

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

BUDGET SECTION

Tuesday, June 24, 2003
Senate Chamber, State Capitol
Bismarck, North Dakota

Representative Ken Svedjan, Chairman, called the meeting to order at 11:00 a.m.

Members present: Representatives Ken Svedjan, Ole Aarsvold, Larry Bellew, Rick Berg, Merle Boucher, Ron Carlisle, Al Carlson, Jeff Delzer, Eliot Glassheim, Pam Gulleon, Keith Kempenich, James Kerzman, Kim Koppelman, Joe Kroeber, Bob Martinson, Ralph Metcalf, David Monson, Bob Skarphol, Blair Thoreson, Mike Timm, Francis J. Wald, John Warner, Janet Wentz; Senators John M. Andrist, Bill L. Bowman, Randel Christmann, Michael A. Every, Ray Holmberg, Ralph L. Kilzer, Aaron Krauter, Ed Kringstad, Elroy N. Lindaas, Tim Mathern, David P. O'Connell, Larry Robinson, Bob Stenehjelm, Harvey Tallackson, Russell T. Thane

Members absent: Representatives Thomas Brusegaard, Earl Rennerfeldt, Amy Warnke; Senators Tony S. Grindberg, Randy A. Schobinger

Others present: See attached appendix

RULES OF OPERATION AND PROCEDURE

At the request of Chairman Svedjan, the legislative budget analyst and auditor presented a memorandum entitled *Supplementary Rules of Operation and Procedure of the North Dakota Legislative Council*.

JOBS AND GROWTH TAX RELIEF RECONCILIATION ACT OF 2003

At the request of Chairman Svedjan, Mr. Allen H. Knudson, Assistant Legislative Budget Analyst and Auditor, Legislative Council, presented a memorandum entitled *Federal Funding for Temporary State Fiscal Relief*. Mr. Knudson said the federal Jobs and Growth Tax Relief Reconciliation Act of 2003 includes \$20 billion for increased federal payments to states, \$10 billion of which is for the Medicaid program and \$10 billion for temporary fiscal assistance for states.

Mr. Knudson said of the \$10 billion for increased federal payments to states under the Medicaid program, the federal estimate for North Dakota is approximately \$21.2 million, but due to programmatic changes made to North Dakota's medical assistance program during the past year, the Department of Human Services projects the additional federal funds and resulting state general fund savings to be \$19.6 million rather than the \$21.2 million as

projected by the federal government as a result of the federal medical assistance percentage (FMAP) changes. Mr. Knudson reviewed information in a chart in the memorandum which shows North Dakota's federal medical assistance percentage both before and after the new federal Act is in place. He said the state is eligible for the higher federal matching percentage only if the eligibility for Medicaid under the state's plan is no more restrictive than the eligibility under the plan that is in effect on September 2, 2003. He said the federal funding became available to states on Monday, June 16, 2003. However, due to computer system changes that the Department of Human Services needs to make to its Medicaid management information system, the department anticipates beginning to receive the enhanced federal medical assistance percentage reimbursement in July 2003 and will continue to receive the enhanced reimbursement through June 2004. Therefore, the entire \$19.6 million will be received in the 2003-05 biennium, resulting in \$19.6 million of general fund savings.

Mr. Knudson said there are two payments of \$25 million each that the state will receive for the flexible grant. He said the first payment will be received by the state prior to October 1, 2003, and the second payment will be received between October 1, 2003, and September 30, 2004. He said the Governor must certify to the Secretary of the United States Treasury that the state's proposed use of the funds is in accordance with either of the two provisions of the Act, which are to provide essential government services or to cover the costs to the state of complying with any federal intergovernmental mandate to the extent that the mandate applies to the state and the federal government has not provided funds to cover the costs. He said the Act provides that a state may only use the funds provided for the type of expenditures permitted under the most recently approved budget for the state.

Mr. Knudson said North Dakota's law related to the receipt of federal funds (North Dakota Century Code (NDCC) Section 54-16-04.1) is changing as of August 1, 2003. He said through July 31, 2003, the Emergency Commission may authorize the receipt of federal funds not appropriated by the Legislative Assembly, but as of August 1, 2003, Budget Section

approval will also be needed to authorize the receipt of federal funds, unless the acceptance of federal funds is necessary to avoid an imminent threat to the safety of people or property due to a natural disaster or war crisis or an imminent financial loss to the state.

