

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1119

2001 HOUSE GOVERNMENT AND VETERANS AFFAIRS

HB 1119

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1119

House Government and Veterans Affairs Committee

Conference Committee

Hearing Date 01-18-01

Tape Number	Side A	Side B	Meter #
#1	X		1174-4107
#2		X	3640-4600
Committee Clerk Signature <i>Robin L. Small</i>			

Minutes:

REP. KLEIN called the hearing to order on HB 1119.

In Favor:

KEN PURDY, ACTING DIRECTOR, OMB CENTRAL PERSONNEL DIVISION. Please refer to attached testimony.

REP. KLEIN asks about setting up these procedures, what level of management is required to process, going to the next level? Such as a persons immediate supervisor putting it in, then going to the next level, then approving it, then it proceeds to the next level and so on. How do you see that?

PURDY replies that he would see that largely depending on the agency. In some smaller agencies it would be the agency head deciding. In larger ones it might provide a dollar amount of funding and gives that division manager the authority to make the decision. The policy development would spell that out.

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House Government and Veterans Affairs Committee

Bill/Resolution Number HB 1119

Hearing Date 01-18-01

REP. KLEIN asks if there would be standard procedure set up to be followed by all agencies?

PURDY replies that the procedures are largely outlined in the bill. With a varied structure. Not an administrative code.

REP. KLEIN states that the idea has merit. Is this a one time bonus?

PURDY replies that yes this is clearly a one time bonus.

REP. HUNSKOR asks if PURDY employs people in non-classified positions?

PURDY replies that the classified workforce, which consists of about 6500 employees, are the employees under his jurisdiction. Primarily responsible for providing the classifications. The unclassified workforce is such as the Legislative Council, Workers Comp., Mill & Elevator and the court systems. Specific agencies that have not been put under our jurisdiction.

REP. HUNSKOR asks why would not a person in a non-classified position be entitled to similar benefits for excellent work?

PURDY replies that there really is no reason that they wouldn't.

REP. HUNSKOR states then that PURDY is not responsible for that.

REP. DEVLIN then asks for specific examples of the three levels of performance criteria needed.

PURDY states that it would be rating of not meeting standards, meeting standards or exceeding standards. Then there is a level above that for superior outstanding, something to that effect.

REP. KROEBER then asks if there is that much money left in the salary line item, and are you going to have some agencies that would do this and will have a number of agencies that would not have the opportunity to do this?

PURDY replies that comment is very true. There is some disparity in the flexibility in the agencies. An original outline for funding was made up.

REP. CLEARY asks if this would not be difficult for some employees, wouldn't that make them feel singled out, and the moral in the departments would start to suffer?

PURDY replies that he doesn't think so. It possibly could if it was handled incorrectly. If it was handled properly it truly sets a direction and sets a tone. It also sets an example for the other employees to look upon. Behaviors and efforts need to be rewarded.

REP. METCALF states that the management has to be exceptional for this to operate appropriately. Most of these bonuses are rotated. That way everyone was happy and no dissatisfaction, but you did not achieve the purpose that was intended. Taking money out of the average bonus or pay raise is the only way you could be able to support this. My experience with it is that it has not worked.

PURDY replies that his experience with the reports that there is some very effective use with it. It can cause you as much problems as it can good.

REP. MEIER asks how did they come up with the thousand dollar figure? Did they have input from their employees?

PURDY replies that it was nothing magic. Originally they had looked at anything ranging from a \$500.00 bonus on up to a \$1000.00 max.

REP. KLEMIN asks if there is any way to monitor this program and to insure that bonuses are only given to exceptional performance?

PURDY replies that there is ways to identify the amounts through the payroll system.

REP. KLEMIN asks who would they report back to, OMB?

PURDY replies yes, the OMB.

REP. KLEIN states that he believes that what they are doing is a step in the right direction, and a lot of it depends on management.

REP. HUNSKOR asks what research has been done in other states? And of that, what has indicated to you that this has been a positive thing?

PURDY replies that primarily they have reviewed material from special organizations. They have participated in visits with other states and an annual meeting in salary survey processes. It is still limited in state government.

