

# NORTH DAKOTA LEGISLATIVE MANAGEMENT

## Minutes of the

### BUDGET SECTION

Thursday, September 15, 2011  
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, Al Carlson, Stacey Dahl, Jeff Delzer, Mark A. Dosch, David Drovdal, Eliot Glassheim, Kathy Hawken, Jerry Kelsh, Matthew M. Klein, Gary Kreidt, Joe Kroeber, Ralph Metcalf, David Monson, Jon Nelson, Chet Pollert, Bob Skarphol, Blair Thoreson, Don Vigesaa, Alon Wieland, Clark Williams

**Members absent:** Senators Tom Fischer, David O'Connell; Representatives Lee Kaldor, Keith Kempnich, Bob Martinson

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

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

**It was moved by Senator Robinson, seconded by Senator Christmann, and carried on a voice vote that the minutes of the June 21, 2011, meeting be approved as distributed.**

#### **2011 NORTH DAKOTA FINANCE FACTS**

At the request of Chairman Grindberg, the legislative budget analyst and auditor presented the Legislative Council's [2011 North Dakota Finance Facts](#) pocket brochure. He said the publication includes information regarding economic statistics, the state budget, kindergarten through grade 12 education, higher education, human services, corrections, economic development, and transportation. For 2011, he said, information on the common schools trust fund and legacy fund has been added. He said generally information is provided for the last five years.

#### **FINAL 2009-11 BIENNIUM GENERAL FUND REVENUES AND EXPENDITURES**

Chairman Grindberg called on Ms. Pam Sharp, Director, Office of Management and Budget (OMB), to present information ([Appendix B](#)) on the final status of the general fund for the 2009-11 biennium:

Unobligated general fund balance - July 1, 2009		\$361,893,515
Add		
General fund collections through June 30, 2011	\$3,242,759,200	
Transfer balance from permanent oil tax trust fund	689,935,590	
Total general fund revenue for the 2009-11 biennium		3,932,694,790
Balance obligated for authorized carryover from the 2007-09 biennium		72,744,745
General fund turnback for the 2009-11 biennium		46,753,449
Total available		4,414,086,499
Less		
2009-11 biennium general fund ongoing appropriations	(2,970,380,754)	
2009-11 biennium general fund one-time appropriations	(278,984,727)	
Contingent appropriation for centers of excellence (2009 SB 2018)	(5,000,000)	
Authorized carryover from the 2007-09 biennium	(72,744,745)	
Emergency and supplemental appropriations	(28,514,807) <sup>1</sup>	
Total appropriations and deficiency requests		(3,355,625,033)
Transfers and adjustments		
Adjustments	(214,193)	
Transfer to the budget stabilization fund	(61,414,562) <sup>2</sup>	
Total transfers and adjustments		(61,628,755)
Ending general fund balance - June 30, 2011		\$996,832,711
<sup>1</sup> Supplemental (deficiency) appropriations include:		
State Treasurer	(\$35,000,000)	
Tax Department	(1,810,000)	
Industrial Commission	(150,000)	
Department of Public Instruction	(211,264)	
Valley City State University	(58,904)	
Total	<u>(\$37,230,168)</u>	
<sup>2</sup> This transfer is based on the maximum balance allowed in the budget stabilization fund as a percentage of 2011-13 legislative general fund appropriations.		

Ms. Sharp presented the following information on the final status of the permanent oil tax trust fund for the 2009-11 biennium:

Beginning permanent oil tax trust fund balance - July 1, 2009	\$489,727,017
Add	
Revenue collections fiscal year 2010	429,798,186
Revenue collections fiscal year 2011	551,756,538
Total estimated funds available for the 2009-11 biennium	\$1,471,281,741
Less expenditures and transfers	
Transfer to the general fund (2009 HB 1015)	(\$140,000,000)
Transfer to the general fund for mill levy reduction grants program (2009 SB 2199)	(295,000,000)
Transfer to the property tax relief sustainability fund (2009 SB 2199 and 2011 SB 2023)	(299,233,000)
Transfer to the state disaster relief fund (2011 SB 2369)	(22,000,000)
Appropriations (2009 HB 1015, 1305, and 1394 and SB 2003 and 2020)	(16,175,100)
Appropriation authority continued from previous biennium	(9,426,158)
Other expenditures adjustment	488,107
Transfer remaining balance to the general fund	(689,935,590)
Estimated permanent oil tax trust fund balance - June 30, 2011	\$0

### 2009-11 BIENNIUM GENERAL FUND TURNBACK

Ms. Sharp presented information on the 2009-11 biennium unspent general fund appropriations by agency. She said 2009-11 unspent general fund appropriation authority totaled \$46.75 million. She said the Department of Human Services had the largest unspent amount of \$26.4 million, resulting from enhanced Medicaid payments from the federal government, cost-savings related to a delayed date of occupancy of new nursing facilities, and less than expected utilization of Medicaid transition grants. She said district courts had turnback of \$4.1 million primarily related to an information technology project. She said the Department of Commerce had turnback of \$1.15 million primarily related to the Great Plains Applied Energy Research Center funding which was not spent, as provided for in Section 18 of 2011 Senate Bill No. 2057.

### ECONOMIC INDICATORS

Ms. Sharp presented information on the state's economy, including information on economic sectors showing growth. She said the state's nonseasonally adjusted unemployment rate in July 2011 is the lowest in the nation at 3.3 percent, which is a decrease from the June 2011 rate of 3.8 percent. She said the national average unemployment rate was 9.3 percent in both June and July 2011. She said the current posted price for North Dakota sweet crude is \$84 per barrel, production in July 2011 was nearly 423,600 barrels per day, and the rig count is 198 rigs. The rig count has increased 52 rigs compared to the

number operating in July 2010. She said current production and price is above the April 2011 legislative forecast, which based oil production increasing from 390,000 to 425,000 barrels per day in the 2011-13 biennium and prices ranging from \$72 to \$75 per barrel.