Representative Boucher requested that the Department of Human Services report to the next Budget Section meeting on the anticipated reduction of federal funds for the last nine months of the 2003-05 biennium and for the 2005-07 biennium as a result of the federal medical assistance percentage decreasing from the enhanced levels to a projected 67.22 percent for federal fiscal year 2005 and beyond.

In response to a question from Representative Svedjan, Mr. Knudson said the amount of federal funds to be received is dependent upon the actual claims submitted by the Department of Human Services for the Medicaid program and as a result the actual amount could be more or less than the estimate of \$19.6 million.

In response to a question from Representative Svedjan, Mr. John Bjornson, Legislative Council staff attorney, said the receipt of the \$19.6 million of additional federal funds by the Department of Human Services for the Medicaid program may be received by the department to the extent it may be accommodated within the department's spending authority provided in the 2003-05 biennium appropriations bill for the department. He said the receipt of the \$50 million for the flexible grant would have to be authorized by the Emergency Commission and after August 1, 2003, would also need Budget Section approval.

Representative Gulleason requested information be provided by the Department of Human Services at the next Budget Section meeting regarding Medicaid caseload projections through the 2005-07 biennium.

Representative Delzer requested that the Department of Human Services report to the Budget Section throughout the 2003-05 biennium regarding the status of the amounts actually received related to the enhanced federal medical assistance percentage as compared to the current projection of \$19.6 million.

In response to a question from Representative Kerzman, Mr. Knudson said no additional general fund match is required for the receipt of the \$19.6 million federal funds for the Medicaid program or for the \$50 million federal funds for the flexible grant.

Representative Delzer requested that the Legislative Council staff report to the next Budget Section meeting regarding the provisions of Section 9 of 2003 Senate Bill No. 2012 which require the Department of Human Services to make programmatic changes to the medical services program to operate the program within the funding levels approved by the 58th Legislative Assembly and how that section relates to the \$19.6 million of additional federal funds the state will receive for the Medicaid program and the Department

of Human Services plan to spend \$8 million of related general fund savings to support Medicaid benefits.

At the request of Chairman Svedjan, Ms. Pam Sharp, Director, Office of Management and Budget, presented information on the Jobs and Growth Tax Reconciliation Act of 2003 as it applies to temporary state fiscal relief in the form of block grants and the tax reductions that will affect North Dakota's revenue. A copy of the information presented is on file in the Legislative Council office. Ms. Sharp said Title IV of the Jobs and Growth Tax Relief Reconciliation Act of 2003 results in the receipt of \$50 million to North Dakota from the federal government. She said the first payment of \$25 million will be received in early July 2003, and the second \$25 million payment will be received in early October 2003. She said the tax relief provisions of the Act will result in a general fund revenue reduction of approximately \$14 million, which will reduce in a net gain to the state of approximately \$36 million.

Ms. Sharp said the entire \$50 million will be deposited into the general fund, which, according to an Attorney General's opinion, is where the North Dakota Constitution requires all public money to be deposited. She said there is no statutory authority to deposit the \$50 million in any of the other nearly 250 special funds, which are provided for in statute and were established for specific purposes.

Ms. Sharp gave the following reasons why it makes good fiscal sense to deposit the \$50 million into the general fund:

1. The estimated \$14 million of revenue reductions in state corporate and individual income tax as a result of the Act would place the general fund in a projected deficit situation if the \$50 million was not deposited in the general fund.
2. The general fund is the fund that supports the state's essential government services, which is a purpose for the \$50 million designated in the Act.
3. By depositing the \$50 million in the general fund, the money strengthens the state's budget position and will be available for the legislature to appropriate in the 2005 legislative session.

Ms. Sharp said the Office of Management and Budget will request the Emergency Commission to meet and approve the receipt of the two \$25 million payments. She said Budget Section approval will be required for the receipt of the second \$25 million payment because it will be received after the law change on August 1, 2003. She said the Office of Management and Budget will return to the fall Budget Section meeting for approval to be able to receive the second \$25 million payment in early October 2003.