REP. KLEIN states to the committee that it is a good management tool.

In Favor:

TOM TUPA with the INDEPENDENT NORTH DAKOTA EMPLOYEES ASSOC.

TUPA would like to go on record in support of this bill. There is some potential for a lot of good success with this. He suggests a sunset clause for a period of 2 to 4 years. Revisit it in a couple of years. Then maybe give it some more study.

REP. DEVLIN asks how many members in your organization?

TUPA replies that there are roughly 300, and are strictly active state employees. There are no retirees.

ARDYTH PFAFF with the NDITD. (Human Resource Manager)

Supports the remarks already made by PURDY. Expands on some of the concerns of committee. Hits on some subjects such as allocating the 3% salaries, skilled leadership, leaders that say you are not performing, and etc. She also states that it takes guts to stand up in front of their employees and tell them the wrong and the right that they are doing.

REP. KASPER asks who manages the managers? How do we know we have gutsy managers?

PFAFF replies that we have to trust our leaders. But the most significant player is Human Resources. Some agencies have a Human Resource professional on staff and others do not. That partnership is what really makes it work.

RON LEINGANG with the HUMAN RESOURCE DIRECTOR(NDDHS). Would like to go on record as for in favor of this bill. Please refer to attached testimony.

TOM FREIER, DEPUTY DIRECTOR, NORTH DAKOTA DEPT. OF TRANSPORTATION

Please refer to attached testimony.

Not in favor or opposition:

CHRIS RUNGE, NDPEA AFT

RUNGE states that they have funding resources concerns. Implementation issues also. With management it is the training that they get. It is critical that there is confidence in the employees that the managers that are going to be giving out those bonuses. That the program is going to be fairly administered.

REP. KLEIN asks RUNGE doesn't she think that this is the step in the right direction?

RUNGE replies that there are different ways to compensate their employees. Their organization has concerns about how to fund teachers salaries, and public employee salary increases, with salaries that are extremely low.

REP. KLEIN talks about the bonus system and the same pot that is used.

RUNGE talks about the same pay rate that some employees are still at.

REP. KLEIN states that a certain percentage of the total salary would be put into the bonus program in addition to the salary.

RUNGE states that she would not disagree with that, if it would be new dollars.

REP. KLEIN states that it would be.

REP. DEVLIN asks for a breakdown on retired and inactive members.

RUNGE states that their are approximately 1100 retirees and 1900 active NDPEA members.

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House Government and Veterans Affairs Committee

Bill/Resolution Number HB 1119

Hearing Date 01-18-01

Committee action later that day:

REP. KLEIN passes out his amendment that he has drawn up. REP. GRANDE likes the sunset clause. REP. METCALF has a point of concern. REP. CLEARY states to the committee that she will be voting no, doesn't know where the money will come from.

REP. GRANDE makes a motion to accept the amendments, seconded by REP. HAAS.

REP. M. KLEIN takes a voice vote, 15-0. AMENDMENTS PASS. REP. BELLEW then moves for a DO PASS AS AMENDED, seconded by REP. MEIER.

The motion was approved 13-2.

REP. BRUSEGAARD is the carrier of the bill.

FISCAL NOTE

Requested by Legislative Council
12/26/2000

Bill/Resolution No.: HB 1119

Amendment to:

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2. Narrative: *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name:	Pam Sharp	Agency:	PMB
Phone Number:	328-4606	Date Prepared:	12/27/2000

18129.0101
Title.

Prepared by the Legislative Council staff for
Representative M. Klein

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1119

Page 2, line 9, after "5." insert "Bonuses paid under this section may not be included in an employee's base salary for purposes of calculating any wage or salary increase.

6."

Renumber accordingly

18129.0102
Title.0200

Adopted by the Government and Veterans
Affairs Committee
January 18, 2001

VK
1/18/01

HOUSE AMENDMENTS TO HB 1119 HOUSE GVA 1/18/01
Page 1, line 2, after "program" insert "; and to provide an expiration date"

Page 1, line 22, replace "permanent" with "regular"

HOUSE AMENDMENTS TO HB 1119 HOUSE GVA 1/18/01
Page 2, line 9, after "5." insert "Bonuses paid under this section may not be included in an
employee's base salary for purposes of calculating any wage or salary increase.

