

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

**BUDGET SECTION**

Tuesday, March 13, 2012  
Senate Chamber, State Capitol  
Bismarck, North Dakota

Senator Tony Grindberg, Chairman, called the meeting to order at 9:00 a.m.

**Members present:** Senators Tony Grindberg, Bill Bowman, Randel Christmann, Robert Erbele, Ray Holmberg, Ralph L. Kilzer, Karen K. Krebsbach, Larry Robinson, Mac Schneider, Ryan M. Taylor, Terry M. Wanzek, Rich Wardner, John Warner; Representatives Larry Bellew, Michael D. Brandenburg, Stacey Dahl, Jeff Delzer, Mark A. Dosch, Lee Kaldor, Jerry Kelsh, Keith Kempenich, Matthew M. Klein, Gary Kreidt, Joe Kroeber, Ralph Metcalf, David Monson, Jon Nelson, Bob Skarphol, Blair Thoreson, Don Vigesaa, Alon Wieland, Clark Williams

**Members absent:** Senator David O'Connell; Representatives Al Carlson, David Drovda, Eliot Glasheim, Kathy Hawken, Bob Martinson, Chet Pollert

**Others present:** Jim W. Smith, Legislative Council, Bismarck

See [Appendix A](#) for additional persons present.

**It was moved by Senator Robinson, seconded by Senator Holmberg, and carried on a voice vote that the minutes of the December 13, 2011, meeting be approved as distributed.**

**STATUS OF THE GENERAL FUND**

Ms. Pam Sharp, Director, Office of Management and Budget, presented the following information ([Appendix B](#)) on the status of the state general fund for the 2011-13 biennium:

|   |                 |               |
|---|-----------------|---------------|
| Unobligated general fund balance - July 1, 2011                           |                 | \$996,832,711 |
| Add   |                 |               |
| General fund collections through February 2012                            | \$1,689,600,274 |               |
| Forecasted general fund revenue for the remainder of the 2011-13 biennium | 2,163,020,626   |               |
| Total estimated general fund revenue for the 2011-13 biennium             |                 | 3,852,620,900 |
| Balance obligated for authorized carryover from the 2009-11 biennium      |                 | 106,945,443   |
| Estimated total available   |                 | 4,956,399,054 |
| Less  |                 |               |
| 2011-13 biennium general fund ongoing appropriations                      | (3,532,895,032) |               |

|  |               |                            |
|--|---------------|----------------------------|
| 2011-13 biennium general fund one-time appropriations  | (533,958,760) |                            |
| 2011-13 biennium special session appropriations  | (169,832,668) |                            |
| Balance obligated for authorized carryover from the 2009-11 biennium   | (106,945,443) |                            |
| 2011-13 biennium emergency appropriations utilized in the 2009-11 biennium                                     | 519,254       |                            |
| Estimated deficiency requests  |               |                            |
| Department of Human Services - Accelerated 2013-15 biennium federal medical assistance percentage (FMAP) costs | (21,200,000)  |                            |
| Total appropriations and estimated deficiency requests   |               | (4,364,312,649)            |
| Estimated general fund balance - June 30, 2013   |               | \$592,086,405 <sup>1</sup> |

<sup>1</sup>Pursuant to North Dakota Century Code Section 54-27.2-02, any end-of-biennium balance in excess of \$65 million must be transferred to the budget stabilization fund, up to a cap of 9.5 percent of general fund appropriations. This amount does not reflect any potential transfers.

Ms. Sharp presented information on general fund revenue collections for February 2012 and the 2011-13 biennium to date. She said general fund revenues collected biennium to date are \$394.9 million or 30.5 percent more than the April 2011 legislative forecast. She said sales tax collections have exceeded estimates by \$218.6 million, or 45.9 percent, and individual income tax collections have exceeded estimates by \$75.7 million, or 48.9 percent.

Ms. Sharp said the Department of Human Services anticipates requesting a deficiency appropriation related to the FMAP rate dropping to 52.27 percent in fiscal year 2012 at an estimated cost to the state of \$21.2 million. She said in the 2013-15 biennium the FMAP rate is likely to decrease to the minimum of 50 percent.

In response to a question from Representative Skarphol, Ms. Debra A. McDermott, Assistant Director, Fiscal Administration, Department of Human Services, said the FMAP is calculated on a three-year average of each state's personal income per capita. She said there is a three-year delay in population data used in the calculation, and the 2013 rate will be calculated using data from 2010, 2009, and 2008.

## ECONOMIC INDICATORS

Ms. Sharp presented statistics on the oil industry. She provided average monthly oil statistics from October 2011 to December 2011, including a history of price per barrel, production, and drilling activity. She said the posted price per barrel of oil in December 2011 was \$87.98 per barrel, production in December 2011 was approximately 534,900 barrels per day, and the February 2012 rig count was 206 rigs. She said the rig count has increased by 34 rigs compared to the number operating in February 2011. She said current production and price is more than the April 2011 legislative forecast, which based oil production increasing from 390,000 barrels to 425,000 barrels per day during the 2011-13 biennium and prices ranging from \$72 to \$75 per barrel.

## IRREGULARITIES IN THE FISCAL PRACTICES OF THE STATE

Pursuant to Section 54-14-03.1, Ms. Sharp presented information on irregularities in the fiscal practices of the state. She said for the period of November 2011 through February 2012, there were no state agencies with fiscal irregularities.

## STATE AGENCY APPLICATIONS FOR FEDERAL GRANTS

Ms. Sharp presented information on state agencies that applied for federal grants estimated to be \$25,000 or more pursuant to Section 54-27-27. She said this section requires the Office of Management and Budget (OMB) to present at each meeting of the Budget Section reports received from state agencies, other than entities under the control of the State Board of Higher Education, that have applied for federal grants estimated to be \$25,000 or more. She said this reporting requirement became effective July 1, 2011. She said for the period November 2011 through February 2012, the following agencies applied for a federal grant estimated to be \$25,000 or more:

| Agency                           | Time Period of Grant                 | Amount       | Title of Grant                                  |
|----------------------------------|--------------------------------------|--------------|---|
| Department of Veterans' Affairs  | August 2012 through July 2013        | \$156,000    | AmeriCorps                                      |
| Department of Public Instruction | July 2012 through June 2015          | \$3,965,274  | Statewide longitudinal data system              |
| Department of Labor              | February 2012 through September 2012 | \$165,400    | Fair Housing Outreach and Education Partnership |
| Department of Transportation     | January 2012 through December 2012   | \$10,000,000 | TIGER III                                       |

In response to a question from Representative Delzer, Ms. Sharp said because the Budget Section meets quarterly, some agency applications for federal grants were submitted after the December 2011

Budget Section meeting and have been approved; therefore, the agency is requesting Emergency Commission and Budget Section approval to spend the funds awarded.

Representative Delzer said the intent of the reporting requirement is to notify members of the Budget Section of potential requests prior to consideration of approval by the Emergency Commission or Budget Section.