Representative Glassheim suggested the Budget Section receive a legal ruling as to the authority of the Budget Section or the Governor to spend the federal funds the state receives as a result of the Jobs and

Growth Tax Relief Reconciliation Act without a special session.

In response to a question from Senator Stenehjem, Ms. Sharp said the deadline for the state to receive the first payment of \$25 million is September 30, 2003.

Representative Svedjan said he feels the Office of Management and Budget is spending the new federal money without Budget Section approval for the acceptance of the funds and without an appropriation by the Legislative Assembly.

Representative Carlson said he believes new federal money can only be received and spent by the state with proper approval by the Legislative Assembly.

Senator Bowman requested the Legislative Council staff research and report to the next Budget Section meeting regarding any precedence where the state received significant federal funds such as are to be received under the Jobs and Growth Tax Relief Reconciliation Act of 2003 and, if so, how the receipt of those funds was handled.

In response to a question from Senator Mathern, Ms. Sharp said the \$50 million of federal fiscal relief would remain in the ending balance of the general fund and would only be used if a revenue shortfall occurred.

In response to a question from Representative Boucher, Ms. Sharp said the \$50 million of federal fiscal relief will be available in the general fund for the 2005 Legislative Assembly to appropriate, provided that it is not used during the 2003-05 biennium to make up for revenue shortfalls.

Representative Koppelman requested the Legislative Council research and report to the next Budget Section meeting regarding whether the \$50 million of federal funds the state will receive can be deposited in a special fund rather than the general fund, and if the Budget Section or Emergency Commission has the authority in the approval process to direct that the \$50 million be deposited in a special fund.

It was moved by Representative Timm, seconded by Representative Wald, and carried on a roll call vote that the Budget Section ask that the chairman of the Legislative Council send a letter to the Governor stating that the Budget Section has concerns with the plans for the receipt and expenditure of additional federal funds the state is projected to receive relating to the change in the federal medical assistance percentage of \$19.6 million and state fiscal relief of \$50 million, that the Emergency Commission and the Budget Section should have a role in determining the use of these funds, and that the Budget Section encourages the Governor to delay decisions regarding the acceptance and use of these federal funds until the related authority of the Governor and the Budget Section is determined. Representatives Svedjan, Bellew, Berg, Carlisle, Carlson, Delzer, Glassheim, Gulleeson, Kempenich,

Koppelman, Martinson, Monson, Skarphol, Thoreson, Timm, and Wald and Senators Andrist, Bowman, Christmann, Holmberg, Kilzer, Krauter, Kringstad, Mathern, O'Connell, Stenehjem, Tallackson, and Thane voted "aye." Representatives Aarsvold, Boucher, Kroeber, Metcalf, and Warner and Senators Every, Lindaas, and Robinson voted "nay."

At the request of Chairman Svedjan, Ms. Carol K. Olson, Executive Director, Department of Human Services, presented information on the Jobs and Growth Tax Relief Reconciliation Act of 2003 as it relates to the temporary increase in the federal medical assistance percentage. A copy of the information presented is on file in the Legislative Council office. Ms. Olson said the department will track caseloads and expenditures in Medicaid to determine the level of federal authority needed. She said if additional spending authority is needed, the Department of Human Services will seek Emergency Commission and Budget Section approval to accept the increased federal funds. Ms. Olson said the department intends to use \$8 million in enhanced federal medical assistance percentage for the 2003-05 biennium to support Medicaid benefits that otherwise would have been eliminated.

In response to a question from Representative Svedjan, Ms. Olson said the Department of Human Services does not consider the \$19.6 million of federal funds for the Medicaid program "new" federal funds because it is an increase in the federal government's share of the Medicaid payments and a reduction in the state's share.

In response to a question from Representative Boucher, Mr. David Zentner, Medical Services Director, Department of Human Services, said the \$19.6 million of federal funds will be used in place of general fund appropriations in the Department of Human Services budget and after spending \$8 million of the general fund savings to support Medicaid benefits in the 2003-05 biennium, \$11.6 million will be available for the 2005-07 biennium.

In response to a question from Senator Stenehjem, Ms. Olson said the Legislative Assembly allowed the Department of Human Services excess federal funds authority so the department would be able to access additional funds if they became available, which is now the case with the \$19.6 million of federal funds for the Medicaid program.

