

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

BUDGET COMMITTEE ON GOVERNMENT ADMINISTRATION

Monday, September 9, 2002
Roughrider Room, State Capitol
Bismarck, North Dakota

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

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

Members absent: Senators John M. Andrist, Dave Nething; Representatives Curtis E. Brekke, Rod Froelich, Keith Kempenich, Dave Weiler

Others present: See Appendix A

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

VETERANS HOME STUDY

Mr. Gordy Smith, State Auditor's office, presented the performance audit report of the Veterans Home. A copy of the report is on file in the Legislative Council office.

Mr. Smith discussed the findings and recommendations of the performance audit relating to:

1. Management and administrative structure.
 - a. Enhancing the administrative structure and organization.
 - b. Monitoring and oversight of the commandant.
 - c. Making changes to the Administrative Committee on Veterans Affairs.
 - d. Developing a strategic plan.
 - e. Making changes in the accounting, budgeting, and financial areas.
 - f. Improving the admission process.
 - g. Updating the North Dakota Administrative Code.
 - h. Making improvements in personnel areas.
2. Financial resources.
 - a. Ensuring compliance with state law relating to the use of funding from the general fund.
 - b. Generating additional revenue.
 - c. Making improvements to the commandant's custodial fund.
 - d. Improving the use of appropriated funds.
 - e. Improving the accounting for projects.

- f. Improving procurement processes.
- g. Automating the skilled care accounting process.
- h. Making changes to mileage reimbursement.
- i. Establishing policies in the accounting, budgeting, and financial areas.
- j. Closing "petty cash" account.
3. Staffing and level of care.
 - a. Making improvements to levels of care.
 - b. Making changes in staffing levels.
 - c. Monitoring employee satisfaction.
 - d. Monitoring resident satisfaction.

Attached as Appendix B is a listing of the recommendations included in the performance audit.

Mr. Jerry Balzer, Secretary, Administrative Committee on Veterans Affairs, read a statement from Mr. Thomas R. Moe, Chairman, Administrative Committee on Veterans Affairs, who was unable to be in attendance at the meeting. Mr. Moe's testimony indicated the administrative committee's agreement with the majority of the recommendations included in the audit report. His testimony indicated that the committee will take action to address the recommendations prior to the auditor's followup review in 18 months. A copy of the testimony is on file in the Legislative Council office.

Mr. Balzer also distributed written testimony from Mr. Rudy Jensen of the Administrative Committee on Veterans Affairs. A copy of the testimony is on file in the Legislative Council office.

Mr. Balzer said the recommendations included in the performance audit need to be addressed quickly. He said the Administrative Committee on Veterans Affairs should have already taken action on a number of the recommendations, including paying interest on residents' custodial accounts, withholding of payroll taxes on bonuses paid to employees, and issues involving the State Department of Health.

Mr. Balzer said the Administrative Committee on Veterans Affairs needs to become more involved in the management and oversight of the Veterans Home.

Chairman Mathern distributed a bill draft [30168.0100] providing for a Legislative Council study during the 2003-04 interim of the future role of the Veterans Home, including the development of a

strategic plan for the operations of the home and the implementation of the recommendations included in the performance audit. He said the bill draft includes a \$30,000 general fund appropriation for the Legislative Council to hire a consultant to assist in the review of the future role of the Veterans Home and the development of a strategic plan for the Veterans Home.

Chairman Mathern asked Mr. Balzer to comment on the bill draft. Mr. Balzer said although the Administrative Committee on Veterans Affairs has not yet met to discuss the bill draft, he anticipates the administrative committee will be supportive of receiving assistance to address the recommendations of the performance audit, specifically the development of a strategic plan for the Veterans Home.

Mr. Ken Evenson, Veterans Home Subcommittee Chairman of the Administrative Committee on Veterans Affairs, commented on the performance audit report. He said the administrative committee intends to address the recommendations in the audit report before the 18-month followup audit is conducted.