Representative Skarphol asked that a history of price, production, and drilling activity be provided for the prior 12 months at the next Budget Section meeting.

In response to a question from Senator Christmann, Ms. Sharp said commodity price analysis did not consider the fall 2011 harvest complications or the 2011 flood impacts.

In response to a question from Senator Holmberg, Ms. Sharp said North Dakota's Standard & Poor's credit rating and Moody's credit rating is one point below a AAA. She said Standard & Poor's has indicated underfunded pension liabilities as the primary reason the state is not rated AAA. She said in the last five years the state has had two upgrades in rating.

### STATUS OF THE 2011-13 BIENNIUM GENERAL FUND

Ms. Sharp presented the following information 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 August 2011	\$626,818,340	
Forecasted general fund revenue for the remainder of the 2011-13 biennium	2,870,242,307	
Total estimated general fund revenue for the 2011-13 biennium		3,497,060,647
Balance obligated for authorized carryover from the 2009-11 biennium		106,945,443
Estimated total available		4,600,838,801
Less		
2011-13 biennium general fund ongoing appropriations	(3,532,895,032)	
2011-13 biennium general fund one-time appropriations	(533,958,760)	
Balance obligated for authorized carryover from the 2009-11 biennium	(106,945,443)	
2011-13 emergency appropriations utilized in 2009-11	519,254	
Estimated deficiency requests	0	
Total appropriations and estimated deficiency requests		(4,173,279,981)
Estimated general fund balance - June 30, 2013		\$427,558,820 <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.

Ms. Sharp presented information on general fund revenue collections for August 2011 and the 2011-13 biennium to date. She said general fund revenues collected biennium to date are 6.7 percent more than the April 2011 legislative forecast. She said sales tax collections have exceeded estimates by \$20.1 million, or 15.9 percent, and individual income tax collections have exceeded estimates by \$9 million, or 15.5 percent.

### AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

Ms. Sharp presented information regarding the American Recovery and Reinvestment Act (ARRA), including an update on the number of jobs resulting from federal stimulus funding. She said \$520 million has been awarded to the state of North Dakota through June 2011 to be distributed through state agencies, primarily the Department of Public Instruction, the Department of Human Services, and the Department of Transportation. Ms. Tammy Dolan, Management and Fiscal Analyst, Office of Management and Budget, said that in the quarter ended June 30, 2011, 724.99 North Dakota jobs were paid with ARRA funding as follows:

ARRA-Related Jobs April 1, 2011, to June 30, 2011	
Sector	Job Count
Public school districts	425.14
Nonprofit organizations	127.24
Private sector	126.17
State agencies	38.24
Local governments	8.2

In response to a question from Representative Skarphol, Ms. Dolan said the 724.99 jobs reported were only for the quarter ended June 30, 2011, and that a larger cumulative number of jobs have been created since the initial receipt of ARRA funding. Representative Skarphol asked OMB to prepare a schedule of the number of jobs and related funding by sector and by quarter for the next Budget Section meeting.

In response to a question from Senator Taylor, Ms. Dolan said the \$520 million reported accounted for ARRA funding awarded to state agencies, and that funding provided directly to other recipients within North Dakota was not included in the amount.

Representative Skarphol asked OMB to provide the Budget Section with an analysis of the use of ARRA funding awarded within North Dakota, including the use of funds for jobs, infrastructure, or other purposes, and if any funding utilized for infrastructure or other purposes resulted in permanent jobs.

### 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

June through August 2011, state agencies with fiscal irregularities include:

Agency	Amount	Reason
Vision Services - School for the Blind	\$6,701	Pay adjustment for summer contracts outside of five teachers' nine-month teaching contracts
Department of Commerce	\$500	Pay adjustment related to increased workload of one employee to build the disaster website
Job Service North Dakota	\$34,820	Severance pay for voluntary reduction in force of four employees due to decreased federal funding
Department of Commerce	\$5,815	Severance pay for one employee due to program restructuring

### TOBACCO SETTLEMENT PROCEEDS

Ms. Sharp presented information on the status of tobacco settlement proceeds received by North Dakota. She said total payments received to date are \$336.3 million, and the next payment is anticipated to be received in April 2012. She said the April 2011 payment totaled \$30.9 million, of which \$19.7 million was deposited in the tobacco settlement trust fund and \$11.2 million was deposited in the tobacco prevention and control trust fund. A summary of recent collections is listed below.

	Tobacco Settlement Trust Fund (Amounts Shown in Millions)	Tobacco Prevention and Control Trust Fund (Amounts Shown in Millions)	Total (Amounts Shown in Millions)
April 2009	\$25.0	\$14.1	\$39.1
April 2010	20.8	12.3	33.1
April 2011	19.7	11.2	30.9
Total	\$65.5	\$37.6	\$103.1

### EMPLOYEE BONUSES

Ms. Sharp presented information on the number of employees receiving salary bonuses above the 25 percent limitation pursuant to Section 54-06-30. She said agencies may not give bonuses to more than 25 percent of their employees, except in special circumstances approved by Human Resource Management Services (HRMS). She said HRMS is required to report any exceptions to the Budget Section. She said agencies exceeding the 25 percent limitation include the Secretary of State and the State Treasurer. She said the Secretary of State provided six employees bonuses above the 25 percent limitation and provided six employees additional performance bonuses for a total of 12 bonuses. She said the State Treasurer provided one employee a bonus above the 25 percent limitation and provided one employee an additional performance bonus for a total of two bonuses.