In response to a question from Representative Gulleeson, Ms. Olson said the \$8 million is an estimate as of June 2003 of the amount to "keep the Medicaid program whole."

In response to a question from Representative Carlson, Ms. Olson said the \$11.6 million from the general fund that will not be spent, as a result of utilizing the federal funds, will be considered to be turn-back; however, the Department of Human Services is planning to use the remaining \$8 million if necessary in the 2003-05 biennium for the Medicaid program.

In response to a question from Representative Svedjan, Mr. Zentner said the additional federal funds will not be used to enhance programs or services nor will it be used for additional people or services. He said the federal funds will only be used to maintain the 2001-03 Medicaid program with the larger number of recipients.

Representative Delzer said it was the intent of the Legislative Assembly that any new funds to be received by the Department of Human Services must first be approved by the Emergency Commission and the Budget Section regardless of the flexibility that was given to the department in its budget.

Chairman Svedjan requested that the Department of Human Services report to the Budget Section on its plans to spend the \$8 million of general fund savings as a result of the increased federal medical assistance percentage for Medicaid services and to identify the available excess spending authority within the department's 2003-05 budget that allows the Department of Human Services to spend federal funds related to the enhanced federal medical assistance percentage and to the additional Medicaid benefits.

STATUS OF THE STATE GENERAL FUND

At the request of Chairman Svedjan, Ms. Sharp presented a report on the status of the state general fund. A copy of the information presented is on file in the Legislative Council office. She said the consumer price index (CPI) was up 2.1 percent as of May. She said the gross domestic product is expected to grow by an annualized rate of 1.5 percent in the second quarter of 2003 and interest rates continue to be low. She said the April 2003 unemployment rate for North Dakota was 3.6 percent, which was down from the March 2003 rate of 4.7 percent and is projected to continue to decrease.

Ms. Sharp said the 2001-03 biennium revenues through May 31, 2003, were \$7.8 million or .5 percent less than the March 2003 legislative revenue forecast. She said actual revenues for May 2003 were \$5.2 million or 8.2 percent less than the March 2003 legislative revenue forecast. She said the May 2003 sales tax collections were \$4.6 million less than forecasted, which she said is mostly the result of timing differences. She said the May 2003 individual income tax collections were \$1.2 million more than forecasted and that collections remain strong in June, which may result in more individual income tax revenue for the biennium than forecasted. She presented the following information on the status of the state general fund based on revenue collections through May 2003:

Unobligated general fund balance - July 1, 2001	\$62,240,652
Add	
Actual collections through May 31, 2003	\$1,558,106,569
Remaining forecasted general fund revenue for the 2001-03 biennium (based on March 2003 legislative forecast)	86,431,987
May sales tax, corporate income tax, and insurance premium tax collections expected to be collected in June 2003	6,400,000
Estimated potential transfer from Bank of North Dakota	18,939,685
Total estimated general fund revenue for the 2001-03 biennium	\$1,732,118,893
Less	
2001-03 biennium general fund appropriations	\$1,746,983,713
1.05% allotment - July 2002	(18,343,329)
Department of Human Services - Intergovernmental transfer payment	3,478,509
2001-03 biennium adjusted general fund appropriations	\$1,732,118,893
Estimated general fund balance - June 30, 2003, excluding agency turnback	\$0
Add	
Estimated agency turnback	5,475,000
Estimated general fund balance - June 30, 2003 (\$11,994,694 was the 2001 legislative estimate)	\$5,475,000

Ms. Sharp said the oil and gas production and oil extraction tax collections totaled \$3.06 million in May 2003. She said since the \$62 million statutory cap for the 2001-03 biennium has been attained, all of the May 2003 collections, plus \$1.5 million from April 2003 collections, will go into the permanent oil tax trust fund and will be deposited into the general fund in July 2003 in accordance with 2003 Senate Bill No. 2015.