6."

Page 2, after line 10, insert:

"SECTION 2. EXPIRATION DATE. Section 1 of this Act is effective through
June 30, 2005, and after that date is ineffective."

Renumber accordingly

Date: Jan. 18th, 2001

Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1119

House GOVERNMENT AND VETERANS AFFAIRS Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Accept the Amendments

Motion Made By Grande Seconded By Haas

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN KLEIN			REP KROEBER		
VICE CHAIR GRANDE					
REP BELLEW					
REP BRUSEGAARD					
REP CLARK					
REP DEVLIN					
REP HAAS					
REP KASPER					
REP KLEMIN					
REP MEIER					
REP WIKENHEISER					
REP CLEARY					
REP HUNSKOR					
REP METCALF					

~~VOICE VOTE~~
PASSES

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: Jan. 18th, 2001
Roll Call Vote #: 2

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1119

House GOVERNMENT AND VETERANS AFFAIRS Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass As Amended

Motion Made By Bellew Seconded By Meier

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN KLEIN	✓		REP KROEBER		✓
VICE CHAIR GRANDE	✓				
REP BELLEW	✓				
REP BRUSEGAARD	✓				
REP CLARK	✓				
REP DEVLIN	✓				
REP HAAS	✓				
REP KASPER	✓				
REP KLEMIN	✓				
REP MEIER	✓				
REP WIKENHEISER	✓				
REP CLEARY		✓			
REP HUNSKOR	✓				
REP METCALF	✓				

Total (Yes) 13 No 2

Absent 0

Floor Assignment Rep. Brusegaard

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1119: Government and Veterans Affairs Committee (Rep. M. Klein, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). HB 1119 was placed on the Sixth order on the calendar.

Page 1, line 2, after "program" insert "; and to provide an expiration date"

Page 1, line 22, replace "permanent" with "regular"

Page 2, line 9, after "5." insert "Bonuses paid under this section may not be included in an employee's base salary for purposes of calculating any wage or salary increase.

6."

Page 2, after line 10, insert:

"SECTION 2. EXPIRATION DATE. Section 1 of this Act is effective through June 30, 2005, and after that date is ineffective."

Renumber accordingly

2001 SENATE GOVERNMENT AND VETERANS AFFAIRS

HB 1119

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1119

Senate Government and Veterans Affairs Committee

Conference Committee

Hearing Date March 1, 2001

Tape Number	Side A	Side B	Meter #
1	X		15.6-59.0
1		X	36.2-44.6 57.1-End
2		X	0.0-10.3
Committee Clerk Signature <i>James A. Raib</i>			

Minutes: **Chairman Krebsbach** opened the hearing on HB 1119 which relates to establishing a state employee performance bonus program; and to provide an expiration date. Appearing before the committee to introduce the legislation was **Ken Purdy**, acting director, OMB Central Personnel Division. A copy of his written testimony is attached. **Chairman Krebsbach** indicated that we had another bill earlier which involved fiscal irregularities. **Mr. Purdy** indicated he thought that was the bill that excluded higher education. That whole issue has been hard for OMB to deal with and for the budget section to deal with because we have a variety of circumstances with one time adjustments correcting a late increase due or things like that so there is a variety of legitimate corrections to records when we are dealing with the number of employees that we have. **Senator C. Nelson** inquired which employees were covered by this? **Mr. Purdy** indicated that it covered only classified full time and classified part time employees. **Senator C. Nelson** inquired if the source of funds for salary made any difference. **Mr. Purdy** indicated he believed it did not. **Senator Dever** inquired if to Mr. Purdy's knowledge past