Mr. Evenson said he does not support the recommendation to reduce the size of the Administrative Committee on Veterans Affairs. He said appropriate compensation should be provided for administrative committee members.

Ms. Sharon Ulmer, Accountant, Veterans Home, presented Veterans Home budget information. She said through July 2002, the Veterans Home has spent \$4.9 million or 52 percent of its \$9.5 million appropriation. She said in July 2002, the Veterans Home had 93 of its 111 basic care beds filled and all 38 of its skilled beds were occupied. She said federal and special funds collections through August 2002 totaled \$3,673,000, \$312,000 more than estimated projections of \$3,361,000. As of August 1, 2002, the Veterans Home had federal funds available of \$787,000 and special funds available of \$26,000.

Ms. Ulmer said the Veterans Home has begun the process of developing a strategic plan. She said each department has been asked to create short-term (one-year) and long-term (five-year) goals.

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

Chairman Mathern invited Ms. Ulmer to comment on the State Auditor's office performance audit recommendations. Ms. Ulmer said the Veterans Home has begun the process of addressing the performance audit recommendations, including making a number of changes necessary to improve the Veterans Home accounting system. She expressed concern regarding the excessive stress that the performance audit process has caused employees of the Veterans Home.

Mr. Ken Anderson, Commandant, Veterans Home, commented on the performance audit recommendations. Mr. Anderson said the Veterans Home needs to make the changes as recommended in the audit

report. He said a number of changes are already being made.

Mr. Anderson apologized for not complying with state laws, rules, and regulations in the construction of the gazebo at the Veterans Home; however, he indicated the facility is very important to the residents of the Veterans Home.

Mr. Anderson said although the performance audit indicates the Veterans Home has not complied with a number of state laws, rules, and regulations, the Veterans Home intent is to provide the veterans residing at the Veterans Home high-quality facilities, services, and care.

Representative Byerly expressed concern regarding the management of the Veterans Home as reflected in the performance audit report. He asked why only 3 of the 13 recommendations included in the 1994 State Auditor's office report have been implemented.

Mr. Anderson said the Veterans Home intended to implement more of the recommendations. He said the Veterans Home had redesigned its Accounting Division but due to staff turnover, the changes were never completely implemented.

Representative Byerly said he is concerned with the potential liability of the state as a result of certain actions of the commandant. He asked that the Legislative Council staff provide him with information on the extent to which the state may be liable if a lawsuit were to result from the commandant's action involving State Department of Health employees. In addition, he asked that the Legislative Council staff review North Dakota personnel policies to determine if any existing policies address these areas. He said the issue will be discussed at the Legislative Audit and Fiscal Review Committee meeting on October 2, 2002.

Representative Byerly expressed concern regarding the commandant's alleged interference with the State Auditor's office survey of employees. Mr. Anderson said his comments to employees were meant to inform the employees that the surveys would not be anonymous if litigation results.

Mr. Smith said the employees' surveys are not anonymous, but are deemed confidential by the State Auditor's office. He said the reason the surveys are not anonymous is to allow the auditors to review a specific area of an organization that is an area of concern of employees.

Representative Eckre asked whether the confidentiality of the survey instruments has been tested in court. Mr. Smith said the Attorney General's office has informed the State Auditor's office that even though state law provides that the surveys are confidential, a judge could order the surveys be released to the court if needed as a result of a lawsuit.

Mr. Smith said during the Veterans Home performance audit, the State Auditor's office did conduct a second survey that was completely anonymous to

attempt to obtain a greater response rate from employees.

Chairman Mathern invited newly appointed Administrative Committee on Veterans Affairs members to comment on the performance audit report. Mr. Brad Maasjo, Administrative Committee on Veterans Affairs, Fargo, expressed support for the development of a strategic plan for the Veterans Home. Mr. Maasjo stressed the importance of organizations implementing quality management programs.