MINOT STATE UNIVERSITY Old Main Renovation Project

Chairman Svedjan called on Mr. Bruce Haskins, Vice President for Administration and Finance, Minot State University, who presented information on a request to increase spending authority for Minot State University's remodeling of the Old Main auditorium. A copy of the information presented is on file in the Legislative Council office. Mr. Haskins said Minot State University is not requesting additional funding but rather additional spending authority. He said Minot State University requested and received Budget Section approval in April 2002 to increase authorization of the Old Main renovation project from \$7.85 million to \$8.65 million, with the additional \$800,000 to be funded by local and private funding sources. He said the main reason the construction costs exceeded the estimates was due to unexpected wall and foundation conditions found during the demolition phase of the project and the tight construction schedule required of the contractors. He said the Old Main renovation project consists of two phases--Phase I is an addition to the west side and installation of electrical and mechanical equipment and Phase II,

which began in March 2002, included the demolition and renovation of the first floor, mechanical and electrical upgrades to the second, third, and fourth floors, and the renovation of the auditorium. He said a company that specializes in theatrical equipment did a visual inspection of the stage and fly loft areas, and in late October 2002 informed Minot State University that the existing structure was not capable of supporting a modern stage rigging system. He said the decision was made at that time to complete all other areas of the auditorium for utilization in January 2003 and to delay the steel and stage rigging installation until the summer of 2003. He said the bids on the installation of the steel, which opened in the spring of 2003, were substantially higher than expected and exceeded estimates by an additional \$300,000 to \$400,000. He said Minot State University would fund the additional costs with the use of the unexpended balance of the 2001-03 capital improvement funds (\$54,452), the unrestricted local funds earmarked for improvements (\$120,548), and with the anticipated 2001-03 carryover, to the extent funds are available and necessary (\$225,000).

In response to a question from Representative Skarphol, Mr. Haskins said some sources of the local funds include profits from residence halls, parking fines, and parking permits.

It was moved by Senator Tallackson, seconded by Senator O'Connell, and carried on a voice vote that pursuant to NDCC Section 48-02-20, the Budget Section approve the request to increase other funds spending authority by \$400,000 and total authorization from \$8,650,000 to \$9,050,000 for Minot State University's Old Main renovation project due to higher than expected costs for the steel reinforcement of the roof and wall of the auditorium.

AGENCY REQUESTS AUTHORIZED BY THE EMERGENCY COMMISSION

Chairman Svedjan 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. The information relating to the requests was sent to the Budget Section members prior to the meeting and is on file in the Legislative Council office.

Representative Delzer requested the Veterans Home request #1443 for the addition of 8.28 full-time equivalent (FTE) positions be discussed separately.

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

- **Department of Human Services (Request #1439) - To transfer \$200,000 from the operating line item of the management subdivision and \$2,430,100 of the human service center operations line items to the grants - medical assistance line item in the economic assistance subdivision to provide a total of \$2,630,100 to use as state matching funds for the medical assistance program, and to increase federal funds spending authority by \$22 million for the federal share of medical assistance payments associated with deficiency appropriations provided by the 2003 Legislative Assembly of \$16.3 million from the health care trust fund and permanent oil tax trust fund.**
- **Department of Human Services (Request #1440) - To increase federal funds spending authority by \$2,693,000 and other funds spending authority of \$472,000 from third-party collections to provide a total of \$3,165,000 for providing funding for substance abuse prevention and treatment programs at the North Central (\$850,000), Lake Region (\$35,000), Northeast (\$730,000), Southeast (\$1,075,000), and South Central (\$475,000) Human Service Centers.**
- **Department of Human Services (Request #1441) - To increase federal funds spending authority by \$2,750,000 for providing grants in the children and family services program for foster care and subsidized adoption services.**
- **Department of Human Services (Request #1442) - To transfer appropriation authority from the operating expenses line item to the grants - assistance payments line item of the economic assistance subdivision in the amount of \$2,753,000 for providing additional funding under the low-income home energy assistance program (LIHEAP) for the remainder of the 2001-03 biennium.**
- **Veterans Home (Request #1444) - To transfer \$75,000 of spending authority from the salaries line item to the operating line item for additional unanticipated expenses related to the Health Insurance Portability and Accountability Act, performance audit fees, board member meeting and travel costs, and costs related to hiring the new administrator and accounting manager.**
- **Office of Adjutant General (Request #1446) - To receive \$81,000 from the Emergency Commission's contingency fund and to increase other funds spending authority to accept the funds for expenses related to firefighting missions conducted in McLean**

County in April 2003 (\$31,000) and for a reserve for unforeseen future disasters (\$50,000).