incentive programs have been effective. **Mr. Purdy** indicated he believes we have had very limited opportunity for incentive programs. Since '96 there has been some latitude. **Chairman Krebsbach** noted that this program is experimental and that a sunset date of 2005 had been added to the bill. **Mr. Purdy** indicated that was correct. He commented that if the program proved successful he was certain there would be refinement of the program in upcoming sessions. If unsuccessful the plan may be allowed to die a quiet death. **Senator Kilzer** inquired if there was a chance for misuse of the program. **Bob Evans** representing Tom Frier, Deputy Director of the Department of Transportation presented written testimony on behalf of Mr. Frier. **Senator T. Mathern** inquired how this would actually be carried out. **Mr. Evans** indicated that in the winter of 1996-97 our maintenance employees basically starting working round the clock in early November on up through the end of April. Then we went right into the flood season in Fargo and Grand Forks. Basically our employees worked every holiday, every Saturday, every Sunday including Christmas and Good Friday throughout that entire season. He thinks it was recognized that the department does not pay a lot although those employees earned a lot of overtime during that particular year. Our director decided that we were going to, after the fiscal irregularity we sponsored events in each of our districts and put on some, a small meal. We invited the employees in and we handed them a check that was called a one time adjustment which was the justification for doing it to about 300 employees. I can only tell you what a morale booster the event set. It did say thank you for a job, a hard job well done. He sited another example which involves a project at Devils Lake. He noted that this is where a program such as the one proposed would be particularly useful. There are however, some restrictions in here that make him nervous. Sometimes employees produce more than once a biennium. That kind of output. Never the less this is a very good start and attempt to help use deal with some

situations that we need to. **Senator C. Nelson** as long as you've gotten into limitations. The 20% listed in this bill throws up a red flag for me. If you've got a five person agency, one person is 20%. She has a problem with that because usually people work in concert with someone else in the department. This bill is basically saying only one of them is going to get the bonus. What would be a more realistic amount, or should that even be there? What is your opinion on the 20% limitation? **Mr. Evans** indicated it would be easier if there were no limitation. We'll take what we can use. **Senator Dever** was curious as to in your agency what levels of management would you see decisions for this being made. **Mr. Evans** indicated that this kind of thing would go to the top of the agency. **Chairman Krebsbach** indicated the Mr. Evans had stated that you rewarded these people who had worked hard and that was done without anything here. Under what conditions or terms did you do that at that time? **Mr. Evans** indicated they were probably pushing the limit of the policies provided. **Chairman Krebsbach** indicated that in his testimony Mr. Evans had indicated this would help you recruit and yet there is a limitation here that they must be in the employ of the department for at least a year before becoming eligible. Would you use it as a recruiting tool that after a year this would be a possibility. **Senator Dever** indicated some concern was expressed about adjustments that are being made within the agency regarding moving people up within their salary range through your agency budget. **Mr. Evans** indicated that in 5 years the entry level salaries for engineers have gone from \$1800 to \$2800. We've increased starting salaries for engineering technicians from \$1350 to \$2200. Those are startling increases. It's what we had to do to be at all competitive in the market. We've had a 50% increase in our construction program. We need to have the base staff from which to support that increased program. We had to give these people. In order to do that we had to make adjustments to the people we had hired last year and the year before because now all of a sudden they are

saying I'm making less than you're paying that new graduate. Should I quit and apply for that job. No, we'll address the situation and we are doing that. Does it apply to all employees across the board, no. A very limited number of our total employment force is affected. We are using roll up savings and turnover savings to fund those increases. **Senator C. Nelson** inquired if there would be any problem with the removal of the 20% limitation that is currently in the bill. **Mr. Purdy** indicated that would only be a problem if the bonus were abused. This is not intended to be a bonus for all employees but only for those who are the top producers. **Arde Pfaff**, representing the Human Resource function at IFD appeared before the committee indicated that she is testifying in support of HB 1119. This bill will provide a number of things that state agencies do not have today. There is truly that recruiting benefit. It is common in the industry to offer incentive compensation programs. The one year wait is also very common. How can you adequately make a determination on someone's performance without having them on board for about a year? The key to this bill is good performance management practices. That is why section one of the bill is so important. If we are not doing a good job of performance management this bill could actually do a lot to decrease morale in agencies vs. enhancing morale. Therefore it is very important in the implementation that we outline exactly what we propose to do with this program and that we educate our leaders and work with our leaders. Human resource professionals are the key. Human resources and the management team make quite and impressive combination. This is not a new concept. We have a history of design to draw upon in making a successful program of our own. No questions were offered by the committee. **Laurie Steriotti Hammeren** appeared before the committee. A copy of her written testimony is attached. Appearing in a neutral position on the bill was **Chris Runge**, executive director of NDPEA. She indicated that the concerns that she has with the bill are if we believe that this is a

