

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

BUDGET COMMITTEE ON GOVERNMENT ADMINISTRATION

Wednesday, September 12, 2001
Veterans Home
Lisbon, North Dakota

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

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

Members absent: Senator John M. Andrist; Representatives Larry Bellew, Rex R. Byerly, Rod Froelich, Kathy Hawken, Keith Kempenich, Dave Weiler

Others present: See attached appendix

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.

VETERANS HOME

Mr. Ken Anderson, Commandant, Veterans Home, welcomed the committee to the Veterans Home. Mr. Anderson distributed an organizational chart showing the management structure of the Veterans Home. Major programs of the Veterans Home include administration, maintenance, dietary, nursing, activities, social services, and housekeeping. Mr. Anderson said employees of the Veterans Home receive in total between 2,500 and 2,700 hours of inservice training each year.

Ms. Sharon Ulmer, Director of Administration, Veterans Home, provided information on the Veterans Home budget. Ms. Ulmer said the Veterans Home 2001-03 biennium budget totals \$9.4 million, of which \$3.7 million is from the general fund, \$3 million is from federal funds, and \$2.7 million is from other funds.

Representative Maragos asked for the source of other funds. Ms. Ulmer said the majority of other funds is from rent collections from residents, Land Department income, and miscellaneous income from copies, meals, etc.

Ms. Ulmer distributed a schedule showing the Veterans Home quarterly estimated expenditures for the 2001-03 biennium, which includes estimated expenditures of \$1,161,848 for each quarter of fiscal year 2002 and estimated expenditures of \$1,196,154 for each quarter of fiscal year 2003.

Senator Nething asked why the quarterly budget estimates were allocated equally for each quarter of

each fiscal year rather than basing estimated expenditures on anticipated spending patterns of the Veterans Home. Ms. Ulmer said that for the Veterans Home it is easier to compare actual expenditures to projections when the appropriation is allocated equally.

Ms. Ulmer said the Veterans Home is licensed for 38 skilled nursing care beds and 112 basic care beds. She said the skilled care unit has no vacancies and a waiting list for occupancy, and the basic care unit has 20 vacant beds.

Ms. Ulmer distributed schedules showing actual expenses for July and August 2001 compared to projections. The schedules indicate that for the first two months of the biennium the Veterans Home spent \$580,437, or 6 percent of its \$9,400,000 biennial budget.

Ms. Ulmer distributed a schedule showing the number of FTE employees for each program of the Veterans Home summarized as follows:

Program	FTE
Administration	6
Maintenance	4
Dietary	14.35
Basic nursing	15.4
Skilled nursing	28.4
Activities	3.6
Social services	4.22
Housekeeping	9.6
Total	85.57

Ms. Ulmer said:

- The length of stay for individuals in the skilled nursing care unit averages three years while the average length of stay of residents in the basic care unit is seven years.
- In fiscal year 2001, the Veterans Home experienced a staff turnover rate of 7 percent.
- The per diem rates paid to the Veterans Home by the federal Veterans Administration for residents at the Veterans Home are currently \$22.93 per day for the basic care unit and \$51.38 for the skilled care unit. The rates are adjusted annually on October 1.

Ms. Ulmer presented schedules showing actual to projected expenditures for the 1999-2001 biennium and a schedule showing the source of funds spent for each month of the 1999-2001 biennium. The

information indicates that by February 2001 the Veterans Home had spent its 1999-2001 biennium general fund appropriation and relied on federal funds and special funds for paying expenses for the remainder of the biennium. A copy of the report is on file in the Legislative Council office.

Senator Mathern asked why the Veterans Home chooses to spend its general fund appropriation before its federal and special funds. Ms. Ulmer said Office of Management and Budget expenditure procedures determine the funding source that is charged for the Veterans Home expenses.

Representative Maragos asked whether the financial affairs of the Veterans Home are currently sound since a number of deficiencies were identified a few years ago. Ms. Ulmer said she is confident in the financial accountability of the Veterans Home and said much assistance has been received from the Office of Management and Budget and financial auditors.

Senator Nething asked for debt service payments made by the Veterans Home. Mr. Anderson said the Veterans Home bond payment is \$276,000 per biennium. In response to a question from Representative Kretschmar, Mr. Anderson said that nine years remain on the bond issue.

Ms. Emmy L. Dotzenrod-Strander, Nursing Services Director, Veterans Home, commented on nursing services of the Veterans Home. Ms. Dotzenrod-Strander said the top three management nursing staff average 13.3 years of service, which enhances the stability and care for residents.

Ms. Dotzenrod-Strander said to recruit and retain nurses, the Veterans Home assists staff with additional education and training. She said this assistance and training has helped to maintain nursing staff at the Veterans Home. A copy of her report is on file in the Legislative Council office.