- Department of Commerce - Community Services Division (Request #1447) - To increase federal funds appropriation authority by \$3.5 million to accept and spend funds from the Department of Human Services as a result of LIHEAP expenditures being less than the funding made available. These available funds may be used for the Division of Community Services weatherization assistance program.
- Parks and Recreation Department (Request #1448) - To transfer \$140,000 of spending authority from the operating line item to the equipment line item for the purchase of a snowmobile trail groomer.
- Division of Emergency Management (Request #1450) - To receive \$149,479.04 from the Emergency Commission's contingency fund and to increase other funds spending authority to reimburse federal agencies for expenses related to firefighting activities in July 2002 and April 2003 - Emergency Commission approved with the added stipulation that any unused funds due to lower than anticipated invoicing by federal agencies are to be returned to the state contingency fund.
- Office of Management and Budget (State Radio Communications) (Request #1452) - To transfer \$57,000 of spending authority from the operating line item to the salaries and wages line item (\$22,000) and equipment line item (\$35,000) for higher than anticipated costs related to overtime and fringe benefit costs and the replacement of analog radio base stations with digital base stations in accordance with the plan for the replacement of the State Radio infrastructure.
- Department of Corrections and Rehabilitation - Prisons Division (Request #1453) - To transfer \$725,000 of spending authority from the security and safety line item to the support services line item for deficiencies in funding for medical expenses related to the retention of nurses as well as expenses for pharmaceuticals and institutional fees.
- Department of Corrections and Rehabilitation - Field Services Division (Request #1454) - To transfer \$100,000 of spending authority from the institutional offender services line item to the victim services line item to pay pending crime compensation claims.
- State Department of Health (Request #1455) - To increase 2003-05 federal funds spending authority and the operating line item by \$781,889 to fund a University of North Dakota study relating to the circumstances and characteristics of North Dakotans who do not have health insurance and to devise a plan to increase the number of people with health insurance and to improve access to health care services.

Chairman Svedjan called on Ms. Sheila Peterson, Director, Fiscal Management, Office of Management and Budget, who presented information relating to the Veterans Home request #1443. Ms. Peterson said the Veterans Home is transitioning eight unused basic care beds to eight skilled care nursing beds as approved by the 2003 Legislative Assembly. She said the Veterans Home is requesting the addition of 8.28 FTE positions to the existing 2003-05 appropriation for additional staffing needed for the eight skilled care nursing beds. She said there is no staff for the eight basic care beds because they are empty, but the Veterans Home will need the staff for the eight skilled care beds because there is a waiting list of people in need of skilled care nursing beds.

Representative Delzer said the Budget Section should not approve the Veterans Home request #1443 until the Veterans Home can report to the Budget Section why more personnel is necessary.

It was moved by Senator Robinson, seconded by Representative Guleson, and defeated on a roll call vote that the Budget Section approve the following Veterans Home request that was authorized by the Emergency Commission:

- Veterans Home (Request #1443) - To add 8.28 full-time equivalent positions to the existing 2003-05 appropriation for additional staffing needed for the addition of eight skilled care nursing beds approved by the 2003 Legislative Assembly.

Representatives Aarsvold, Boucher, Glassheim, Guleson, Kerzman, Kroeber, Metcalf, and Warner and Senators Andrist, Bowman, Lindaas, Mathern, O'Connell, Robinson, and Tallackson voted "aye." Representatives Svedjan, Bellew, Berg, Carlisle, Carlson, Delzer, Kempenich, Koppelman, Martinson, Monson, Skarphol, Thoreson, Timm, and Wald and Senators Christmann, Kilzer, Kringstad, Stenehjem, and Thane voted "nay."

It was moved by Representative Delzer, seconded by Representative Skarphol, and carried on a voice vote that the Veterans Home report to the next Budget Section meeting regarding its staffing needs and for the Budget Section to reconsider Veterans Home request #1443 at that time.