## STATE BOARD OF HIGHER EDUCATION - MONTHLY PROJECT VARIANCE REPORTS

Ms. Tammy Dolan, Management and Fiscal Analyst, Office of Management and Budget, presented monthly project variance reports ([Appendix C](#)) on State Board of Higher Education projects pursuant to Section 15-10-47. She said this section requires that whenever any new construction, renovation, or repair, valued at more than \$250,000 is underway on the campus of an institution of higher education under the control of the State Board of Higher Education, the State Board of Higher Education must provide OMB with monthly project variance reports. She said the State Board of Higher Education monthly project variance reports must include:

- Name or description of the project.
- Expenditure authorized by the Legislative Assembly.
- Amount of the original contract.
- Amount of any change orders and description.
- Amount of any potential or anticipated change orders.
- Sum of the original contract, change orders, and potential or anticipated change orders and the amount by which that sum varies from the expenditure authorized by the Legislative Assembly.
- Total expenditures to date.
- Scheduled date of completion as noted in the original contract and the latest available scheduled date of completion.
- List of each public and nonpublic entity that has a contractually reflected financial obligation with respect to the project.

Ms. Dolan said the change order details were not included in the report provided to the Budget Section but are available from OMB upon request. She said the State Architect reviews change orders and project progress monthly as reports are received.

## PROPOSED CHANGES TO THE 2011-13 BIENNIUM BUDGET DATA

Chairman Grindberg called on Ms. Sheila Peterson, Director of Fiscal Management, Office of Management and Budget, to present proposed changes ([Appendix D](#)) to the 2013-15 biennium budget data pursuant to Section 54-44.1-07, including anticipated activities and timeline, budget system

changes, and the Governor's budget request guidelines. Ms. Peterson said OMB anticipates releasing budget guidelines to the agencies for the 2013-15 biennium in April. She said the guidelines are released at a meeting that includes the Governor, OMB staff, agency directors and fiscal staff, and any other interested persons. She said OMB will work with Economy.com and the Tax Department to complete a preliminary revenue forecast in July 2012. She said the forecast will include updated revenue information for the 2011-13 biennium and a preliminary estimate of 2013-15 revenues. She said agency budgets must be submitted to OMB by July 15, 2012. She said from August through mid-October, OMB will conduct agency budget hearings. She said an updated revenue forecast will be completed in November, and the executive budget will be delivered to the Legislative Assembly during its organizational session in December.

Ms. Peterson proposed the following changes to the 2013-15 biennium budget data pursuant to Section 54-44.1-07:

- Eliminate telecommute analysis data for new full-time equivalent (FTE) positions.
- Eliminate the printed copies of detailed budget data.

Ms. Peterson said there are fewer than 10 state employees that telecommute, and telecommuting is not feasible for most positions. She said telecommute analysis has been completed for at least three bienniums and to her knowledge the data has had only limited use. She said the detailed budget data is included in an Internet-based report accessible on the OMB website. She said eliminating the printed detailed budget data would save an estimated \$5,000 in printing and binder costs.

Senator Christmann suggested the telecommute analysis continue to be a consideration for positions as applicable.

**It was moved by Representative Skarphol, seconded by Representative Dahl, and carried on a roll call vote to approve the following changes to the 2013-15 biennium budget data:**

- **Eliminate telecommute analysis data for new FTE positions.**
- **Eliminate printed detailed budget data - The information will be accessible online and printed copies made available upon request.**

Senators Grindberg, Bowman, Christmann, Erbele, Holmberg, Kilzer, Robinson, Schneider, Taylor, Wanzek, Wardner, and Warner and Representatives Bellew, Brandenburg, Dahl, Delzer, Dosch, Kaldor, Kelsh, Kempenich, Klein, Kreidt, Kroeber, Metcalf, Monson, Nelson, Skarphol, Thoreson, Vigesaa, Wieland, and Williams voted "aye." No negative votes were cast.

## IMPLEMENTATION OF STATE EMPLOYEE COMPENSATION SYSTEM INITIATIVES

Chairman Grindberg called on Ms. Sharp to present a status update ([Appendix E](#)) on the implementation of the compensation initiatives pursuant to 2011 House Bill No. 1031. Ms. Sharp said that the adoption of new grade structures and new market-related salary ranges will be effective July 1, 2012. She said there are implications of establishing new salary ranges and grade structures without additional funding. She said by delaying implementation until July 2012, Human Resource Management Services had adequate time to educate agencies on the related changes, and most agencies reported having funding available to increase the salaries of employees that will be below the new market minimums for their respective range.

The legislative budget analyst and auditor said that the final report ([Appendix F](#)) from Hay Group on the implementation of recommendations relating to the state employee compensation system study has been received, and the final report and supplement is on file in the Legislative Council office.

## ADJUTANT GENERAL REPORTS

Chairman Grindberg called on Major General David Sprynczynatyk, Adjutant General, to provide an update ([Appendix G](#)) on 2011 flood disasters and related expenditures. Major General Sprynczynatyk said estimated 2011 flood disaster costs relating to public response, recovery, and mitigation total \$702 million as of March 9, 2012, of which the estimated state share is \$41.2 million. He said this estimate does not include Small Business Administration (SBA) loans (\$252 million as of March 9, 2012) or individual home and business owner damages (\$452 million estimated as of March 9, 2012). He presented the following projections relating to estimated public response, recovery, and mitigation flood costs:

|                       | Current Projection<br>(Amounts Shown in Millions) | State Share<br>(Amounts Shown in Millions) | State Share Description   |
|-----------------------|---|--|---|
| State indirect        | 24.0  | 1.7  | Mission assignments require 7 percent state match and 3 percent local share.  |
| Public infrastructure | 300.0   | 21.0                                       | 10 percent match - State will provide 7 percent (4 percent state share plus 3 percent for one-half of the 6 percent local share pursuant to provisions of 2011 Senate Bill No. 2369). |
| Individual assistance | 245.0 <sup>1</sup>                                | 2.5  | The other needs assistance category of individual assistance requires a 25 percent match. The transitional housing assistance match is estimated at \$2 million.                      |

|                   | Current Projection<br>(Amounts Shown in Millions) | State Share<br>(Amounts Shown in Millions) | State Share Description   |
|-------------------|---|--|---|
| Hazard mitigation | 133.0   | 16.0                                       | 25 percent match - State will provide 17.5 percent (10 percent state share plus 7.5 percent for one-half of the 15 percent local share pursuant to provisions of Senate Bill No. 2369). |
| Total             | \$702.0   | \$41.2                                     |   |