valuable program that there should be specific dollars set aside to fund this program. Expecting state agencies to fund it out of existing moneys when they are going to have to fund a full 1% of the employees pay raise out of existing funds is going to set up competition as to what is the priority. Either a base salary or doing recruiting and retention and then also doing a bonus program. We believe strongly that if you believe that this is something that is necessary that you fund it. Small agencies quite frankly will not be able to do this. They already operate on a shoestring budget. Larger agencies may be able to do it because they have open positions. If you believe that this a good program and something you want to do then I think that you need to fund it with a separate set of dollars set aside for this but not out of existing dollars. **Nancy Sand** representing the NDEA, appeared in a neutral position on HB 1119. She indicated that there are some significant things missing from this bill. There is no provision for mutual development of the criteria. It appears to her as though the agency or central personnel will be developing all of the criteria. If the people who are to receive the bonus have no say in development, you may have difficulty in getting buy in for the program. Because funding comes from within existing budgets she expresses another concern. No further testimony was offered in support of, neutral position on, or opposition to HB 1119. The hearing was closed on HB 1119. Committee Discussion was reopened on HB 1119. **Senator C. Nelson** moved the deletion of the first sentence after the number 4. in section one of the bill (inclusive of lines 6, 7, 8, and 9 to the first period on page 2 of the engrossed HB 1119). The motion was seconded by **Senator T. Mathern**. **Senators C. Nelson, Dever, and Wardner** offered comments about the bill. An additional comment about the amendment was made by **Senator Dever**. Roll Call vote for adoption of the amendment indicated 6 Yeas, 0 Nays, and 0 Absent or Not Voting. **Senator T. Mathern** indicated that on the first engrossment line 16, of page 1, he would suggest the

following wording after the word be, "developed with input from employees and" **Senator C. Nelson** indicated that she agreed with what he is trying to do, however she felt it perhaps belonged somewhere back in the beginning of the bill. **Chairman Krebsbach** indicated to the committee that the committee would work on this further later in the afternoon. The committee reconvened and **Senator C. Nelson** suggested that the wordage that **Senator T. Mathern** proposed should perhaps be placed after the word policy in line 11, on page 1. Discussion ensued with participation from **Senators T. Mathern, C. Nelson, Krebsbach, and Dever**. **Senator C. Nelson** suggested alternate placement for the amendment. Discussion continued. **Senator T. Mathern** suggested on line 17, after the period we can add a new sentence which would state, Development of the written policy shall include input from employees. **Senator T. Mathern** moved adoption of the amendment, seconded by **Senator C. Nelson**. This will be a further amendment to HB 1119. Roll Call Vote for further amending the bill indicated 6 Yeas, 0 Nays, and 0 Absent or Not Voting. **Senator Kilzer** indicated he has difficulties with the bill. On line 13, 14 of page 1 of the engrossed bill, what are at least three levels of performance criteria. Can anyone describe that for me? **Senator C. Nelson** indicated she thinks it's good or bad, there is nothing in between. You make one determination, they either did very well or they did awful. You can't get a yes no answer. You've got to have something that allows for something in between. Discussion continued with **Senators Kilzer, T. Mathern, Krebsbach, and C. Nelson** participating (Tape 2, Side A, meter #'s 57.1-End and Tape 2, Side B, meter #'s 0.0-6.4). A motion for Do Pass as Amended was made by **Senator C. Nelson**, seconded by **Senator T. Mathern**. Roll Call Vote indicated 5 Yeas, 1 Nay, and 0 Absent or Not Voting. **Senator Dever** will carry the bill.

REPORT OF STANDING COMMITTEE (410)
March 2, 2001 12:47 p.m.