LEGISLATIVE COUNCIL ANALYSIS OF CHANGES TO THE EXECUTIVE BUDGET - 2003-05 BIENNIUM

At the request of Chairman Svedjan, Mr. Knudson presented the Legislative Council report entitled *Fifty-eighth Legislative Assembly Analysis of Changes to the Executive Budget 2003-05 Biennium*. The report provides information on legislative changes to the executive budget, FTE changes, major programs, and related legislation for each state agency. The report also includes the analysis of various special funds and statistical information on state appropriations.

BUDGET STATUS REPORT FOR THE 2003-05 BIENNIUM

At the request of Chairman Svedjan, Mr. Knudson presented the Legislative Council report entitled *Fifty-eighth Legislative Assembly Budget Status Report for the 2003-05 Biennium*. The report provides information on the status of the general fund and estimated June 30, 2005, ending balance, legislative changes to general fund revenues, and legislative appropriation changes to the executive recommendation.

BUDGET SECTION DUTIES AND RESPONSIBILITIES FOR THE 2003-05 BIENNIUM

At the request of Chairman Svedjan, the Legislative Council staff presented a memorandum entitled *Budget Section Duties and Responsibilities for the 2003-05 Biennium*. The memorandum listed the following Budget Section duties for the 2003-05 biennium:

1. Receive a status report on the State Board of Agricultural Research and Education (Section 4-05.1-19(10)).
2. Receive statement from ethanol plants that received production incentives (Section 4-14.1-07).
3. Consider requests for higher education campus improvements and building construction (Section 15-10-12.1).
4. Receive annual reports on transfers to the state tuition fund (Section 15.1-02-14).
5. Consider requests to change or expand state building construction projects (Section 48-02-20).
6. Receive report on job insurance trust fund (Section 52-02-17).
7. Receive report on irregularities in the fiscal practices of the state (Section 54-14-03.1).
8. Consider requests for transfers exceeding \$50,000 (Section 54-16-04(2)).
9. Consider requests to accept and spend more than \$50,000 of federal funds which were not appropriated (Section 54-16-04.1).
10. Consider requests to accept and spend more than \$50,000 of other funds which were not appropriated (Section 54-16-04.2).
11. Consider requests to use money in the capital improvements preliminary planning revolving fund (Section 54-27-22).
12. Receive report on tobacco settlement funds (Section 54-44-04(23)).
13. Prescribe form of budget data (Section 54-44.1-07).
14. Consider objecting to budget allotments or expenditures (Section 54-44.1-12.1).
15. Consider request by the Information Technology Department to finance the purchase of software, equipment, or implementation of services (Section 54-59-05(4)).
16. Receive a report from the Information Technology Department (Section 54-59-19).
17. Receive periodic reports on the status of the risk management workers' compensation program (Section 65-04-03.1(5)).
18. Consider the provision of extraterritorial workers' compensation insurance (Section 65-08.1-02).
19. Review and report on budget data (Legislative Council directive).
20. Consider requests to use money in the State Forester reserve account (Section 4-19-01.2).
21. Consider requests by the Board of University and School Lands to invest in real property (Section 15-03-04).
22. Receive report on sources of funds received for construction projects of entities under the State Board of Higher Education (Section 15-10-12.3).
23. Consider Game and Fish Department land acquisitions (Section 20.1-02-05.1).
24. Consider requests by the Game and Fish Department to reduce the balance of the game and fish fund below \$10 million (Section 20.1-02-16.1).
25. Consider the provision of contract services by the Developmental Center (Section 25-04-02.2).
26. Consider a waiver of exemption of special assessments levied for flood control purposes on state property (Section 40-23-22.1).
27. Receive report on annual audits of renaissance fund organizations (Section 40-63-07(9)).
28. Consider requests to terminate the food stamp program (Section 50-06-05.1(17)).
29. Consider requests to terminate the energy assistance program (Section 50-06-05.1(19)).
30. Consider requests for transfers which will result in program elimination (Section 54-16-04(1)).