<sup>1</sup>The following chart provides information on individual assistance awarded by county or tribe as of November 23, 2011:

| County/Tribe      | Applications | Individual Housing Eligible | Individual Housing Amount | Housing Assistance Eligible | Housing Assistance Amount | Other Needs Eligible | Other Needs Amount | Total Funding |
|-------------------|--------------|-----------------------------|---------------------------|-----------------------------|---------------------------|----------------------|--------------------|---------------|
| Barnes            | 114          | 70                          | \$138,929                 | 68                          | \$135,266                 | 11                   | \$3,663            | \$277,858     |
| Benson            | 89           | 52                          | 65,953                    | 51                          | 61,284                    | 11                   | 4,669              | 131,906       |
| Burleigh          | 1,097        | 786                         | 2,912,818                 | 759                         | 2,846,982                 | 222                  | 65,836             | 5,825,636     |
| McHenry           | 399          | 190                         | 669,242                   | 180                         | 652,967                   | 33                   | 16,275             | 1,338,484     |
| Morton            | 390          | 236                         | 948,403                   | 213                         | 924,229                   | 77                   | 24,175             | 1,896,807     |
| Ramsey            | 131          | 60                          | 99,611                    | 58                          | 97,977                    | 5                    | 1,634              | 199,222       |
| Renville          | 131          | 74                          | 609,616                   | 68                          | 595,653                   | 18                   | 13,963             | 1,219,232     |
| Richland          | 72           | 46                          | 80,039                    | 46                          | 78,297                    | 3                    | 1,742              | 160,078       |
| Spirit Lake Tribe | 28           | 16                          | 40,001                    | 15                          | 39,817                    | 1                    | 185                | 80,003        |
| Ward              | 7,726        | 5,937                       | 89,800,383                | 5,895                       | 87,811,870                | 1,055                | 1,988,513          | 179,600,766   |
| Other             | 109          |                             |                           |                             |                           |                      |                    |               |
| Total             | 10,286       | 7,467                       | \$95,364,995              | 7,353                       | \$93,244,342              | 1,436                | \$2,120,655        | \$190,729,992 |

Major General Sprynczynatyk said SBA loans may be provided for physical structural damages as well as economic loss resulting from the 2011 flood--economic injury disaster loan (EIDL). He said SBA loan approvals as of March 9, 2012, include:

| County   | SBA Loans Approved | SBA Loan Amount |
|----------|--------------------|-----------------|
| Barnes   | 8                  | \$276,000       |
| Benson   | 1                  | 44,300          |
| Burleigh | 184                | 10,958,000      |
| Emmons   | 1                  | 7,500           |
| McHenry  | 20                 | 896,100         |
| Morton   | 64                 | 3,740,000       |
| Ramsey   | 4                  | 60,500          |
| Renville | 8                  | 399,900         |
| Richland | 4                  | 157,700         |
| Ward     | 2,130              | 235,741,800     |
| Total    | 2,424              | \$252,281,800   |

Major General Sprynczynatyk said the projected ending balance in the state disaster relief fund is \$6.4 million for the 2011-13 biennium. He said this balance includes expenditures for known disasters, and the balance will change if another disaster occurs. He said because of abnormally dry conditions in the state this winter, if North Dakota does not receive significant snow and rain in March and early April, significant fire potential will increase to above normal. He said the Adjutant General is monitoring potential areas of drought and fire hazards.

Representative Delzer suggested an analysis be provided by the Adjutant General at the next meeting of the Budget Section of the status of appropriations provided from the state disaster relief fund by initiative, including appropriation amount, expenditure to date, and estimated remaining expenditures in the 2011-13 biennium.

## AGENCY REQUESTS AUTHORIZED BY THE EMERGENCY COMMISSION

Chairman Grindberg directed the Budget Section to consider agency requests, which have been authorized by the Emergency Commission and forwarded to the Budget Section pursuant to Section 54-16-04.1. He said the information relating to the requests ([Appendix H](#)) was provided to Budget Section members prior to the meeting.

In response to a question from Senator Christmann, Ms. Peterson said the snow removal referenced in Emergency Commission Request #1791 is for snow removal costs not necessarily incurred this winter, but damage caused by substantial snow from previous winters. She said the focus of the request is for road maintenance required due to substantial snow and snow removal.

**It was moved by Senator Robinson, seconded by Senator Holmberg, and carried on a roll call vote that pursuant to Chapter 54-16 the Budget Section approve the following requests, which have been approved by the Emergency Commission:**

- **Attorney General (Request #1782) - Request for \$80,000 from the state contingencies appropriation for the operating expenses line item for expenses related to the multistate arbitration hearings concerning funds due the state from the Master Settlement Agreement with tobacco companies.**
- **School for the Deaf (Request #1784) - Request to increase the capital assets line item by \$200,000 of special funds from additional revenue generated by the use of the School for the Deaf campus and services by the Head Start program. The**

additional authority is to meet the funding requirements of master facility plan projects approved by the Legislative Assembly in 2011.

- Department of Transportation (Request #1786) - Request to increase the grants line item by \$1 million to accept and disburse Federal Transit Administration grant funding to local transit providers to replace transit buses.
- Department of Transportation (Request #1787) - Request to increase the grants line item by \$906,614 to accept and disburse Federal Railroad Administration grant funding to the Red River Valley and Western Railroad (\$305,239) and Northern Plains Railroad (\$601,375) for reimbursement of costs related to disasters in 2009.
- Department of Transportation (Request #1788) - Request to increase federal funds spending authority by \$349,131 to accept commercial driver's license program improvement grant funds from the Federal Motor Carrier Safety Administration for the operating expenses line item (\$216,271) and capital assets line item (\$132,860). The funding is to be used for RoadTest hardware and software and related training.
- Department of Transportation (Request #1789) - Request to increase the grants line item by \$2 million, from \$6.9 million to \$8.9 million, to distribute additional funds from the public transportation fund to local public transit agencies. The additional funding is available due to revenues in the fund exceeding estimates.
- Department of Transportation (Request #1790) - Request to increase the grants line item by \$251,840 to accept and disburse federal National Highway Traffic Safety Administration high fatality rate grants.
- Department of Transportation (Request #1791) - Request to increase the operating expenses line item by \$1.2 million of federal funding for snow removal and maintenance services on United States Air Force missile site roads.
- Department of Transportation (Request #1792) - Request to increase the grants line item by \$10 million to accept and disburse United States Department of Transportation TIGER III grant funding to rebuild a 20-mile segment of railroad track and two railroad bridges near Churchs Ferry.
- Game and Fish Department (Request #1794) - Request to increase the grants line item by \$2.5 million to accept and disburse United States Fish and Wildlife Service Sportfish Restoration Act grants for the repair and reconstruction of Missouri River boating ramps damaged during the 2011 flood. The request requires 25 percent state matching funds which will be provided from Game and Fish Department operating funds.

Senators Grindberg, Bowman, Christmann, Erbele, Holmberg, Kilzer, Krebsbach, Robinson, Schneider, Taylor, Wanzek, Wardner, and Warner and Representatives Bellew, Brandenburg, Dahl, Delzer, Dosch, Kaldor, Kelsh, Kempenich, Klein, Kreidt, Kroeber, Metcalf, Monson, Nelson, Skarphol, Thoreson, Vigesaa, Wieland, and Williams voted "aye." No negative votes were cast.

Regarding Emergency Commission Request #1783 relating to the Labor Commissioner's request to accept funds from the United States Department of Housing and Urban Development Fair Housing Public Outreach and Education Partnership grant program (\$165,400), Representative Delzer expressed concern that the request more than doubles the funding available for fair housing. He said the request should be considered by the entire Legislative Assembly.

Senator Holmberg expressed support for the request because the grant was competitive and was awarded to the state based on an illustrated need.