Mr. Jake Reuter, Social Services Director, Veterans Home, commented on the social services department. He said a case manager is assigned to each resident. He said this case manager evaluates the resident upon admission, monitors the resident during the stay at the Veterans Home, and assists with discharge planning if a resident is leaving.

Representative Thoreson asked for information on eligibility requirements and resident fees. Mr. Reuter said the rent charged to residents is 40 percent of income up to a maximum of \$500 per month in the basic care unit. He said the eligibility guidelines are outlined in state statute and the North Dakota Administrative Code. Primarily, he said, the individual must be a veteran or the spouse of a veteran and must meet certain physical or medical criteria in order to be eligible for admission at the home.

Mr. Tom Moe, Chairman, North Dakota Administrative Committee on Veterans Affairs, Mayville, commented on proposed statutory changes relating to the management structure and oversight of the

Veterans Home and the selection process of the commandant. Mr. Moe said the administrative committee is considering possible statutory changes; however, the committee does not have any proposals at this time. He said the committee anticipates having some proposals for the Budget Committee on Government Administration's consideration at its October 2001 meeting.

Mr. Paul Aaberg, Chairman, Veterans Home Subcommittee of the Administrative Committee on Veterans Affairs, Williston, discussed the methods used by the administrative committee to oversee and supervise the Veterans Home, the process used by the committee to select the commandant, information gathered on other states' veterans' homes, and on the current and projected basic care and skilled nursing care needs of veterans in North Dakota. Mr. Aaberg said the Veterans Home subcommittee meets monthly and reviews Veterans Home:

1. Reports on daily activities.
2. Daily census.
3. Minutes of safety, inspection, and fire meetings.
4. Surveys from the State Department of Health and federal Health Care Financing Administration.
5. Audits.
6. Budgetary information.

Mr. Aaberg said that since the Veterans Home subcommittee has begun meeting monthly rather than quarterly, it has received much more information.

Mr. Aaberg said the Veterans Home subcommittee, in biennially selecting a commandant, conducts an evaluation in May of each odd-numbered year which considers the commandant's performance, input from residents and staff, and the dedication of the commandant.

Mr. Aaberg said when a new commandant is hired, the subcommittee recruits applicants through Job Service North Dakota, screens the applications, interviews the finalists, scores each of the individuals being interviewed, and recommends the most qualified applicant to the Administrative Committee on Veterans Affairs. He said the administrative committee makes the final decision.

Mr. Aaberg said the subcommittee has learned in its review of other states' veterans' homes that North Dakota has one of the lowest average cost per resident of veterans' homes nationwide.

Mr. Aaberg said in 1999 the North Dakota veterans' population totaled approximately 55,000. He said the skilled care unit at the Veterans Home could use nine more beds to meet the demand of veterans now on waiting lists for acceptance at the home.

Mr. Ken Evenson, Veterans Home subcommittee, Valley City, said communications with the staff at the Veterans Home has improved since the Veterans Home subcommittee began holding monthly rather than quarterly meetings.

Representative Maragos asked whether there is still a need for a veterans' home to be located in western North Dakota. Mr. Anderson said since the proposal to operate a veterans' home in western North Dakota was considered and not approved by the Legislative Assembly a number of years ago, there has been a reduction in the need for skilled nursing care for veterans in the state. He said projections indicate that in 2015 the North Dakota veterans' population will decrease substantially.

Mr. George Scull, Veterans Home resident, commented on the care he has received at the Veterans Home. He said he has lived at the Veterans Home for 16 years, and he expressed support for the caring staff at the home. He does not believe any changes need to be made at the Veterans Home.

Mr. Bruce Iserman, Lisbon, commented on the Veterans Home facility. Mr. Iserman said the Veterans Home is a great asset to the city of Lisbon. He said the facility enjoys a good reputation, and the employees enjoy working at the home. He is not aware of any changes that need to be made at the Veterans Home.

Senator O'Connell asked for the status of the Veterans Home workers' compensation premium. Mr. Anderson said since the home has implemented preventive programs and purchased better equipment, the facility has experienced fewer claims and is now qualifying for premium discounts. He said the home's premiums have been decreasing each year.

The Legislative Council staff distributed a memorandum from the State Auditor's office indicating the anticipated timeline for completing the Veterans Home performance audit. The Legislative Council staff said the State Auditor's office anticipates beginning the audit in early October 2001 and completing it by March or April 2002.

Senator Nething suggested the State Auditor's office be asked to present the proposed scope of its performance audit to the committee at its next meeting. Chairman Mathern asked the Legislative Council staff to arrange for a presentation by the State Auditor's office at the committee's October 15, 2001, meeting on the proposed scope of its performance audit of the Veterans Home.

Ms. Margie Ourenhagen, Executive Secretary, Veterans Home, distributed information on resident meetings at the Veterans Home, safety and loss control meetings, quality assurance committee meetings, and letters of support from family members and others relating to the care and services provided by the Veterans Home. Copies of the information are on file in the Legislative Council office.