31. Receive reports on new correctional programs which exceed \$100,000 of costs during a biennium (Section 54-23.3-09).
32. Consider requests to use cashflow financing (Section 54-27-23).
33. Receive report on transfers from the budget stabilization fund (Section 54-27.2-03).
34. Consider the reduction of budgets due to initiative or referendum action (Section 54-44.1-13.1).
35. Consider requests for the distribution of Children's Services Coordinating Committee grants (Section 54-56-03).
36. Receive report on Workforce Safety and Insurance building maintenance account (Section 65-02-05.1).
37. Hold legislative hearings for federal block grants (2003 House Concurrent Resolution No. 3001).
38. Receive report identifying every state agency that has not submitted a claim for property belonging to that agency (Section 47-30.1-24.1, Section 6 of 2003 House Bill No. 1013).
39. Consider relinquishment of agency rights to recover property (Section 47-30.1-24.1, Section 6 of 2003 House Bill No. 1013).
40. Receive annual reports on payments received and expenditures from the performance assurance fund (Section 49-21-31, Section 1 of 2003 House Bill No. 1052).
41. Consider requests for transfers of spending authority from the state contingencies appropriation exceeding \$50,000 (Section 54-16-09, Section 8 of 2003 Senate Bill No. 2422).
42. Receive reports on purchases of "put" options (Section 54-44-16, Section 1 of 2003 House Bill No. 1441).
43. Consider request for approval of expenditures exceeding \$130,000 from Department of Commerce operating fund for web site maintenance (Section 54-60-10, Section 1 of 2003 Senate Bill No. 2030).
44. Receive annual reports on money spent to administer an Internet web site that provides career guidance and job opportunity services (Section 54-60-10, Section 1 of 2003 Senate Bill No. 2030).
45. Consider request for construction of equipment and storage buildings in Towner and Bottineau (Section 11 of 2003 House Bill No. 1003).
46. Receive report on the internship program (Section 31 of 2003 House Bill No. 1003).
47. Receive report on the status of outsourcing employee positions (Section 13 of 2003 House Bill No. 1004).
48. Receive reports on the status of the Veterans Home governing board's progress in developing and implementing the Veterans Home strategic plan (Section 4 of 2003 House Bill No. 1007).
49. Receive report on Veterans Home line item transfers of up to \$150,000 (Section 6 of 2003 House Bill No. 1007).
50. Receive report on recommendations for merger of the Oil and Gas Division and Geological Survey (Section 14 of 2003 House Bill No. 1015).
51. Receive report on any transfers between line items and between subdivisions in excess of \$50,000 (Section 7 of 2003 Senate Bill No. 2012).
52. Consider requests to make transfers from the Bank of North Dakota to offset declines in general fund revenue (Section 10 of 2003 Senate Bill No. 2015).
53. Receive reports on the delivery of consolidated services to agencies and the status of accumulated savings (Section 30 of 2003 Senate Bill No. 2015, Section 12 of 2003 House Bill No. 1505).
54. Receive report on specified commodities and services exempted from the procurement requirements of Chapter 54-44.4 (Section 42 of 2003 Senate Bill No. 2015).
55. Receive reports on transfers of funds between line items for state agencies to accommodate information technology funding reductions (Section 8 of 2003 House Bill No. 1505).
56. Receive report on the information technology organizational study and the information technology management study (Section 13 of 2003 House Bill No. 1505).
57. Receive reports on the implementation and procedures of contracting with counties to house female inmates (Section 5 of 2003 House Bill No. 1506).
58. Receive reports on state employee positions eliminated by agencies and reported agency budgetary savings (Section 1 of 2003 Senate Bill No. 2423).
59. Receive reports on the state employee salary increases (Section 3 of 2003 Senate Bill No. 2423).

CORRESPONDENCE FROM ETHANOL PLANTS

Pursuant to NDCC Section 4-14.1-07, correspondence from the North Dakota ethanol plant receiving production incentives from the state was distributed to the committee members. The correspondence relates to the Alchem, Ltd., LLP, plant and indicates that the plant produced a loss after deducting the payments received from the North Dakota ethanol production incentive program. A copy of the correspondence is on file in the Legislative Council office.

**COMMITTEE DISCUSSION
AND STAFF DIRECTIVES**

It was moved by Representative Wald, seconded by Representative Skarphol, and carried on a voice vote that the Budget Section meeting be adjourned subject to the call of the chair. Chairman Svedjan adjourned the meeting at 3:48 p.m.

Stephanie A. Johnson
Fiscal Analyst

Jim W. Smith
Legislative Budget Analyst and Auditor

ATTACH:1