Module No: SR-36-4690
Carrier: Dever
Insert LC: 18129.0201 Title: .0300

REPORT OF STANDING COMMITTEE

HB 1119, as engrossed: Government and Veterans Affairs Committee (Sen. Krebsbach, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (5 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). Engrossed HB 1119 was placed on the Sixth order on the calendar.

Page 1, line 17, after the period insert "Development of the written policy must include input from employees."

Page 2, line 6, remove "Agencies may pay bonuses under this section during a fiscal year to not more than"

Page 2, remove lines 7 and 8

Page 2, line 9, remove "fiscal year."

Renumber accordingly

2001 HOUSE GOVERNMENT AND VETERANS AFFAIRS

CONFERENCE COMMITTEE

HB 1119

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1119 CC

House Government and Veterans Affairs Committee

Conference Committee

Hearing Date 3/29/01

Tape Number	Side A	Side B	Meter #
2	X		0-1586
Committee Clerk Signature <i>Robin L. Small</i>			

Minutes:

REP. BRUSEGAARD called the conference committee to order. The chairman notes that all conferees are present and accounted for. The chair requests that perhaps it would be easiest if one of the Senators would explain their amendments. SEN. DEVER replies that this bill came to them, but first of all to remind all of the members what the bill does is provide for performance bonuses. One of the things that it requires is a performance evaluation, or that the agency has had a written employee performance evaluation policy in place for at least a year. The amendment said to that development of that written policy must include input from the employees, and that was added as a suggestion from a witness in the hearing. They have had some experience actually dealing with teachers that were good, and the members of our committee agreed and made that motion and the committee said why not. SEN. C. NELSON comments that there was another one on the second page and I think that it dealt with agencies that had extremely small numbers, say about twenty percent might be extents of a person. Perhaps we should allow some

latitude to the department or the agency chair to fill out those bonuses to those that felt they were deserving of them. Rather than say they will only pay twenty percent of the folks that do get it. REP. CLEARY asks about the person that testified, did they say they were concerned that this creates some kind of bad feelings among employees. Did that teacher say that it provoked any thing like that? SEN. DEVER replies that she didn't say anything about bad feelings. I think that she felt that it promoted better feelings. REP. CLEARY comments she thinks so too. But she just wanted to know if there was any bad feelings. SEN. C. NELSON states that she got the feeling, isn't this the bill where MR. EVANS came in and he sounded like they already did it during the flood. They got bonuses whether they were authorized or not they did it. They didn't want to be limited to twenty percent either because everybody worked hard and who was going to get these. REP. CLEARY replies that it was just paying for their over time, I think. SEN. C. NELSON states that was some of their justification for it. REP. BRUSEGAARD comments that reading through the testimony that MR. EVANS used his opportunity to reward states employees for above and beyond the call of duty, in a given situation. Of course it probably was wide spread across the agencies. REP. CLEARY says that one of her concerns was in a small agency that we already have cut their budget, are they going to be able to find money for performance bonuses. I really think that is something that should be looked at. REP. HAAS states that it says "may". I got the feeling in our discussion and testimony that the twenty percent there was put in maybe because this is really the first time we will be doing this. It sort of is a trial thing. We don't want to open it up all the way, it is brand new legislation, and it is sort of a trial period to see if it works. Because it has the sunset clause on it, you know. REP. BRUSEGAARD comments that is exactly the reason for the sunset clause. It is to try something new. I think it's common knowledge to the states agencies have reimbursed above the salary schedule to a broad base. Just