The committee recessed for lunch at 11:45 a.m. and reconvened at 12:30 p.m.

The committee conducted a tour of the Veterans Home, including the gazebo, skilled care unit, chapel, multiuse room, conference room, basic care unit, and

exercise room. Mr. Anderson said the home needs to replace one of its kitchen ovens at an estimated cost of between \$25,000 and \$30,000.

RACING COMMISSION

Mr. Paul J. Bowlinger, Director, Racing Commission, presented information regarding the commission's duties and responsibilities and suggested statutory changes relating to the uses of racing-related special funds.

Mr. Bowlinger reviewed the following regulatory functions of the Racing Commission:

1. Promulgate rules and assure compliance with applicable laws relating to live and simulcast horse racing.
2. Respond to horsemen's concerns and other inquiries directed toward live and simulcast racing.
3. Approve and license live racing.
4. Approve and license simulcast racing.
5. Monitor live and simulcast racing by providing veterinarians, stewards, and other personnel required to assure compliance with applicable rules and regulations.

Mr. Bowlinger reviewed the following promotion functions of the Racing Commission:

1. Administer the promotion fund to promote live and simulcast racing and oversee compliance with promotion awards.
2. Administer the purse fund and disburse amounts to live racetracks to promote live racing and assure compliance by the award recipients.
3. Administer the breeders' fund by controlling registration and disbursing awards.

Senator Mathern asked for the Racing Commission's cost of hiring personnel to support live races. Mr. Bowlinger said the cost to hire a steward for a three-day weekend race is approximately \$2,500, the cost of a veterinarian is also approximately \$2,500, and drug tests associated with the race total approximately \$3,000.

Mr. Bowlinger presented schedules providing the income and expenses for calendar year 2001 to date of the breeders' fund, purse fund, and promotion fund. Mr. Bowlinger said the balance in the breeders' fund is currently \$522,000, the balance in the purse fund is \$856,000, and the balance in the promotion fund is \$1,321,000. Mr. Bowlinger said the following schedule shows total state revenues generated from racing since 1998, which includes revenues to the promotion fund, purse fund, breeders' fund, and the general fund.

1998	\$303,000
1999	\$3,728,000
2000	\$6,419,000
2001 through September 2, 2001	\$5,023,000

Mr. Bowlinger said the following schedule shows the total amounts bet (handle) each year in the North Dakota simulcast system.

1990	\$28,000
1991	\$4,500,000
1992	\$5,631,088
1993	\$6,892,599
1994	\$6,961,396
1995	\$4,336,330
1996	\$5,168,000
1997	\$5,970,640
1998	\$8,963,637
1999	\$88,563,478
2000	\$151,883,021

Mr. Bowlinger cited a lawsuit that is in process in South Dakota as a result of the South Dakota Legislative Assembly appropriating \$2,250,000 of special horse racing funds for volunteer ambulance services, State Fair debt service, fire equipment, and domestic abuse shelters. He said the lawsuit involves a constitutional question regarding the types of appropriations that can be made in the general appropriations bill in South Dakota.

Mr. Bowlinger said he believes the North Dakota state statute is clear that the intended uses for the breeders' fund, purse fund, and promotion fund are for the horse racing industry. He does not believe any statutory changes are required to more clearly state the intended uses of the funds. Mr. Bowlinger said, however, that if the commission could retain its license fee collections for its use in hiring veterinarians, stewards, drug testing, and other racing expenses, it would reduce the commission's dependence on general fund appropriations for these expenses. He said these license fees are now deposited in the general fund. He presented a proposed section to make this change.

Mr. Bowlinger said these fees could total \$80,000 per biennium when the Fargo horse racing track begins operations.

A copy of Mr. Bowlinger's report is on file in the Legislative Council office.

Senator Trenbeath asked how much is now collected from license fee collections and deposited in the general fund. Mr. Bowlinger estimated that in the 1999-2001 biennium approximately \$30,000 to \$40,000 was collected from these license fees.

It was moved by Senator O'Connell, seconded by Representative Meier, and carried on a voice vote that the Legislative Council staff prepare a proposed bill draft allowing the Racing Commission authority to retain its license fee collections currently deposited in the general fund for the purpose of defraying the commission's expenses for the committee to consider at its next meeting.

HIGHWAY FUNDING

Representative Eckre said he has asked the Legislative Council staff to prepare information on

other states' methods of providing funding for state highway construction projects. Chairman Mathern said that information would be useful for the committee and asked that the information be shared with the committee.

Mr. Chuck Glynn, Dickey County Highway Department, Ellendale, commented on county road construction and maintenance funding. Mr. Glynn said Dickey County levies the maximum 37 mills for its road system. He said this does not provide enough funding to meet the needs of Dickey County. He said many roads in Dickey County have grading problems which cause snow buildup in the winter. He said funding is unavailable to improve the grading on these roads.