## 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 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 of June through August 2011, the following federal grants estimated to be \$25,000 or more have been applied for by state agencies:

Agency	Time Period of Grant	Amount	Title of Grant
Information Technology Department (ITD)	January 2012 through December 2016	\$1,800,000	Investing in Innovation Fund (i3) - Department of Education
Council on the Arts	March 2012 through February 2015	\$200,000	Community challenge grant - Department of Housing and Urban Development (HUD)
Department of Transportation	September 2011 through August 2011	\$50,000	Safety Data Improvement Program (SaDIP) - Federal Motor Carrier Safety Administration (FMCSA)
Department of Transportation	August 2011 through September 2013	\$14,652,842	Transit Investments for Greenhouse Gas and Energy Reduction (TIGGER) III

Senator Christmann expressed concern that the Department of Transportation was applying for a \$14.6 million federal grant supporting energy reduction. He said North Dakota is a major energy-producing state.

### IMPLEMENTATION OF STATE EMPLOYEE COMPENSATION SYSTEM INITIATIVES

Chairman Grindberg called on Mr. Neville Kenning, Vice President, Hay Group, Los Angeles, California, to present a status update ([Appendix C](#)) on the implementation of the compensation philosophy and compensation initiatives pursuant to 2011 House Bill No. 1031. Mr. Kenning said that the adoption of new classification evaluations, grade structures, and new market-related salary ranges will be effective July 1, 2012. He reported the following status per initiative outlined in Section 2 of House Bill No. 1031:

Initiative	Status
1. Adjust methods to determine classified state employee classifications	A preliminary classification and reclassification process was designed by Hay Group in January 2011. Additional changes were made to the preliminary classification and reclassification process and related forms based on agency feedback collected in January 2011. Human Resource Management Services and Hay Group finalized the classification and reclassification process and forms in August 2011. Utilization of the new process and forms to agencies is ongoing by HRMS.
2. Minimize salary inequities within agencies and within state government	A new grade structure was developed and classifications were allocated to the structure based on the review of job evaluations for 900-plus classifications and evaluation of benchmark classification job evaluations. The Office of Management and Budget purchased Hay Job Evaluation Manager (JEM) technology to enhance the speed and efficiency of the job evaluation process.  Human Resource Management Services has adopted the Hay Guide Chart Job Profile method of job evaluation. Job evaluation is now completed by a committee of HRMS and agency human resources staff to appropriately value job classes. There is ongoing work by HRMS to address classification issues identified during the job evaluation process.  The new grade structure will be implemented July 1, 2012.
3. Develop appropriate market comparisons	A custom salary survey completed by Hay Group includes comparisons to North Dakota employers, Hay Group database of North Dakota employers, Central States' salary survey of regional states, Job Service North Dakota data, and the North Dakota Hospital Association survey for a total of 162 benchmark positions.  New salary structure options and cost implications were developed and presented for consideration to the State Employee Compensation System Oversight Committee in April 2011. The Legislative Assembly chose to not appropriate funds for implementation.  The new salary structure will be implemented July 1, 2012.
4. Develop cost estimates for potential fringe benefits adjustments--life insurance, long-term disability, and health insurance premiums	This component is being considered by the Legislative Management's interim Employee Benefits Programs Committee.  As part of the initial classified compensation system study, Hay Group reviewed benefits and performed analysis to determine total pay competitiveness.
5. Expand recruitment and retention tools	Hay Group determined that given the degree of volatility in the employment in North Dakota, current statute, policies, and practices permit agencies to address recruitment and retention bonuses sufficiently. To the extent to which pay ranges are set at the market average, the need for recruitment and retention bonuses may be reduced.

Initiative	Status
6. Develop a consistent long-term salary increase administration policy	The compensation philosophy statement provides for setting salary ranges at a competitive level in the relevant labor market and pay movement to be primarily based on performance. A pay/performance matrix will be the basis for pay changes suggested by HRMS. To ensure employees may move through pay ranges based on their performance, funding should be at a level greater than the amount by which salary ranges change.
7. Analyze the effect of appropriating funds for accrued annual and sick leave and defining "vacant" positions to reduce long-term vacant positions included in the budget process	Hay Group suggests as part of the budgeting process, agencies review employee demographic data to project costs for accrued employee annual and sick leave. Hay Group defined a genuine vacancy as the period between one employee leaving a position and another employee filling that position and suggested agencies should have the flexibility to utilize related salary dollars. In the case of longer-term vacancies, Hay Group suggested the vacancies be monitored on a case-by-case basis within the budgeting process.

Mr. Ken Purdy, Compensation Manager, Human Resource Management Services, Office of Management and Budget, commented on the adoption of new classification evaluations, grade structures, and new market-related salary ranges to be effective July 1, 2012. He said there are implications of establishing new salary ranges and grade structures without additional funding, in terms of adhering to components of the compensation philosophy statement and comparing employee pay to the newly defined market. He said by delaying implementation until July 2012, HRMS will have adequate time to educate agencies on the related changes.

In response to a question from Representative Delzer, Mr. Kenning said the market comparison data was collected from January through March 2011 and is appropriate for comparison purposes.

In response to a question from Representative Carlson, Mr. Purdy said analysis on the levels of July 2011 pay increases has not yet been performed to determine the range of increases provided by state agencies. He said using the pay increase methodology recommended by Hay Group will allow employees to become more market-competitive and be placed appropriately within pay ranges.

### **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. The information relating to the requests was provided to Budget Section members before the meeting.