like we talked about before people that worked above the duty. I think that this is one of an attempt to have some sort of a pilot program to try to establish additional compensation according to written standards. I do like the Senate amendment on the first page. Giving input from the employees makes good sense. REP. CLEARY states that she likes the one on the second page also. Because that they will not be able to give many bonuses if they have to find the money in their budget. REP. BRUSEGAARD comments that he doesn't see the amendment on the second page really addressing that so much. REP. HAAS comments that puts an upper limit on it. It's not a lower limit, it's an upper limit they can't do it with more than twenty percent of employees. REP. CLEARY replies that she knows that. SEN. C. NELSON comments that their amendment says it takes that restriction off. REP. BRUSEGAARD acknowledges that. SEN. C. NELSON states that if it was twenty five percent it would be legal. If we had a four person department , twenty five percent is one person. Your over twenty, because your basically saying that nobody gets a bonus in that department. REP. BRUSEGAARD asks how many state agencies does that cover. SEN. C. NELSON asks what is the smallest? Probably the treasure's office, which is seven people. Only one person then would get it. The aeronautics commission has four employees. REP. BRUSEGAARD says that in their committee the agencies that were behind this were the larger ones. The DOT in particular was one. Give them an opportunity to try this with this specific language, especially with the sunset clause on it. Let's give it a chance. REP. BRUSEGAARD states that he is suggesting the first amendment is good, but not the second one. SEN. KILZER is exceptionally quiet states REP. BRUSEGAARD. You make it a little hard for the chairman of the committee when we are already starting out four to two. REP. CLEARY states that she likes the amendments. I think that makes the bill better. It is something to try. SEN. C. NELSON replies that maybe the DOT , they have a department of

over a thousand. Maybe their twenty percent is going to be pretty adequate. My concern was for the smaller agencies, which one do you pick to receive the bonus. REP. BRUSEGAARD comments that there are agencies that already give them to everybody. Which presented testimony, and would probably continue to do that. REP. CLEARY comments that she thought that the DOT was the only one doing that. I read all of this and I don't remember seeing that. REP. BRUSEGAARD states that he doesn't remember who it was. I think it was DOT. SEN. DEVER comments that finding the money within the budget, there is a maximum of a thousand per biennium. So I don't think that's a real big problem. REP. CLEARY motions that the House Accede to the Senate Amendments, seconded by SEN. C. NELSON. SEN. DEVER asks if KEN PURDY would stand for questions and explanations for the committee. CHAIRMAN BRUSEGAARD acknowledges it and asks PURDY to stand for questions and comments, that would certainly be appropriate. PURDY replies that he told the Senate committee that the reason for the twenty percent limit was to be conservative in trying it out. To emphasis that, in fact it was intended to be a modest recognition of someone who truly was superior for performing for the organization. We didn't want to run into a situation where someone gave a fifty dollar bonus to all fifty employees in the agency or something like that. That would be questionable. So that is the rational, whether twenty percent is the right number or not, there is no magic to that. DOT in reference of thirty percent of their employees got that bonus. The whole bill came about with discussions with the budget section in providing some legitimate guidelines to the bonus situation. Whether a larger percentage is appropriate or a percentage with a minimum of one or two or something or whether a no limit is appropriate. Like within their budget will limit their fund that are spent any way. SEN. C. NELSON asks how many agencies currently even have a plan? Isn't there something here that says that the plan has to be in effect

over a year before you can do. PURDY replies that their performance appraisal has had to be in effect for over a year. We have required by administrative code that their suppose to have a plan in place since about 1993, I think. So it has been many years, by in large most have performance appraisal in place. SEN. C. NELSON asks if they would satisfy that piece. PURDY replies that most would. SEN. C. NELSON asks if it would be offset for another year so maybe you would only get one in a million. PURDY replies no there would be some who could implement it fairly quickly. REP. HAAS asks if those performances evaluation have the three levels of the performance criteria in them. PURDY replies that's where some don't. They might have to adjust a little bit. Some might feel they have to get more precise in order to apply into a plan like this one. SEN. C. NELSON asks so what dead line are we using? Because if it had something in place but maybe doesn't have these levels then it maybe didn't have employee input. Then when is the setting date for that time being in existence? They got five months to work on it, be ready for the biennium. So the first one would be paid a year and a half down the road. REP. HAAS states that maybe some would be ready now. PURDY comments that he frankly has not thought of the employee input requirement. Some have employee committees that deal with their policies, and some that develop their employee review process. REP. BRUSEGAARD asks if there is any other discussion on the motion, seeing none there is a motion at hand. The clerk takes the roll. 4 YES, 2 NO and 0 ABSENT AND NOT VOTING. The motion fails.