Mr. Glynn said Dickey County receives approximately \$234,000 per year in federal aid; however, the cost of resurfacing one mile of pavement is \$122,000 so the county must delay projects until enough funding is available to do a major road resurfacing project.

Mr. Jerry Bricknor, Stutsman County Highway Department, Jamestown, commented on county road needs. He said all counties are short of funding for roads. He said Stutsman County has attempted to raise its mill levy for roads, which is currently at five mills, but the proposed increase has not been approved by the majority of voters in the county. He recommended not changing the current highway tax distribution fund formula, but the state should consider allocating other revenues relating to automobiles, such as taxes on tires, batteries, etc., to the highway tax distribution fund.

Mr. Norman Andrus, Dickey County Commissioner, Oakes, commented on county road needs. Mr. Andrus said because Dickey County is at the maximum mill levy, the county is projected to have an \$80,000 deficit by 2002 for its county road maintenance funding. He said the county is considering a home rule option or asking the voters to approve an excess levy for providing additional road funding for the county.

Mr. Wade Williams, North Dakota Association of Counties, Jamestown, commented on county road needs. He said county road funding is a challenge for all counties. He suggested the committee consider recommending expanding the sources of revenues that are deposited in the state highway tax distribution fund.

Mr. Morris Saxerud, Mayor, Lisbon, commented on funding for street repair and construction. Mr. Saxerud recommended not changing the highway tax distribution fund formula. He said the street funding available to cities allows for street maintenance but no major improvements. He said in small cities private developers do not invest in new developments so cities must provide the infrastructure funding for any expansion. He said cities share in the cost of state highway projects that go through cities. He

suggested the state consider providing additional funding for state highway projects that go through cities in order to reduce the cities' share.

Mr. Jerry Lein, City Engineer, Wahpeton, commented on funding for city street repair and construction. Mr. Lein said that both cities and counties are short of funding for street and road projects. He did not recommend changing the highway tax distribution fund formula but suggested the state provide additional revenue sources for deposit in the highway tax distribution fund to provide additional highway revenue for the state, county, and cities.

Ms. Connie Sprynczynatyk, Executive Director, North Dakota League of Cities, commented on city street repair and construction funding. She said cities receive the smallest percentage of the highway tax distribution fund at 14 percent. She said North Dakota streets, roads, and highways comprise the North Dakota state transportation system; therefore, funding for these streets, roads, and highways needs to be a statewide partnership. She said many cities are assessing sales taxes and using some of the proceeds for road projects. Ms. Sprynczynatyk does not recommend changing the highway tax distribution fund formula.

Mr. Bob Walton, District Engineer, Department of Transportation, Fargo, distributed information prepared by Mr. David Sprynczynatyk, Director, Department of Transportation, relating to previous committee questions. Mr. Walton said that fuel sold on Indian reservations is generally not exempt from state fuel taxes unless a tribe passes an ordinance imposing a tribal fuel tax and enters into an appropriate agreement with the state. A copy of the report is on file in the Legislative Council office.

Representative Eckre asked whether a tribal fuel tax must be at the same rate as the state and what comprises an appropriate agreement. Representative Thoreson asked how many tribes have such an agreement in place with the state. Mr. Walton said he would forward the questions to Mr. Sprynczynatyk for response at the next committee meeting.

Chairman Mathern asked that the Legislative Council staff arrange for each committee member to receive a copy of the urban street and county road funding needs assessment executive summary at the next committee meeting.

Representative Kretschmar asked for the number of years in advance that the department plans highway projects. Mr. Walton said the department publishes a highway project report going forward three years. Within the districts, he said, projects are informally planned for 10 years into the future.

Representative Thorpe asked if the Legislative Council chairman had approved the committee's request at its previous meeting to study fuel price differences across the state. Chairman Mathern said that a formal request to expand the highway funding study was made to the chairman; however, the request was denied. Chairman Mathern asked that the Legislative Council chairman's response be provided to committee members.

Chairman Mathern announced the next committee meeting is tentatively scheduled for Monday, October 15, 2001, in Bismarck. Chairman Mathern distributed a tentative meeting schedule for the remainder of the interim and the tentative interactive video network (IVN) sites that committee members are assigned to for the January 7, 2002, IVN meeting. The Legislative Council staff asked committee members to inform the Legislative Council staff if a member will not be using the assigned site or plans to travel to a different site.

It was moved by Senator Trenbeath, seconded by Representative Eckre, and carried on a voice vote that the meeting be adjourned subject to the call of the chair. The meeting was adjourned at 3:30 p.m.

Allen H. Knudson
Senior Fiscal Analyst

Jim W. Smith
Legislative Budget Analyst and Auditor

ATTACH:1