**It was moved by Senator Holmberg, seconded by Senator Robinson, and carried on a roll call vote that pursuant to Chapter 54-16 the Budget Section approve the following request, which has been approved by the Emergency Commission:**

- Labor Commissioner (Request #1783) - Request to increase federal funds spending authority by \$165,400 to accept funds from the United States Department of Housing and Urban Development for the operating expenses line item to provide education, awareness, and information relating to the state's fair housing laws through announcements, paid advertising, and public speaking engagements.

Senators Bowman, Christmann, Erbele, Holmberg, Kilzer, Krebsbach, Robinson, Schneider, Taylor, Wanzek, Wardner, and Warner and Representatives Dahl, Kaldor, Kelsh, Klein, Kroeber, Metcalf, Nelson, and Williams voted "aye." Senator Grindberg and Representatives Bellew, Brandenburg, Delzer, Dosch, Kempenich, Kreidt, Monson, Skarphol, Thoreson, Vigesaa, and Wieland voted "nay."

Regarding Emergency Commission Request #1793 relating to the Department of Transportation's request to accept and expend funds from Federal Highway Administration emergency relief funding (\$344.7 million) and provide the required state match (\$45.6 million), Representative Skarphol asked

for more information on the required state match. Ms. Peterson said a loan from the Bank of North Dakota will be requested for the state match because the amount of the local match required was unknown during the 2011 regular legislative session.

In response to a question from Representative Delzer, Ms. Peterson said the Department of Transportation may request a deficiency appropriation to repay the Bank of North Dakota loan. She said the department could use additional motor vehicle fuel tax or registration fee collections to repay a portion of the loan.

Representative Delzer said during the 2011 regular legislative session, information provided to the House of Representatives regarding the authority for the Department of Transportation to borrow up to \$120 million did not indicate a state match would be required.

**It was moved by Representative Skarphol, seconded by Representative Delzer, and carried on a roll call vote that pursuant to Chapter 54-16 the Budget Section approve the following request, which has been approved by the Emergency Commission, that the Budget Section encourage the Department of Transportation, to the extent possible, use highway fund revenues available during the 2011-13 biennium to repay the Bank of North Dakota loan for the state matching share, and that the Department of Transportation provide status reports to the Budget Section regarding the availability of funding to repay the Bank of North Dakota loan:**

- **Department of Transportation (Request #1793) - Request to increase spending authority by \$377,100,000 to accept and expend Federal Highway Administration emergency relief funding of \$344,700,000 and required local political subdivision matching funds of \$32,400,000. The spending authority request is for the operating expenses line item (\$64,670,000), capital assets line item (\$269,730,000), and grants line item (\$42,700,000). The request requires \$45.6 million of state matching funds and \$32.4 million of matching funds from local political subdivisions.**

Senators Grindberg, Bowman, Christmann, Erbele, Holmberg, Kilzer, Krebsbach, Robinson, Schneider, Taylor, Wanzek, Wardner, and Warner and Representatives Bellew, Brandenburg, Dahl, Delzer, Dosch, Kaldor, Kelsh, Kempenich, Klein, Kreidt, Kroeber, Metcalf, Monson, Nelson, Skarphol, Thoreson, Vigesaa, Wieland, and Williams voted "aye." No negative votes were cast.

### **STATE WATER COMMISSION - GRANTS FROM THE RESOURCES TRUST FUND**

Mr. Dave Laschkewitsch, Administrative Services Director, State Water Commission, presented a request ([Appendix I](#)) for Budget Section approval

pursuant to 2011 Senate Bill No. 2371 and Section 4 of 2011 Senate Bill No. 2020 to spend additional funding available in the resources trust fund. He said Senate Bill No. 2371 appropriated \$50 million from the resources trust fund to the State Water Commission subject to Budget Section approval. He said the commission is requesting to utilize \$31,714,000 of additional funding available in the resources trust fund. If approved, he said, \$12,736,000 of the \$50 million appropriation would remain as follows:

|   |             |              |
|---|-------------|--------------|
| SB 2371 appropriation from the resources trust fund |             | \$50,000,000 |
| Requested Budget Section approval March 2012        |             |              |
| Burleigh County property acquisitions               | \$1,425,000 |              |
| City of Minot                                       | 17,750,000  |              |
| City of Burlington                                  | 1,039,000   |              |
| Ward County   | 11,500,000  |              |
| Approved by Budget Section December 2011            |             |              |
| City of Minot                                       | 2,500,000   |              |
| City of Valley City                                 | 3,000,000   |              |
| Souris River Joint Water Resource District          | 50,000      |              |
| Total 2011-13 biennium requests                     |             | 37,264,000   |
| Remaining funding                                   |             | \$12,736,000 |

Chairman Grindberg asked that a summary of 2011-13 biennium to date activity of the resources trust fund be provided at the next meeting of the Budget Section.

**It was moved by Representative Klein, seconded by Representative Kaldor, and carried on a roll call vote that the Budget Section approve the State Water Commission's request pursuant to Senate Bill No. 2371 and Section 4 of Senate Bill No. 2020 to spend \$31,714,000 of additional funding available in the resources trust fund for Burleigh County property acquisitions (\$1,425,000), for the city of Minot (\$17,750,000), for the city of Burlington (\$1,039,000), and for Ward County (\$11,500,000). Senators Grindberg, Bowman, Christmann, Erbele, Holmberg, Kilzer, Krebsbach, Robinson, Taylor, Wanzek, Wardner, and Warner and Representatives Bellew, Brandenburg, Dahl, Delzer, Dosch, Kaldor, Kelsh, Kempenich, Klein, Kreidt, Kroeber, Metcalf, Monson, Nelson, Skarphol, Thoreson, Vigesaa, Wieland, and Williams voted "aye." No negative votes were cast.**

### **NORTH DAKOTA UNIVERSITY SYSTEM - CHANGE IN SCOPE OF PROJECTS**

Chairman Grindberg called on representatives of the North Dakota University System to present information ([Appendix J](#)) regarding requests for Budget Section approval of changes to the following project authorizations pursuant to Sections 48-01.2-25 and 15-10-12.1.

**Mayville State University -  
Agassiz Hall Renovation Project**

Mr. Steven Bensen, Vice President for Business Affairs, Mayville State University, presented a request for Budget Section approval under Section 48-01.2-25 to increase the Agassiz Hall renovation project authorization by \$30,000 from \$3,745,000 to \$3,775,000 for closeout costs and general contractor items to be paid from campus housing reserves. He said the Agassiz Hall renovation project was completed in 2011 and is currently at 88 percent occupancy. He said the campus housing reserves has a balance of \$300,318.

In response to a question from Representative Delzer, Mr. Bensen said \$19,000 of the \$30,000 is requested for unanticipated contingency costs to ensure the project does not exceed the budget. He said the funding would remain in the campus housing reserve if not needed for remaining closeout costs and general contractor items.