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 requests, which have been approved by the Emergency Commission:

- **Department of Public Instruction (Request #1776) - Request to increase federal funds spending authority by \$316,875 from the United States Department of Education for education jobs fund payments in the education jobs fund line item.**
- **Adjutant General (Request #1777) - Request to increase federal funds spending authority by \$329.6 million from the Federal Emergency Management Agency (FEMA) relating to the 2011 flood disaster. The additional federal funds relate to state direct disaster reimbursement (\$20.7 million), public assistance (\$274.5 million), and hazard mitigation (\$48 million), less the remaining spending authority included in 2011 Senate Bill No. 2016 (\$13.6 million).**
- **Secretary of State (Request #1778) - Request to transfer \$175,000 from the operating expenses line item to the salaries and wages line item.**

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

### **ADJUTANT GENERAL REPORTS**

Chairman Grindberg called on Major General David Sprynczynatyk, Adjutant General, to provide information ([Appendix D](#)) regarding:

- An update on 2011 flood disasters and related expenditures.
- Emergency snow removal grants distributed to counties, townships, and cities pursuant to 2011 Senate Bill No. 2369.

### **2011 Flood Disaster**

Major General Sprynczynatyk reported that estimated 2011 flood costs total \$509 million as of September 12, 2011, of which the estimated state share is \$38.05 million. He said this estimate does not include individual and business owner damages. He said an estimated 4,600 structures have been impacted by the 2011 flood. He said the estimated 2011 flood costs include the following projections:

	Current Projection (Amounts Shown in Millions)	State Share (Amounts Shown in Millions)	State Share Description
State direct	\$23	\$2.30	10 percent match by state
State indirect	25	2.50	Mission assignments required 10 percent match by state
Public assistance	305	21.30	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	92 <sup>1</sup>	0.75	The other needs assistance category of individual assistance requires a 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)
Hazard mitigation	64	11.20	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)
<b>Total</b>	<b>\$509</b>	<b>\$38.05</b>	

<sup>1</sup>The following chart provides information on individual assistance by county:

County/Tribe	As of September 12, 2011		
	Applications Submitted	Applications Approved	Individuals and Households Funding Approved
Barnes	101	60	\$110,950
Benson	70	44	50,968
Burleigh	1,068	765	2,352,374
McHenry	359	172	601,649
Morton	371	228	723,634
Ramsey	115	54	71,188
Renville	112	63	570,637
Richland	70	43	69,141
Spirit Lake	26	16	25,729
Reservation			
Ward	7,568	5,822	87,979,560
<b>Total</b>	<b>9,860</b>	<b>7,267</b>	<b>\$92,555,830</b>

Major General Sprynczynatyk provided an analysis of the state disaster relief fund. He said the Legislative Assembly in 2011 appropriated \$25.5 million (\$22 million in Senate Bill No. 2369 and \$3.5 million in Senate Bill No. 2016) from the state disaster relief fund for flood-related costs, road grade raising projects, matching grants to political subdivisions, and expenses associated with presidential-declared disasters subject to Emergency Commission and Budget Section approval. Of this amount, he said, the agency has received Emergency Commission and Budget Section approval for 2011-13 expenses of \$17.5 million for flood disasters, \$1.2 million for funding specific city flood mitigation

projects, and \$4.8 million for road grade raising and matching grants to political subdivisions. He said an additional \$21 million is anticipated to be needed for the required state match, and the agency may seek authority through an Emergency Commission request to borrow from the Bank of North Dakota to meet federal matching requirements.

**Emergency Snow Removal Grants**

Major General Sprynczynatyk provided a listing of emergency snow removal grants distributed to counties, townships, and cities pursuant to Senate Bill No. 2369. He said grants were provided to counties and cities that during the first quarter of 2011 spent more than 200 percent of their average cost for snow removal for the same period during years 2004 through 2008. He said applications submitted totaled \$9.67 million. He said because only \$9 million was appropriated, applications were prorated to provide 93.59 percent of the eligible amount.

**ANNUAL AUDITS OF RENAISSANCE FUND ORGANIZATIONS**

Ms. Andrea Holl Pfennig, Co-Administrator of the Renaissance Zone Program, Division of Community Services, Department of Commerce, presented information ([Appendix E](#)) regarding annual audits of renaissance fund organizations pursuant to Section 40-63-07(9). She said there are 53 renaissance zone cities, of which 9 have renaissance fund organizations. She said the \$2.5 million in renaissance credits approved by the Legislative Assembly in 1999 have been allocated and utilized as of June 2, 2008. She said credits approved by the Legislative Assembly in 2003 have been allocated and are in the process of being utilized by investors, the \$2.5 million authorized by the Legislative Assembly in 2009 has been allocated to cities with populations of 30,000 or more, and the \$1 million authorized by the Legislative Assembly in 2011 has been allocated to Category 3 cities with populations greater than 30,000, but can be allocated in other categories for cities with populations less than 30,000 as needed. She said renaissance fund organizations are in the process of submitting independent auditor's reports to the Department of Commerce, and that the department does not expect any findings.

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

Chairman Grindberg called on representatives of the University System to present information 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 and to provide information on a new facility that will hangar helicopters owned by the University of North Dakota (UND) and the UND Aerospace Foundation constructed with donations to the Aerospace Foundation.

### Mayville State University - Agassiz Hall

Mr. Steven Bensen, Vice President for Business Affairs, Mayville State University, Mayville, presented a request ([Appendix F](#)) relating to the Agassiz Hall renovation project to:

- Increase the project authorization by \$76,500 from a Department of Commerce ARRA energy award from a total of \$3,668,500 to \$3,745,000 under Section 48-01.2-25.
- Utilize Agassiz Hall local funds of \$64,300 rather than revenue bond proceeds for a portion of the costs of the project under Section 15-10-12.3.

Mr. Bensen said the Department of Commerce ARRA energy award would provide funding for an addition of two inches of polystyrene insulation on existing exterior walls on the first-floor, second-floor, and third-floor wings of Agassiz Hall and to upgrade windows from single pane to double pane glazed. He said the walls and windows cost \$76,500 and provide an energy savings payback within approximately eight years. The request also includes a funding source change related to the issuance of bonds, he said, to pay for \$3,000 in closing costs and \$61,300 in bond issuance costs from local funds rather than revenue bond proceeds.

