting collaborative highway projects. He said these types of projects may result in cost-savings.

Senator Trenbeath said he is concerned that more funding decisions will be made at the state rather than local level if a revenue source is designated for these collaborative highway projects.

Senator Nething suggested amending the joint powers statutes to allow these types of partnerships without designating a specific funding source.

Mr. Jerry Hjelmstad, North Dakota League of Cities, said the joint powers agreement may already authorize the state and counties to enter into these types of agreements; however, there may be other more specific statutory prohibitions that limit this flexibility.

Mr. David Sprynczynatyk, Director, Department of Transportation, provided information on the status of the development of a strategic transportation plan, status of highway tax distribution fund revenues, and any recommendations for increasing transportation-related revenues.

Mr. Sprynczynatyk responded to the committee's question from the April 2002 meeting relating to fees for overweight trucks. He said fees charged on overweight trucks range from one cent per pound for the first 3,000 pounds a truck is overweight to 20 cents

per pound if a truck is more than 20,000 pounds overweight.

Mr. Sprynczynatyk said state highway fund revenues for the first 10 months of this biennium are approximately 1 percent less than projections. For the biennium, he said, the department is projecting highway fund revenues to equal projections.

Mr. Sprynczynatyk commented on federal fiscal year 2003 federal highway fund distributions. Mr. Sprynczynatyk said the department has learned that as a result of erroneous technical calculations made as part of the 1998 federal TEA-21 law, North Dakota's obligational authority will decrease from \$181 million in 2002 to approximately \$165 million in 2003, a reduction of \$16 million.

Mr. Sprynczynatyk commented on the development of the statewide strategic transportation plan. Mr. Sprynczynatyk distributed the executive summary of the plan. He said the plan addresses five broad goals--safety, personal mobility, freight mobility, economic development, and revenue and finance. He said the department held 16 public hearings across the state in May and received many positive comments. He said some of the initiatives in the plan relate to levels of service and strategically prioritizing resources to improve the performance of transportation corridors and facilities. He said the department is preparing a state highway plan that will address these initiatives. The plan will include a draft state highway classification system in order to strategically prioritize levels of service on state highways.

**It was moved by Representative Maragos, seconded by Senator O'Connell, and carried on a voice vote that the Legislative Council staff prepare a bill draft allowing the Department of Transportation and political subdivisions to collaborate on highway projects under the joint powers agreement.**

The committee recessed for lunch at 11:30 a.m. and reconvened at the Division of Independent Study at 12:30 p.m.

## **DIVISION OF INDEPENDENT STUDY BUDGET TOUR**

Mr. Neil Howe, Director, Division of Independent Study, presented information on the programs and services of the division. Mr. Howe said the mission of the division is to provide a delivery system of distance education curricula in a manner consistent with sound educational practices. He said the division's courses are used in a number of ways, including:

1. Individualized instruction within a school setting.
2. Alternative and adult programs.
3. Specialized learning units in the classroom.
4. Home education.

Mr. Howe said the North Dakota Division of Independent Study is the sixth largest public distance education high school in the United States. He said in

2001 over 5,000 students enrolled in more than 9,000 courses. Of these students, 1,376 or 23 percent, were from North Dakota. He said the division served students in all 50 states and 43 countries.

Mr. Howe said the division offers 189 courses for grades 4 through 12. He said the division began offering on-line courses in 1996. He said more than 75 courses are now available in the on-line format.

Mr. Howe said beginning in the 2002-03 academic year, the division will begin providing videoconferencing to North Dakota schools. He said first course offering will be first and second semesters in Spanish.

Mr. Howe said the division's budget for the 2001-03 biennium totals \$5,200,000, of which \$868,000 is from the general fund. He said the remaining \$4.4 million is generated from fees charged to students.

Mr. Howe said for the current biennium expenditures are near budgeted amounts. He said the division received \$55,000 for capital improvements during the 2001-03 biennium. He said the division used these funds to replace its roof in October 2001.

Mr. Howe discussed the division's 2003-05 budget. He said the division is required to submit a 95 percent budget as requested by Governor Hoeven. He said this will result in the division needing to identify reductions of more than \$200,000.

Mr. Howe said the division will be requesting, in addition to its 95 percent budget, approximately \$50,000 for window repairs at the facility, two additional FTE teaching positions for videoconferencing, and a .5 FTE janitorial position.

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

The committee conducted a tour of the Division of Independent Study.

### **RACING COMMISSION STUDY**

The committee traveled to the North Dakota horse park located 1½ miles west of I-29 on 19th Avenue in Fargo. Mr. Ken Pawluk, President, North Dakota Horse Park Foundation, provided information to the committee on the horse park. Mr. Pawluk said the North Dakota Horse Park Foundation will own and operate the racetrack. He said the racetrack consists of 113 acres, 99 acres of which is owned by the North Dakota Horse Park Foundation and 14 of which is owned by the North Dakota State University Development Foundation. He said Phase 1 of the project will complete the racetrack and provide parking for 400 cars, parking for horsemen, underground utilities, bleachers for 900 people, a tent for parimutuel betting, and a portable restroom trailer. Barn space will be available for 200 horses in the North Dakota State University facility. He said the North Dakota State University facility will be constructed to house the university's equine sciences department.

Mr. Pawluk said the horse park still needs to raise approximately \$500,000 for two barns and \$1,000,000 to \$3,000,000 for a permanent grandstand. He said depending on funds available, the grandstand could be built in phases.

Mr. Pawluk reviewed the funding that has been designated for the horse park as follows:

North Dakota Racing Commission grant	\$2,500,000
City of Fargo tax increment financing district	1,000,000
Gift of land	597,500
Cass County economic development - Loan for land purchase	250,000
Fargo Moorhead Convention and Visitors Bureau	100,000
<b>Total</b>	<b>\$4,447,500</b>

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

The committee conducted a tour of the horse park under construction.

### **AGRONOMY SEED FARM BUDGET TOUR**

The committee traveled to the Agronomy Seed Farm in Casselton.

Mr. Tom Tiegen, Superintendent, Agronomy Seed Farm, presented information on the Agronomy Seed Farm. Representative Wesley R. Belter, Legislative Council Chairman, was in attendance.

Mr. Tiegen said the farm was established in 1950. He said the farm has three FTE positions and operates entirely on funds generated from its operations.

Mr. Tiegen said the farm had cash of \$186,000 on July 1, 2001. He said since that time receipts totaled \$409,000 and expenditures totaled \$414,000, leaving cash of \$181,000 as of May 31, 2002. Mr. Tiegen said the farm's goal is to have a cash reserve of approximately \$400,000, enough funding for one year's operations. Mr. Tiegen said the farm sells approximately 35,000 to 38,000 bushels of seed each year. He said the farm has 1,347 acres of foundation seed in 2002. He said the acreage consists of winter wheat, 22 acres; spring wheat, 690 acres; barley, 128 acres; oats, 32 acres; and soybeans, 475 acres.

Mr. Tiegen commented on the farm's 2003-05 biennium budget request. He said although the budget request is not complete, he anticipates the budget to be lower than the \$1.3 million appropriated for the 2001-03 biennium due to not requesting funding for any major capital improvement projects in the 2003-05 biennium. Mr. Tiegen said the farm received approximately \$118,000 of capital improvement funding for the 2001-03 biennium for additional seed handling equipment.

The committee conducted a tour of the Agronomy Seed Farm.

The committee adjourned subject to the call of the chair at 4:15 p.m.

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Allen H. Knudson  
Assistant Legislative Budget Analyst and Auditor

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Jim W. Smith  
Legislative Budget Analyst and Auditor

ATTACH:1