**It was moved by Senator Wardner, seconded by Senator Holmberg, and carried on a roll call vote that the Budget Section approve under Section 48-01.2-25 the Mayville State University request to increase the Agassiz Hall renovation project authorization by \$30,000 from \$3,745,000 to \$3,775,000 for closeout costs and general contractor items to be paid from campus housing reserves.** Senators Grindberg, Bowman, Christmann, Erbele, Holmberg, Kilzer, Krebsbach, Robinson, Taylor, Wanzek, Wardner, and Warner and Representatives Bellew, Dahl, Delzer, Kaldor, Kelsh, Klein, Kreidt, Kroeber, Metcalf, Monson, Nelson, Skarphol, Thoreson, Vigesaa, Wieland, and Williams voted "aye." Representatives Brandenburg, Dosch, and Kempenich voted "nay."

**University of North Dakota - Joint  
Information Technology Project**

Mr. William G. Goetz, Chancellor, North Dakota University System, presented a request for Budget Section approval of a change in scope of the joint University of North Dakota and University System information technology (IT) office building project under Section 48-01.2-25 to include renovation of an existing facility and construction of a new facility. He said the IT project arose because the location of current IT facilities is in jeopardy due to water issues of the building and to centralize IT personnel currently located in six to seven different locations. He said the initial appropriation for the IT project included \$12.5 million from the general fund, up to \$5 million from one-time efficiency savings, and a federal grant of \$8 million. He said the federal grant of \$8 million was not available; therefore, a steering committee was organized to review and revise the project based on available funding.

Mr. Randall Thursby, Chief Information Officer, North Dakota University System, said the steering committee reviewed options and recommended

renovation of an existing facility and construction of a new facility at a cost of \$15.5 million. He said the revised project plan costs less than the original plan and provides for a Tier III rather than a Tier II IT facility meeting the secure data center requirements for administrative, academic, and research standards.

Mr. Josh Riedy, Chief Information Officer, University of North Dakota, said renovation of the existing central receiving facility meets requirements of the project. He said central receiving does not need the space that will be used for the joint IT office building.

In response to a question from Representative Dosch regarding why the option to renovate an existing building was not presented during the 2011 regular legislative session, Mr. Goetz said that capital projects are subject to changes and decisions throughout the construction process. He said during the 2011 regular legislative session, the central receiving facility had not yet been considered as a renovation option.

Representative Delzer expressed concern that a change in project scope this significant is being considered by the Budget Section. He said the entire Legislative Assembly should be approving this change.

Representative Skarphol said the change in project scope is the result of due diligence making the most effective use of the funding, and as a result, he said, the project is now being completed at less cost and will be a Tier III rather than Tier II IT facility.

**It was moved by Representative Skarphol, seconded by Representative Monson, and carried on a roll call vote that the Budget Section approve the University System request under Section 48-01.2-25 for a change in scope of the joint University of North Dakota and North Dakota University System information technology office building project to include renovation of an existing facility and construction of a new facility, that the University System report to the Appropriations Committees of the 63<sup>rd</sup> Legislative Assembly regarding related information technology ongoing operational savings and efficiencies, and that the University System present to the Appropriations Committees of the 63<sup>rd</sup> Legislative Assembly funding requests for the University System's enterprise information technology services separate from other information technology funding requests for the University System.** Senators Grindberg, Bowman, Christmann, Erbele, Holmberg, Kilzer, Krebsbach, Robinson, Taylor, Wanzek, Wardner, and Warner and Representatives Bellew, Dahl, Kelsh, Klein, Kreidt, Kroeber, Metcalf, Monson, Nelson, Skarphol, Thoreson, Vigesaa, Wieland, and Williams voted "aye." Representatives Brandenburg, Delzer, Dosch, and Kempenich voted "nay."

### North Dakota State College of Science - Bisek Hall Project

Dr. John Richman, President, North Dakota State College of Science, Wahpeton, provided information on a request for Budget Section approval under Section 48-01.2-25 to increase the size of the Bisek Hall project from 54,900 gross square feet to approximately 65,600 gross square feet. He said the addition of 10,700 gross square feet can be accomplished within the original approved budget of \$10.5 million.

**It was moved by Senator Robinson, seconded by Senator Krebsbach, and carried on a roll call vote that the Budget Section approve under Section 48-01.2-25 the increase in size of the Bisek Hall project from 54,900 gross square feet to approximately 65,600 gross square feet, within the original \$10.5 million budget.** Senators Grindberg, Bowman, Christmann, Erbele, Holmberg, Kilzer, Krebsbach, Robinson, Taylor, Wardner, and Warner and Representatives Bellew, Kelsh, Kempenich, Klein, Kreidt, Kroeber, Metcalf, Monson, Nelson, Skarphol, Thoreson, Vigesaa, Wieland, and Williams voted "aye." Senator Wanzek and Representatives Brandenburg, Delzer, and Dosch voted "nay."

### North Dakota State College of Science - Football Complex Renovation

Dr. Richman provided information on a request for approval under Section 15-10-12.3 to utilize \$910,000 from auxiliary service income and \$40,000 from a vendor contribution rather than private funds for a portion of the costs of the football complex renovation project. Mr. Dallas Fossum, Executive Director, Physical Plant, North Dakota State College of Science, was also available for questions. Dr. Richman said auxiliary service income is generated from three sources--bookstore revenue, dining services fees, and residential hall fees. He said for the football complex renovation, only revenue related to the bookstore and dining services would be utilized. He said current reserves are \$1.75 million for the bookstore and \$1.9 million for dining services. He said the balances in the auxiliary funds were accumulated over a number of years.

Dr. Richman said the request is to mitigate the deterioration of the football complex roof resulting from moisture and mold issues which have also caused structural damage to the roof support beams. He said it is important to remediate the moisture and mold issues before further damages to the football complex occur; therefore, the request is to utilize funding from auxiliary service income and a vendor contribution that is immediately available rather than waiting to raise the private funds authorized in 2011 Senate Bill No. 1003. He said if the college can generate additional private funds prior to completion of the project, the funding used from auxiliary reserves will be reduced.

In response to a question from Representative Delzer, Dr. Richman said this request was considered by the Budget Section in December 2011, but the motion to approve the request failed.

In response to a question from Representative Delzer, Dr. Richman said \$250,000 of local funds has been raised for the project.