Mr. Robert L. Volk, Veterans of Foreign Wars, Harvey, commented on the Veterans Home study. He said that veterans receive high-quality care at the Veterans Home.

Mr. Leslie Johnson, Veterans Home resident, said he chose to live at the Veterans Home because of the high-quality care and services provided to the residents at the Veterans Home. He said the Veterans Home is a fine institution and no major changes are needed.

Mr. George Scull, Veterans Home resident, said he does not agree with the findings and recommendations included in the audit report. He said employees at the Veterans Home are providing high-quality care for the veteran residents at the home. He said the Veterans Home continues to make improvements in its care, services, and facilities.

Mr. David Potts, Veterans Home resident, expressed his disagreement with the findings and recommendations included in the audit report. He said he is very impressed with the services and care at the Veterans Home. He said the staff and management listen to the concerns and ideas of the veterans at the home to improve the quality of care and services. He said the facility is operating very well.

RACING COMMISSION STUDY

The Legislative Council staff presented a memorandum entitled *Racing-Related Revenue Collections*. For the period 1993 through 2002, racing-related revenues totaled \$21.5 million, \$11.9 million of which has been deposited in the general fund.

Mr. Paul Bowlinger, Executive Director, Racing Commission, commented on the Racing Commission study. He said the horse industry in North Dakota continues to do well and progress is being made on the North Dakota horse park in Fargo.

Mr. Ken Pawluk, President, North Dakota Horse Park Foundation, commented on the status of the Fargo race facility. He said construction of the track base and underground utilities has been completed. He said the first racing events are tentatively planned for four weekends in August and September 2003.

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

In response to a question from Representative Byerly, Mr. Bowlinger said over 99 percent of racing-related revenue is generated from simulcast betting.

The committee recessed for lunch at 12:05 p.m. and reconvened at 1:00 p.m.

HIGHWAY FUNDING STUDY

The Legislative Council staff presented a bill draft [30155.0100] authorizing the director of the Department of Transportation to enter into agreements with counties or cities for the cooperative or joint administration of an activity that will enhance the efficiency and effectiveness of the state highway system.

Mr. Tom Freier, Deputy Director, Department of Transportation, presented information on highway revenues, the statewide strategic transportation plan, and the proposed bill draft. He said the department anticipates highway fund revenues to meet projections for the 2001-03 biennium. He said Congress is continuing to develop federal highway funding levels for federal fiscal years 2003 and 2004. He said the department's current estimate is that North Dakota will receive approximately \$175 million in federal fiscal year 2003 and \$189 million in 2004.

Mr. Freier said the department may need to borrow up to \$15 million from the Bank of North Dakota for the state's matching share on emergency relief projects during the 2001-03 biennium as authorized by 2001 Senate Bill No. 2112. He said based on current interest rates, the interest rate the Bank of North Dakota will charge on the borrowed funds is 2.56 percent.

Mr. Freier said the department is in the process of developing its budget request for the 2003-05 biennium. He said the department will be discussing any revenue enhancements with the Legislative Assembly during the 2003 legislative session.

Mr. Freier said the department is finalizing its statewide strategic transportation plan. He said the plan encourages further cooperation between jurisdictions. He said the bill draft being considered by the committee would enable the Department of Transportation to cooperate and collaborate with cities and counties to enhance the efficiency and effectiveness of the state highway system. He said if the bill draft becomes law, the department and a county could share maintenance section facilities where appropriate. He said the bill draft provides benefits to all jurisdictions and gives the department greater flexibility to use state funds to enhance the efficiency and effectiveness of the state highway system while protecting the legislative intent of separating highway funding for each jurisdiction.

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

Representative Byerly asked whether existing highway fund revenue sources would be adequate to match federal funds at the \$175 million per year level currently anticipated by the department for federal fiscal year 2003. Mr. Freier said excluding the need to repay up to \$15 million to the Bank of North Dakota for the state matching share on emergency relief

projects, he believes current taxes and fees would generate adequate revenues to match federal highway funds at the \$175 million level.