**It was moved by Representative Glassheim, seconded by Senator Schneider, and carried on a roll call vote that the Budget Section approve the Mayville State University requests to increase the project authorization of the Agassiz Hall (\$76,500 from a Department of Commerce ARRA energy award) pursuant to Section 48-01.2-25 and to change the funding source for a portion of the costs of the project (\$64,300 from revenue bond proceeds to local funds) pursuant to Section 15-10-12.3.** Senators Grindberg, Bowman, Christmann, Erbele, Holmberg, Kilzer, Krebsbach, Robinson, Schneider, Taylor, Wanzek, and Wardner and Representatives Bellew, Brandenburg, Carlson, Dahl, Delzer, Dosch, Drovdal, Glassheim, Hawken, Kelsh, Klein, Kreidt, Kroeber, Metcalf, Monson, Nelson, Pollert, Skarphol, Thoreson, Vigesaa, Wieland, and Williams voted "aye." No negative votes were cast.

### Minot State University - Geothermal Conversion Project

Mr. Brian Foisy, Vice President for Administration and Finance, Minot State University, Minot, presented a request ([Appendix G](#)) for Budget Section approval under Section 48-01.2-25 of a change in project scope of the geothermal conversion project. He said when the geothermal conversion project was initially bid, the mean construction cost factor was 86 percent. He said this factor has now increased to 125 percent, due in part to area impacts of oil activity and population growth. He said additional costs are also being incurred on the project because campus utility tunnels may not be used to house the geothermal loop. He

said the loop will require trenching. He said the total project cost, including Areas A, B, and C, has risen from \$16.2 million to \$27 million. At an estimated cost of \$9.35 million, he said, a change in scope is requested to permit Minot State University to complete Area A and begin work on the main campus loop included in Area B to the extent that funding is available.

In response to a question from Senator Christmann, Mr. Roger Kluck, Facilities Management, Minot State University, Minot, said the geothermal conversion project was initiated to reduce costs. Mr. Kluck said the campus currently uses primarily natural gas for heating the campus. Senator Christmann said since the Minot area is experiencing major impact from flooding, it may be appropriate to delay this project until the community has recovered from the flooding impacts. He said the Legislative Assembly should consider whether the project should be approved at a total project cost of \$27 million rather than \$16.2 million.

In response to a question from Representative Pollert, Mr. Foisy said contracts have been signed for work on Area A, and the campus is obligated to complete that portion of the project.

Representative Skarphol said by allowing the university to begin work on the main campus loop included in Area B, the Budget Section will essentially be committing to complete the entire project. He said the main campus loop will be functional only if the remaining components of Areas B and C are also completed.

**It was moved by Representative Delzer and seconded by Representative Skarphol that the Budget Section approve a reduction in project scope of the geothermal conversion project to include only Area A.** Senators Christmann, Kilzer, and Wanzek and Representatives Brandenburg, Carlson, Delzer, Dosch, Drovdal, Klein, Kreidt, Monson, Pollert, Skarphol, Thoreson, Vigesaa, Wieland, and Williams voted "aye." Senators Grindberg, Bowman, Erbele, Holmberg, Krebsbach, Robinson, Schneider, Taylor, Wardner, and Warner and Representatives Bellew, Dahl, Glassheim, Hawken, Kelsh, Kroeber, Metcalf, and Nelson voted "nay." **The motion failed.**

Representative Nelson said the long-term benefits of a geothermal conversion exceed the initial costs. He said North Dakota currently has the financial resources available to complete this project and experience future cost-savings.

In response to a question from Representative Nelson, Mr. Foisy said the 125 percent construction cost factor was calculated as of January 2011 and did not include the impacts on construction costs associated with 2011 flooding.

Senator Krebsbach said there are also unknown costs associated with delaying the project. Construction costs may continue to increase in the Minot area.

**It was moved by Senator Krebsbach, seconded by Representative Nelson, and carried on a roll call vote that the Budget Section approve a change in project scope of the geothermal conversion project to permit Minot State University to complete project Area A and Areas B and C as funding is available.** Senators Grindberg, Bowman, Erbele, Holmberg, Krebsbach, Robinson, Schneider, Taylor, Wardner, and Warner and Representatives Bellew, Dahl, Glassheim, Hawken, Kelsh, Klein, Kroeber, Metcalf, and Nelson voted "aye." Senators Christmann, Kilzer, and Wanzek and Representatives Brandenburg, Carlson, Delzer, Dosch, Drovdal, Kreidt, Monson, Pollert, Skarphol, Thoreson, Vigasaa, Wieland, and Williams voted "nay."

#### **Minot State University - Swain Hall**

Mr. Foisy presented a request ([Appendix H](#)) for Budget Section approval under Section 15-10-12.3 to authorize retroactively the use of interest earnings, indirect cost recoveries, and continuing education net revenue to provide \$703,365 of the \$703,615 local match requirement for the Swain Hall construction project. He said university officials were unaware of the statutory requirements relating to local matching funds under Section 15-10-12.3 and utilized funds from interest earnings, indirect cost recoveries, and continuing education net revenue as a portion of the local match requirement for the Swain Hall construction project. He said the request for the retroactive authorization to use these funds is not the result of an external review or audit but Minot State University's intent to comply with the statutory requirement resulting from its review of the sources of all local matching funds.

In response to a question from Representative Drovdal, Mr. Foisy said the transfer from interest earnings represents earnings on deposits held by the Bank of North Dakota over a number of years.