**It was moved by Senator Robinson and seconded by Representative Metcalf that the Budget Section approve the North Dakota State College of Science request for approval under Section 15-10-12.3 to utilize \$910,000 from auxiliary service income and \$40,000 from a vendor contribution rather than private funds for a portion of the costs of the football complex renovation project.** Senators Grindberg, Bowman, Holmberg, Krebsbach, Robinson, Taylor, Wardner, and Warner and Representatives Kelsh, Klein, Kroeber, Metcalf, Nelson, Skarphol, and Williams voted "aye." Senators Christmann, Erbele, Kilzer, and Wanzek and Representatives Bellew, Brandenburg, Dahl, Delzer, Dosch, Kempenich, Kreidt, Monson, Thoreson, Vigesaa, and Wieland voted "nay." **The motion failed.**

### Minot State University - Flooding Update

Dr. David Fuller, President, Minot State University, presented information ([Appendix K](#)) on the effects of the 2011 flood on Minot State University. Mr. Brian Foisy, Vice President for Administration and Finance, Minot State University, was also available for questions. Dr. Fuller said the estimated financial impact of the 2011 flood on Minot State University is \$7.95 million as follows:

| Impact  | Estimated Cost     |
|---|--------------------|
| Enrollment decline of 7 percent - Tuition decrease - Fiscal year 2012     | \$800,000          |
| Enrollment decline of 7 percent - Fee revenue decrease - Fiscal year 2012 | 250,000            |
| Flat enrollment projection - Fiscal year 2013                             | 1,000,000          |
| Emergency flood-fighting efforts  | 100,000            |
| Long-term flood restoration   | 2,200,000          |
| Emergency housing projects  | 3,600,000          |
| <b>Estimated total</b>  | <b>\$7,950,000</b> |

In response to a question from Representative Klein, Dr. Fuller said 116 Minot State University faculty and staff had flood damage, and approximately 500 rental units traditionally leased by students were damaged. He estimated 40 percent of these homes affected by the flood have been restored and reoccupied.

### State Board of Agricultural Research and Education

Chairman Grindberg called on Mr. Rodney Howe, Chairman, State Board of Agricultural Research and Education, Hettinger, to provide information regarding the status of the board's activities pursuant to Section

4-05.1-19(10). Mr. Howe distributed a publication ([Appendix L](#)) regarding the 2011 highlights of the North Dakota Agricultural Experiment Station and the North Dakota State University Extension Service. He said the board receives information from commodity groups, producers, and researchers. He said the information is summarized into areas, such as soil health, crop quality, improved livestock production, and organic and sustainable agriculture. He said the board prioritizes research initiatives. He said a consideration in establishing priorities is the high cost of living in energy-impacted areas of the state and the effect this has on contracting and retaining talent for workers in these areas.

Dr. Ken Grafton, Vice President for Agriculture and University Extension, North Dakota State University, provided information ([Appendix M](#)) regarding an update of initiatives approved by the Legislative Assembly in 2011. He said nearly all of the FTE positions provided to the Agricultural Experiment Station and the Extension Service have been filled. He said the research greenhouse complex capital project at the Main Research Center is in the final phase of construction.

### **UPPER GREAT PLAINS TRANSPORTATION INSTITUTE - HIGHER EDUCATION ELECTRONIC PORTFOLIO SYSTEM PILOT PROGRAM**

Dr. Denver Tolliver, Associate Director, Upper Great Plains Transportation Institute, provided information ([Appendix N](#)) on the status of the report on transportation infrastructure needs pursuant to Section 1 of 2011 Senate Bill No. 2325. He said the study considers the combined effects of all economic activities on county and local roads throughout the state, including effects from agricultural, manufacturing, and oil-related developments. He said individual components of the study are on schedule and a draft report with results will be available in late June 2012 and a final document and results will be available in September 2012.

### **NORTH DAKOTA AERONAUTICS COMMISSION AND AVIATION INDUSTRY REPRESENTATIVES - INCREASED OIL ACTIVITY IMPACT ON AVIATION INFRASTRUCTURE**

Chairman Grindberg called on Mr. Larry Taborsky, Director, North Dakota Aeronautics Commission, to present information ([Appendix O](#)) on the impact of increased oil activity on aviation infrastructure. Other aviation industry representatives also available were Mr. Kyle Wanner, Aviation Planner, North Dakota Aeronautics Commission; Mr. Steven Kjergaard, Airport Manager, Sloulin Field International Airport, Williston; Mr. Andy Solsvig, Director, Minot International Airport; Mr. Mason Short, Kadmas, Lee

and Jackson, Bismarck; and Mr. Timothy J. Thorsen, President, Airport Association of North Dakota.

Mr. Thorsen said airports in the oil-impacted areas of the state have experienced a significant increase in aviation traffic in recent years, and this trend is anticipated to continue due to traffic associated with increased oil activity and an increase in disposable income. He said aviation activity at the Minot, Williston, and Dickinson airports has substantially increased resulting in existing airport structures not being adequate to meet the need. As a result, he said, ticket prices may be artificially high due to capacity constraints, travel convenience may be negatively impacted as facilities become increasingly crowded, and wait times are likely to increase.

Mr. Kjergaard said that Williston airport annual enplanements have increased from 11,229 in 2009 to 27,774 in 2011, an increase of 147 percent. He said the airport parking terminal is not adequate to accommodate passenger vehicles associated with current levels of aviation traffic and that in the last month over 88 vehicles have been towed.

Mr. Solsvig said the Minot airport annual enplanements have increased from 66,771 in 2009 to 150,450 in 2011, an increase of 125 percent. He said the number of Minot airport enplanements is expected to surpass the Bismarck airport enplanements in 2012. He said the current airport parking terminal consists of 800 parking spaces of which 450 are paved. He said 1,500 parking spaces are necessary to accommodate projected future vehicle parking needs.

Mr. Wanner said the primary and general aviation airports projected five-year preliminary development costs of \$325 million to manage the impacts of increased oil activity on aviation infrastructure. He said this amount exceeds estimated available funding by \$90 million. He provided information on the five-year preliminary development costs for 11 of the most heavily impacted airports as follows:

| Airport                 | Five-Year<br>Estimated<br>Costs | General<br>Description  | Status                                   |
|-------------------------|---------------------------------|---|--|
| <b>Primary Airports</b> |                                 |   |  |
| Dickinson               | \$75,000,000                    | <ul style="list-style-type: none"> <li>• Reconstruct, strengthen, and extend the primary runway</li> <li>• Expand the passenger terminal</li> <li>• Expand the general aviation apron to accommodate increased aircraft operations</li> <li>• Construct a parallel taxiway</li> </ul> | Airport master plan study began in 2011. |
| Minot                   | 90,000,000                      | <ul style="list-style-type: none"> <li>• Shift crosswind runway for safety</li> <li>• Construct new passenger terminal</li> </ul>   | Airport master area study began in 2011. |