Senator O'Connell expressed concern that the proposed bill draft may cause a greater burden on the Department of Transportation by having to respond to numerous proposals for cooperative ventures.

Senator Trenbeath expressed concern that the proposed bill draft may divert limited state highway funding to uses other than state highway construction and maintenance projects.

Senator Mathern said the committee has heard testimony from the state, cities, and counties that indicates highway funding needs exceed the revenues available. He said none of the entities suggested raising highway-related taxes or fees; therefore, this bill draft allows these entities to cooperate and therefore be more efficient.

Representative Byerly said there may be concerns with the proposed bill draft, but the state needs to consider options to enhance the efficiency of the various entities involved. He said the Legislative Assembly should have the opportunity to consider the proposed bill draft.

It was moved by Representative Byerly, seconded by Representative Hawken, and carried on a roll call vote that the bill draft allowing the Department of Transportation to enter into agreements with cities or counties for cooperative highway-related activities be approved and recommended to the Legislative Council. Senator Mathern and Representatives Bellew, Byerly, Eckre, Hawken, Kretschmar, Maragos, Meier, and Thoreson voted "aye." Senators O'Connell and Trenbeath and Representative Thorpe voted "nay."

OTHER AREAS

The Legislative Council staff presented a proposed resolution [33011.0100] providing for a Legislative Council study of the feasibility and desirability of allowing human service centers additional funding flexibility.

Representative Byerly said because the committee was not assigned a specific study of human services funding, it may not be appropriate to recommend a resolution relating to this area.

Chairman Mathern said the committee was assigned the responsibility to conduct a budget tour of the Southeast Human Service Center at which time this idea was discussed.

It was moved by Representative Thoreson, seconded by Senator O'Connell, and carried on a roll call vote that the proposed resolution draft providing for a Legislative Council study of the feasibility and desirability of allowing human service centers additional funding flexibility be approved and recommended to the Legislative Council. Senators Mathern, O'Connell, and

Trenbeath and Representatives Hawken, Kretschmar, Maragos, Meier, Thoreson, and Thorpe voted "aye." Representatives Bellew, Byerly, and Eckre voted "nay."

VETERANS HOME STUDY

Chairman Mathern discussed the performance audit of the Veterans Home and the bill draft providing for a Legislative Council study of the Veterans Home for the 2003-04 interim, including the development of a strategic plan. He said prior to the performance audit being released, the committee was considering the need for a strategic plan for the Veterans Home. He said he believes the method by which the majority of the performance audit recommendations can be addressed is through the development of a strategic plan for the Veterans Home.

It was moved by Representative Maragos, seconded by Senator Trenbeath, and carried on a roll call vote that the bill draft providing for a Legislative Council study of the future role of the Veterans Home, including the development of a strategic plan, be approved and recommended to the Legislative Council. Senators Mathern, O'Connell, and Trenbeath and Representatives Bellew, Eckre, Hawken, Kretschmar, Maragos, Meier, Thoreson, and Thorpe voted "aye." Representative Byerly voted "nay."

It was moved by Representative Meier, seconded by Representative Maragos, and carried on a roll call vote that the chairman and the staff of the Legislative Council be requested to prepare a report and the bill and resolution drafts recommended by the committee and to present the report and recommended bill and resolution drafts to the Legislative Council. Senators Mathern, O'Connell, and Trenbeath and Representatives Bellew, Byerly, Eckre, Hawken, Kretschmar, Maragos, Meier, Thoreson, and Thorpe voted "aye." No negative votes were cast.

It was moved by Representative Bellew, seconded by Representative Meier, and carried that the meeting be adjourned sine die. The committee adjourned sine die at 2:30 p.m.

Allen H. Knudson
Assistant Legislative Budget Analyst and Auditor

Jim W. Smith
Legislative Budget Analyst and Auditor

ATTACH:2