**It was moved by Representative Klein, seconded by Representative Dahl, and carried on a roll call vote that the Budget Section approve the retroactive use of interest earnings, indirect cost recoveries, and continuing education net revenue to provide \$703,365 of the \$703,615 local match requirement for the Swain Hall construction project under Section 15-10-12.3.** Senators Grindberg, Bowman, Erbele, Holmberg, Robinson, Schneider, Taylor, and Warner and Representatives Bellew, Dahl, Hawken, Kelsh, Klein, Kroeber, Metcalf, and Nelson voted "aye." Senators Christmann, Kilzer, Wanzek, and Wardner and Representatives Brandenburg, Carlson, Delzer, Dosch, Drovdal, Kreidt, Monson, Pollert, Skarphol, Vigasaa, and Wieland voted "nay."

#### **Minot State University - Flooding Update**

Mr. Foisy presented information ([Appendix I](#)) on the effects of the 2011 flood on Minot State University. He said on June 20, 2011, flood maps predicted a

crest of 1,563 feet which would inundate the southern part of the Minot State University campus and affect several buildings. He said a decision was made to construct a dike to protect the campus. He said Mr. Kluck worked with a contractor to construct the dike before floodwaters reached the campus. He said when floodwaters reached the highest point, water was within 3 feet from the top of the 12-foot dike. He said the campus provided use of the Minot State University Dome for an American Red Cross shelter housing as many as 300 evacuees and serving 2,400 meals per day, permitted FEMA and the Small Business Administration to establish offices in the administration building, and made residence halls available to displaced flood victims and flood relief workers. He said the costs incurred by Minot State University to date total \$325,133. He said he anticipates future costs related to student enrollment decreases; additional marketing due to the anticipated enrollment decreases; and Beaver Lodge Housing, University Heights, parking lot, curb, gutter, and sidewalk repairs.

#### **North Dakota State University - Indoor Track Facility**

At the request of Representative Carlson, Chairman Grindberg allowed North Dakota State University (NDSU) to present a request to the Budget Section relating to its indoor track facility. Representative Carlson said the request is to increase the authorization for the NDSU indoor track facility project by \$500,000 from private funds from a total of \$5 million to \$5.5 million under Section 48-01.2-25.

Mr. Bruce Bollinger, Vice President for Finance and Administration, North Dakota State University, Fargo, presented information ([Appendix J](#)) regarding the request. He said that the \$500,000 in private funds is available, and the request is necessary for the indoor track facility to open in October 2012.

**It was moved by Representative Hawken, seconded by Senator Robinson, and carried on a roll call vote that the Budget Section approve the NDSU request to increase the project authorization for the indoor track facility by \$500,000 of private funds from \$5 million to \$5.5 million pursuant to Section 48-01.2-25.** Senators Grindberg, Bowman, Christmann, Erbele, Holmberg, Kilzer, Krebsbach, Robinson, Schneider, Taylor, Wanzek, Wardner, and Warner and Representatives Bellew, Brandenburg, Carlson, Dahl, Dosch, Drovdal, Hawken, Kelsh, Klein, Kreidt, Kroeber, Metcalf, Monson, Nelson, Pollert, Skarphol, Thoreson, Vigasaa, and Wieland voted "aye." No negative votes were cast.

#### **UNIVERSITY SYSTEM - CONSTRUCTION PROJECT FUNDING SOURCES**

Ms. Cathy McDonald, Director of Finance, North Dakota University System, presented information ([Appendix K](#)) on sources of funds received for

construction projects of entities under the State Board of Higher Education pursuant to Section 15-10-12.3. She said this section requires each institution, under the State Board of Higher Education undertaking a capital construction project that was approved by the Legislative Assembly and for which local funds are to be used, to present a biennial report to the Budget Section detailing the source of all funds used in the project. For each capital construction project utilizing local funds, she provided a schedule by project detailing the original appropriation, adjusted appropriation authority, and cumulative expenditures through June 30, 2011.

The Budget Section recessed for lunch at 12:19 p.m. and reconvened at 1:00 p.m.

### STATE TREASURER - OUTSTANDING WARRANTS AND CHECKS

Ms. Kelly Schmidt, State Treasurer, presented information ([Appendix L](#)) on warrants and checks outstanding for more than 90 days and less than three years pursuant to Section 54-11-01. She said this section enacted by the Legislative Assembly in 2011 requires the State Treasurer to report to the Budget Section, within 90 days of the beginning of each fiscal year, all warrants and checks outstanding for more than 90 days and less than three years. She said items reported may be the result of money which has not been received by the proper recipient or checks that have not been cashed. She said annually, checks more than three years old are transferred to the Land Department as unclaimed property. She said a total of \$3.1 million in outstanding checks is on hand for fiscal years 2009, 2010, and 2011. She provided a listing of outstanding checks to be sent to the Unclaimed Property Division of the Land Department in October 2011 which totals \$434,749.

### RISK MANAGEMENT WORKERS' COMPENSATION PROGRAM

Mr. Tag Anderson, Director, Risk Management Division, Office of Management and Budget, presented information ([Appendix M](#)) regarding the status of the risk management workers' compensation program pursuant to Section 65-04-03.1(5). He said the Legislative Assembly in 2001 established a single workers' compensation account for all state entities. He said the Risk Management Division administers the program. He said for coverage periods beginning July 1, 2001, the Risk Management Division entered deductible contracts with Workforce Safety and Insurance for 143 consolidated accounts. He said the deductible amount selected was \$100,000 per claim. He provided the following results for the 10 coverage years beginning July 1, 2001, through June 30, 2011:

Nonconsolidated guaranteed cost program premium and assessments		\$47,616,412
Risk Management Division deductible premium paid to Workforce Safety and Insurance	\$17,233,011	
Risk Management Division paid losses through June 30, 2011	15,155,460	
Risk Management Division pending losses (reserves)	2,121,857	
Risk Management Division combined deductible premium and losses		\$34,510,328
Estimated savings for a 10-year period		\$13,106,084