| Airport                                   | Five-Year Estimated Costs  | General Description  | Status   |
|---|----------------------------|--|--|
|   |                            | <ul style="list-style-type: none"> <li>Construct or expand cargo apron</li> <li>Construct parallel taxiway</li> </ul>  |  |
| Williston                                 | 128,500,000                | <ul style="list-style-type: none"> <li>Reconstruct existing runway and taxiway or construct a new airfield</li> <li>Expand existing passenger terminal or build new</li> <li>Expand the general aviation area</li> </ul> | Site selection and airport master plan began in 2011.      |
| <b>General Aviation Airports</b>          |                            |  |  |
| Bowman                                    | 12,000,000                 | <ul style="list-style-type: none"> <li>New airport is necessary due to congestion and wildlife hazards.</li> </ul>   | Airport master plan and environmental assessment complete. |
| Crosby                                    | 4,000,000                  | <ul style="list-style-type: none"> <li>Reconfigure the apron and taxiway to allow for expansion</li> <li>Shift runway to meet Federal Aviation Administration (FAA) airport design standards</li> </ul>                  | Airport master plan complete.                              |
| Parshall                                  | 3,000,000                  | <ul style="list-style-type: none"> <li>Extend and overlay the primary runway to meet current FAA design standards</li> </ul>   | Airport master plan and environmental assessment complete. |
| Stanley                                   | 2,500,000                  | <ul style="list-style-type: none"> <li>Reconfigure and expand the apron and taxiway</li> <li>Rehabilitate the primary runway</li> </ul>  | Airport master plan is being finalized.                    |
| Tioga                                     | 2,500,000                  | <ul style="list-style-type: none"> <li>Reconfigure the apron and taxiway</li> </ul>  | Airport master plan is being updated in 2012.              |
| Watford City                              | 1,500,000                  | <ul style="list-style-type: none"> <li>Reconfigure and expand the apron and taxiway</li> <li>Rehabilitate the primary runway</li> </ul>  | Airport master plan is being updated in 2012.              |
| Killdeer                                  | 4,000,000                  | <ul style="list-style-type: none"> <li>Reconstruct the runway, taxiway, and apron</li> </ul>   | Awaiting funding   |
| New Town                                  | 2,000,000                  | <ul style="list-style-type: none"> <li>Reconstruction and extension of the runway</li> </ul>   | Awaiting funding   |
| Total                                     | \$325,000,000 <sup>1</sup> |  |  |
| <sup>1</sup> Estimated available funding: |                            |  |  |
| Five-year estimated costs                 |                            |  | \$325,000,000  |
| Less funding from                         |                            |  |  |
| FAA                                       |                            |  | (108,000,000)  |
| Anticipated local participation           |                            |  | (117,750,000)  |
| North Dakota Aeronautics Commission       |                            |  | (9,250,000)  |
| Estimated shortfall                       |                            |  | \$90,000,000   |

Mr. Thorsen suggested the next Legislative Assembly consider providing oil impact funds to mitigate the impacts of increased oil activity on aviation infrastructure. He said the Aeronautics Commission would be the appropriate agency to administer oil impact funding and coordinate state, federal, and local efforts to solve aviation-related oil impact needs because of authority provided to the commission in statute and the working relationships the commission has established with Federal Aviation Administration officials.

The Budget Section recessed for lunch at 12:15 p.m. and reconvened at 1:10 p.m.

### JOB SERVICE NORTH DAKOTA - JOB INSURANCE TRUST FUND

At the request of Chairman Grindberg, Mr. Darren Brostrom, Director, Unemployment Insurance, Job Service North Dakota, presented information ([Appendix P](#)) regarding the status of the job insurance trust fund pursuant to Section 52-02-17. Mr. Brostrom said the trust fund balance as of December 31, 2011, was \$107.2 million, exceeding the projected trust fund balance of \$106.3 million. He said the target for reserve adequacy was \$104.3 million. He said the targeted modified average high-cost multiplier is currently .88 percent.

### DEPARTMENT OF CORRECTIONS AND REHABILITATION - PRISON EXPANSION PROJECT

Mr. Dave Krabbenhoft, Administrative Director, Department of Corrections and Rehabilitation, presented a report ([Appendix Q](#)) on the prison expansion project pursuant to Section 5 of 2011 House Bill No. 1015. He said provisions of the bill require the Department of Corrections and Rehabilitation to provide quarterly reports to the Budget Section during the 2011-12 interim regarding the progress of the prison expansion project. He said the reports are to include any amounts and purposes of loans from the Bank of North Dakota to defray expenses of the project. He said the project is approximately 50 percent complete and on budget and on time. He said he has received information from the primary project contractor indicating there may be a delay of 35 days to 40 days; however, the official delay has not yet been confirmed. He said the project budget is \$64 million, and through February 2012, project expenditures have totaled \$34.1 million. He said the completion date is scheduled for December 2012, with demolition of the East Cellhouse and west security fencing scheduled to be completed in the spring of 2013.

## STATE DEPARTMENT OF HEALTH - ENVIRONMENTAL PROTECTION AGENCY LITIGATION AND OTHER ADMINISTRATIVE PROCEEDINGS

Mr. David Glatt, Environmental Health Section Chief, State Department of Health, presented information ([Appendix R](#)) on United States Environmental Protection Agency (EPA) litigation and other administrative proceedings pursuant to Section 5 of 2011 House Bill No. 1004. He said the bill provides that the Budget Section receive quarterly reports from the State Department of Health during the 2011-12 interim regarding the status of any litigation and other administrative proceedings involving the EPA. He said the Legislative Assembly in 2011 provided \$1 million for the purpose of defraying expenses associated with legal action against the EPA. He said as of March 2012, \$381,750 has been expended for actions, including preparing, reviewing, and submitting legal briefs to several courts of competent jurisdiction regarding the following legal challenges:

- Sulfur dioxide one-hour standard - Relates to the state challenging an EPA proposition that requires states to utilize air quality models to determine compliance to established standards.
- Best available control technology - Relates to the federal Department of Justice and EPA challenge of the state's determination that selective noncatalytic reduction is the most appropriate control technology for Minnkota Power Cooperative, Inc., to control nitrogen oxide air emissions. In December 2011 the federal district court in Bismarck denied the United States' motions, finding that North Dakota's determination that selective noncatalytic reduction is the best available control technology for the Milton R. Young Station.
- Regional haze state implementation plan - Relates to the EPA challenge of the state's proposed implementation plan to comply with requirements of the regional haze rule. On March 2, 2012, the EPA provided a final decision approving the majority of the state's plan, including approval of the state's selective noncatalytic reduction nitrogen oxide control technology to be installed on the Minnkota and Leland Olds power generation facilities. The EPA final decision did not agree with the state's visibility modeling methodology and would require installation of appropriate combustion controls at the Antelope Valley Station and selective noncatalytic reduction at the Great River Energy Coal Creek Station. The State Department of Health is reviewing the final decision to determine if further action is warranted.
- Other state challenges to consent agreements which directly impact North Dakota but were

developed between the EPA and environmental groups.

Mr. Glatt said that based upon current status of the legal activities associated with the EPA, the State Department of Health is anticipating utilizing the \$500,000 line of credit funding from the Bank of North Dakota as provided in 2011 House Bill No. 1004.

## STATUS OF PROVISIONS OF THE FEDERAL PATIENT PROTECTION AND AFFORDABLE CARE ACT

Chairman Grindberg called on Ms. Rebecca Ternes, Deputy Commissioner, Insurance Department, to present information ([Appendix S](#)) regarding the status of provisions of the federal Patient Protection and Affordable Care Act (PPACA) pursuant to Section 9 of 2011 Senate Bill No. 2010. Ms. Ternes said the Insurance Department continues to work with the United States Department of Health and Human Services (HHS) to comply with components of PPACA. She said HHS issued a bulletin outlining rulemaking on essential health benefits which requires a health insurance mandate decision regarding selection of a benchmark plan that provides a comprehensive package of coverage based on 10 categories determined by HHS. She said this decision is to be made by October 1, 2012; however, Insurance Commissioner Adam W. Hamm has requested an extension to allow time to analyze plans against HHS criteria and to educate the Legislative Assembly of available options. She said final regulations on the health benefit exchange have not yet been released, and HHS will extend the availability of funding for exchange establishment grants through November 2014.