### DEPARTMENT OF AGRICULTURE - WILDLIFE SERVICES CONTRACT

Chairman Grindberg called on Mr. Ken Junkert, Director, Administrative Services Division, Department of Agriculture, to provide a status report ([Appendix N](#)) regarding the Department of Agriculture's contract with the United States Department of Agriculture Animal and Plant Health Inspection Service Wildlife Services. Mr. Junkert said the department has consulted with the Attorney General's office, the State Auditor's office, Game and Fish Department, and OMB in preparation of Wildlife Services contract for the 2011-13 biennium. He said the department is negotiating the final provisions for the contract and expects it to be executed by October 1, 2011. He said the department added the following provisions in the contract to ensure more accountability and efficiency of service delivery:

- Requirement of Wildlife Services to provide services based on a priority rating system to ensure requests rated "high" priority are addressed prior to requests rated "medium" or "low" priority.
- Wildlife Services field staff salaries and benefits will be reimbursable service expenses limited and proportionate to salaries and benefits for the time Wildlife Services personnel conduct allowable services.
- A maximum reimbursement to Wildlife Services is established per quarter rather than providing accumulated compensation per state fiscal year.
- Wildlife Services is required to submit quarterly rather than annual reports, including the number of individuals assisted, the description of individual issue and resource losses, the number of services completed by priority ranking, the number and species of animals

taken by method, the estimate of financial losses due to wildlife damage, and a detailed report of services paid by federal or other funding sources.

- An audit provision is added to provide that all records relevant to the contract are subject to examination by the Agriculture Commissioner and the State Auditor's office. The department anticipates conducting annual audits.
- The department plans to conduct a customer satisfaction survey to measure agriculture producers' and other service users' satisfaction with Wildlife Services service delivery.

### **INFORMATION TECHNOLOGY DEPARTMENT ANNUAL REPORT**

Mr. Mike Ressler, Deputy Chief Information Officer, Information Technology Department, presented information regarding a summary of the annual report ([Appendix O](#)) of the department pursuant to Section 54-59-19. He said the department began as Central Data Processing in 1969 and over the last 42 years evolved into a separate department. He said the department billings for fiscal year 2011 totaled \$50.7 million. He said the majority of revenue is generated from computer hosting (32 percent) and software development (22 percent) service fees. He said the rates charged for fees and services by the department compare favorably to those charged by surrounding states. He said through the annual customer survey, customers of the department reported the following:

- 91.1 percent agree that the department's services met their business needs.
- 94.4 percent viewed the department as a trusted business partner.
- 86.8 percent responded that the department is their preferred information technology provider.

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

Mr. Dave Krabbenhoft, Administrative Director, Department of Corrections and Rehabilitation, presented a report ([Appendix P](#)) 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 on budget and on time. He said the project budget is \$64 million, and as of August 2011 project expenditures total \$20 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, Chief of the Environmental Health Section, State Department of Health, presented information ([Appendix Q](#)) 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 that 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 August 2011, \$135,629 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.
- Regional haze state implementation plan - Relates to the EPA challenge of 25 percent of the state's proposed implementation plan to comply with requirements of the regional haze rule.
- Other state challenges to consent agreements which directly impact North Dakota but were developed between the EPA and environmental groups.

### **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 R](#)) 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 2011 House Bill No. 1126 provides the Insurance Commissioner authority to plan for the implementation of a health insurance exchange that meets the requirements of the federal health care reform law and any future regulations. She said the bill provides an appropriation of \$1 million of federal funds available under the PPACA

to the Insurance Commissioner for planning. She said a Health Benefit Exchange Planning Committee has been organized and meets weekly consisting of representatives from the Insurance Department, the Department of Human Services, and the Information Technology Department. She said a portion of the exchange planning grant has been utilized for required exchange stakeholder meetings, consisting of 11 meetings in four cities conducted by a facilitator who will provide a final report on September 23, 2011. She said exchange stakeholders invited to the meetings included businesses, insurance agents, state and local agencies, legislators, health care providers, insurance companies, insurance consumers, and Medicaid beneficiaries. She said a portion of the exchange planning grant has been utilized to hire a consultant to research various issues related to the exchange and to provide an interim report of key decision points for state agencies and legislators prior to the special session. She said new federal regulations include two options for states regarding exchanges, and that these options are being discussed by agencies and the Legislative Management's interim Health Care Reform Review Committee. The options include:

1. The federal government will build the exchange, and the state can acquire the exchange at a later date; and
2. The federal government partnership permitting states to select functions of the exchange to administer, and the federal government will administer the unselected functions.

Ms. Ternes said the United States Department of Health and Human Services (HHS) determined that the state does not meet a requirement of the PPACA related to internal appeals and external review of health insurance claims; therefore, all consumer requests for external review will be administered by HHS or the United States Department of Labor. She said the state can revise its statutes and request that HHS reconsider its determination at a later date.

Ms. Ternes said the state request to transition the individual medical loss ratio--starting with 65 percent in 2011, 70 percent in 2012, and 75 percent in 2013--was denied by HHS. As a result, she said, the state is required by PPACA to have a loss ratio of at least 80 percent in 2011, including a small group policy minimum loss ratio of at least 85 percent.

Ms. Sharp and Ms. Lisa Feldner, Chief Information Officer, Information Technology Department, provided information regarding a funding request to be considered during the November 2011 special session relating to the Medicaid eligibility system. Ms. Feldner said the project would consolidate systems originally developed by the department with five systems used for county and state workers. She said the funding request would be included in the bill draft presented by the Legislative Management's interim Health Care Reform Review Committee. Ms. Sharp said the Department of Human Services' additional 2009-11

biennium turnback of \$13 million is the planned source of funding for the eligibility system costs.