Ms. Ternes said the Insurance Department has drafted an external review process based on House Bill No. 1476 approved during the 2011 special session which amended Section 26.1-36-46 relating to external review procedures. She said the comment period on the draft has ended, and the department is reviewing the four comments received, making adjustments, and finalizing the external review process. She said the department has signed contracts with eight independent review organizations and is prepared to process requests.

Ms. Ternes said House Bill No. 1475 approved by the Legislative Assembly during the 2011 special session authorizes four new FTE positions and appropriates \$642,350 of special funds for implementation of the federal Affordable Care Act. She said the Insurance Department has begun advertising for an actuary position and is in the process of interviewing applicants for the financial analyst position and a life and health analyst position. She said the department's current actuary has also resigned, leaving two actuary positions vacant. She said because the actuarial work is critical and the position is difficult to fill, the department is in the process of procuring an actuarial consultant.

**DEPARTMENT OF HUMAN SERVICES**  
**Status of Medicaid Management**  
**Information System Project**

Ms. Jennifer Witham, Director, Information Technology Services, Department of Human Services, presented information ([Appendix T](#)) regarding the Medicaid management information system (MMIS) project. She said the MMIS project budget is \$62.5 million, and expenditures through January 2012 total \$42.6 million as presented on the following schedule:

| Description   | Budget              | Spent Through January 2012 | Remaining           |
|---------------|---------------------|----------------------------|---------------------|
| General fund  | \$5,117,427         | \$2,900,825                | \$2,216,602         |
| Federal funds | 55,218,418          | 37,541,488                 | 17,676,930          |
| Other funds   | 2,193,526           | 2,193,526                  | 0                   |
| <b>Total</b>  | <b>\$62,529,371</b> | <b>\$42,635,839</b>        | <b>\$19,893,532</b> |

Ms. Witham provided the following summary of each MMIS project component and the amount spent by component:

| Component  | Cost as of January 2012 |
|--|-------------------------|
| MMIS   | \$24,045,111            |
| Provider management  |                         |
| Member management  |                         |
| Claims processing and payment  |                         |
| • Prior authorization  |                         |
| • Utilization review   |                         |
| • Third-party liability  |                         |
| • Recoupment   |                         |
| • Estate recovery  |                         |
| • Drug rebate  |                         |
| Program management   |                         |
| • Benefit administration and care management                                       |                         |
| • Program integrity  |                         |
| • Financial and program analysis and reporting                                     |                         |
| Data warehouse system  | 2,725,000               |
| Longitudinal financial analysis reporting  |                         |
| Clinical outcome and disease management analysis                                   |                         |
| Ad hoc reporting   |                         |
| Independent verification and validation services                                   | 4,839,126               |
| Overall quality assurance monitoring   |                         |
| • System requirements and analysis   |                         |
| • Code development   |                         |
| • Data conversion  |                         |
| • System testing   |                         |
| Verifying the use of appropriate development methodologies and processes           |                         |
| Validating the completeness and accuracy in all project reporting and deliverables |                         |
| Information Technology Department services   | 9,465,088               |
| Project management services  |                         |
| Software development   |                         |
| Systems administration   |                         |
| Other  | 1,561,514               |
| Subject matter experts   |                         |
| Facilities   |                         |
| <b>Total</b>   | <b>\$42,635,839</b>     |

Representative Skarphol requested that the projected total cost by project component be provided in the next report to the Budget Section.

Ms. Witham said Affiliated Computer Services (ACS) and the Department of Human Services finalized negotiations for past project delays, resulting in ACS reducing the contract by \$3.5 million of which \$404,250 is from the general fund. She said the negotiations also addressed inclusion of the HIPAA 5010 transaction standards into the new MMIS at an estimated cost of \$6.6 million of which \$763,088 is from the general fund. She said the Centers for Medicare and Medicaid Services and the project's executive steering committee have approved the increase to the project scope and that the department has sufficient funding within its current operating budget for the cost increase.

Ms. Witham said that as of December 6, 2011, 29,131 Medicaid claims were in suspense compared to the previous claims in suspense as follows:

| As of             | Claims in Suspense | Increase (Decrease) to Prior Report |
|-------------------|--------------------|-------------------------------------|
| March 6, 2012     | 19,897             | (9,234)                             |
| December 6, 2011  | 29,131             | 5,793                               |
| September 7, 2011 | 23,338             | (4,743)                             |
| June 16, 2011     | 28,081             | 1,374                               |
| December 6, 2010  | 26,707             |                                     |

**LEGACY AND BUDGET STABILIZATION**  
**FUND ADVISORY BOARD -**  
**STATUS REPORT**

Senator Christmann, Chairman, Legacy and Budget Stabilization Fund Advisory Board, presented a status report ([Appendix U](#)) regarding the development of investment policies for the legacy fund and budget stabilization fund pursuant to Section 21-10-11. He said the section requires the Legacy and Budget Stabilization Fund Advisory Board to provide at least semiannual reports to the Budget Section regarding asset allocation and investment policies developed for the legacy fund and budget stabilization fund as well as recommendations presented to the State Investment Board regarding investment of funds in the legacy fund and budget stabilization fund.

Senator Christmann said the Legacy and Budget Stabilization Fund Advisory Board continues to evaluate the budget stabilization fund investment policy statement, and the board approved an investment policy statement for the legacy fund in December 2011. He said the advisory board developed the investment policy statement to focus on the goal provided for in 2011 Senate Bill No. 2302 as approved by the Legislative Assembly--to preserve principal while maximizing total return. He said the investment policy statement asset class mix currently provides that 100 percent of legacy fund assets be held in bonds or fixed income, and the advisory board anticipates considering plans for including stocks and

equities as a part of the asset class mix in the future. He requested input from other legislators regarding revisions to the budget stabilization fund investment policy statement and development of an appropriate asset class mix for the legacy fund.

### **TOBACCO PREVENTION AND CONTROL EXECUTIVE COMMITTEE**

Chairman Grindberg announced that the Legislative Council staff distributed to each member a written summary report ([Appendix V](#)) from Ms. Jeanne Prom, Executive Director, Center for Tobacco Prevention and Control Policy, regarding the implementation of the comprehensive tobacco prevention and control plan pursuant to 2011 House Bill No. 1025.

### **COMMITTEE DISCUSSION AND STAFF DIRECTIVES**

Chairman Grindberg announced the next meeting of the Budget Section will be in June 2012.

Senator Taylor suggested the Budget Section receive information from representatives of schools impacted by increased oil activity at the next meeting of the Budget Section in order for the committee to better understand potential funding needs for the 2013-15 biennium.

**It was moved by Senator Holmberg, seconded by Representative Thoreson, and carried on a voice vote that the Budget Section meeting be adjourned subject to the call of the chair.**

The meeting adjourned subject to the call of the chair at 3:05 p.m.

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Sara E. Pahlke  
Fiscal Analyst

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Allen H. Knudson  
Legislative Budget Analyst and Auditor

ATTACH:22