## DEPARTMENT OF HUMAN SERVICES

### Status of

#### Medicaid Management Information System

Mr. David Bywater, Executive Vice President and Chief Operating Officer, Government Healthcare and Transportation, Affiliated Computer Services (ACS), Dallas, Texas, presented information ([Appendix S](#)) regarding the status of the Medicaid management information system (MMIS) project. Also present were Mr. Will Saunders, Senior Vice President and Group President, Government Healthcare Group, Affiliated Computer Services, and Mr. Greg Bryant, the executive directly overseeing the implementation of North Dakota's MMIS project. Mr. Bywater said the MMIS project timeline has been revised from its previous estimated completion date of June 2012. He said further testing and changes are required on the base system which impacts the North Dakota implementation. In addition, he said, changes are required to meet a federal mandate--ICD-10. He said the proposed "go live" date is the summer of 2013, pending the Department of Human Services' approval. He said this date would provide additional time between the "go live" date and the federal change mandate date for ICD-10 of October 2013. He said the following results indicate the project is progressing:

- Significant advancements in testing - In June 2010 ACS was in the process of functional testing of the core MMIS system, and now ACS has completed 96 percent of system integration testing which builds upon functional testing.
- Independent validation by third parties, including an audit of the base MMIS, and the status of implementing the base system in New Hampshire - Findings and conclusions were positive.
- Base MMIS system development and testing is expected to be complete by the end of 2011. With base system completion, ACS can begin finalizing the development of the North Dakota-specific functionality that will be layered on the base system.

Ms. Jennifer Witham, Director, Information Technology Services, Department of Human Services, presented information ([Appendix T](#)) regarding the status of the MMIS project. She said the July 1, 2013, proposed implementation date has not been agreed to by the Department of Human Services. She said the department continues to work toward the finalization of cost negotiations with ACS. She said the department intends to recover all of the added costs that are attributable to the schedule delay. She said cost negotiations and contract amendments should be completed in a few weeks. She said the amendment is required to be submitted to the Centers for Medicare and Medicaid Services for final approval.

In response to a question from Representative Skarphol, Ms. Brenda Weisz, Chief Financial Officer, Department of Human Services, said prior to beginning the MMIS project, it was determined to be more cost-effective for the department to operate the MMIS system when complete rather than contract with a fiscal agent. Representative Skarphol asked if a more recent analysis of alternatives has been conducted. Ms. Carol Olson, Executive Director, Department of Human Services, said an earlier consultant report indicated it was more cost-effective for the department to operate the system rather than a fiscal agent. She said information from the report would be provided for the next meeting of the Budget Section.

In response to a question from Representative Pollert, Mr. Bywater said all states are subject to federal mandate ICD-10. He said the cost to update the base system is shared among ACS state clients--Alaska, New Hampshire, and North Dakota.

In response to a question from Representative Delzer, he said, the total price to update the base system to meet the federal mandate ICD-10 requirements is not known at this time.

In response to a question from Representative Delzer, Ms. Witham said in future negotiations, a penalty will be included in the contract to provide compensation for noncompliance in meeting established deadlines.

In response to a question from Representative Skarphol, Ms. Witham said the Centers for Medicare and Medicaid Services have not stated a penalty for not meeting the October 2013 deadline. She said if the system is not updated to meet federal mandate ICD-10 by October 2013, the department will be unable to process provider billings due to the more complex codes required by the mandate.

Representative Hawken requested a timeline of the MMIS project illustrating what has been spent by project component and a corresponding summary of what the component will accomplish.

Ms. Witham provided the following project funding summary through August 2011:

Description	Budget	Spent Through August 2011	Remaining
General fund	\$3,643,133	\$2,757,909	\$2,359,518
Federal funds	55,218,418	36,443,056	18,775,362
Other funds	3,667,820	2,193,526	0
Total	\$62,529,371	\$41,394,491	\$21,134,880

Ms. Witham said that as of September 7, 2011, there were 23,338 Medicaid claims in suspense. She said this number is less than the 28,081 claims that were reported in June 2011.

## TOBACCO PREVENTION AND CONTROL COMMITTEE

Chairman Grindberg called on Ms. Jeanne Prom, Executive Director, Center for Tobacco Prevention and Control Policy, to present information

([Appendix U](#)) regarding the implementation of the comprehensive tobacco prevention and control plan pursuant to 2011 House Bill No. 1025. Ms. Prom said the 2011-13 biennium appropriation for the Tobacco Prevention and Control Committee is \$12.9 million. She said through September 12, 2011, the Tobacco Prevention and Control Committee has spent \$325,444, including \$254,853 for grants and professional fees provided to local communities to address tobacco use at the local level. She said the committee manages three major grant programs providing 57 grants per year and seven professional service contracts.

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

Senator Christmann, Chairman, Legacy and Budget Stabilization Fund Advisory Board, presented a status report ([Appendix V](#)) 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 is evaluating the current budget stabilization fund investment policy statement and is in the process of developing an investment policy statement for the legacy fund. He said the first deposit into the legacy fund totaling \$34.3 million occurred on September 8, 2011. He said the board approved a motion to recommend that the State Investment Board invest money in the legacy fund with the Bank of North Dakota on a short-term basis until the Legacy and Budget Stabilization Fund Advisory Board develops the investment policy statement for the legacy fund. He said the advisory board plans to continue to meet to develop the investment policy statement for the legacy fund and to evaluate and consider changes to the investment policy statement for the budget stabilization fund. He asked for input from other legislators regarding investment policy development and revisions.

## COMMITTEE DISCUSSION AND STAFF DIRECTIVES

Chairman Grindberg announced the next meeting of the Budget Section is tentatively scheduled for Tuesday, December 13, 2011. He said a tentative meeting date of Thursday, March 15, 2012, is being considered for the following meeting.

**It was moved by Senator Robinson, seconded by Senator Bowman, 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 3:37 p.m.

---

Sara E. Chamberlin  
Fiscal Analyst

---

Allen H. Knudson  
Legislative Budget Analyst and Auditor

ATTACH: 22