REP. BRUSEGAARD then motions for the Senate to recede from the Senate Amendments and further amend, seconded by REP. HAAS. REP. CLEARY then asks this is to go along with the amendment on page one but not on page two. REP. BRUSEGAARD replies that is correct.

REP. HAAS comments that he would like to see the twenty percent limit left in there, because it is a pilot program. SEN. C. NELSON comments that PURDY said that the twenty percent wasn't

Page 6

House Government and Veterans Affairs Committee

Bill/Resolution Number HB 1119

Hearing Date 3/29/01

something written in stone. I liked it more wide open. I'd like it better at twenty five percent, which is to include a person or two more within all agencies. The roll call was taken with 3 YES, 3 NO and 0 ABSENT AND NOT VOTING. The motion fails REP. HAAS asks if SEN. C. NELSON would be more comfortable raising it to twenty five percent? SEN. C. NELSON states that she would like it better. REP. HAAS states that he would certainly agree to that. SEN. C. NELSON moves that the Senate recede from their amendments and further amend that the first amendment and on page two line 7, insert the word five after the word twenty. Seconded by REP. HAAS. The clerk then takes the roll call vote with 6 YES, 0 NO and 0 ABSENT AND NOT VOTING. The motion carries. The CARRIER of the bill is REP. BRUSEGAARD.

HB 1119 CONFERENCE COMMITTEE: SENATE RECEDE FROM SENATE

AMENDMENTS AND FURTHER AMEND. 6-0

CARRIER: REP. BRUSEGAARD

18129.0202
Title.0400

Adopted by the Conference Committee
March 30, 2001

VR
3/30/01

CONFERENCE COMMITTEE AMENDMENTS TO ENGROSSED HOUSE BILL 1119 HOUSE GVA 3/30/01

That the Senate recede from its amendments as printed on page 813 of the House Journal and page 687 of the Senate Journal and that Engrossed House Bill No. 1119 be amended as follows:

Page 1, line 17, after the period insert "Development of the written policy must include input from employees."

Page 2, line 7, replace "twenty" with "twenty-five"

Renumber accordingly

REPORT OF CONFERENCE COMMITTEE

HB 1119, as engrossed: Your conference committee (Sens. Dever, Kilzer, C. Nelson and Reps. Brusegaard, Haas, Cleary) recommends that the **SENATE RECEDE** from the Senate amendments on HJ page 813, adopt further amendments as follows, and place HB 1119 on the Seventh order:

That the Senate recede from its amendments as printed on page 813 of the House Journal and page 687 of the Senate Journal and that Engrossed House Bill No. 1119 be amended as follows:

Page 1, line 17, after the period insert "Development of the written policy must include input from employees."

Page 2, line 7, replace "twenty" with "twenty-five"

Renumber accordingly

Engrossed HB 1119 was placed on the Seventh order of business on the calendar.

REPORT OF CONFERENCE COMMITTEE
(ACCEDE/RECEDE) - 420

07398

(Bill Number) HB 1119 (, as (re)engrossed):

Your Conference Committee

For the Senate:

Sen. Sever
Sen. Kilger
Sen. C. Nelson

For the House:

Rep. Brusegard
Rep. Haro
Rep. Cleary

recommends that the (SENATE) (HOUSE) (ACCEDE to) (RECEDE) (from)
723/724 725/726 8724/M726 8723/M725
the (Senate) (House) amendments on (SJ/HJ) page(s) _____ - _____

and place _____ on the Seventh order.
727

, adopt (further) amendments as follows, and place
HB 1119 on the Seventh order:

having been unable to agree, recommends that the committee be discharged
and a new committee be appointed. 690/919

((Re)Engrossed) _____ was placed on the Seventh order of business on the
calendar.

DATE: ____/____/____

CARRIER: _____

LC NO. _____ of amendment

LC NO. _____ of engrossment

Emergency clause added or deleted _____

Statement of purpose of amendment _____

(1) LC (2) LC (3) DESK (4) COMM.

2001 TESTIMONY

HB 1119

Testimony on HB 1119
Ken Purdy, Acting Director
OMB Central Personnel Division
January 18, 2001

HB 1119 came from discussions during the current blennium wherein the Budget Section asked Legislative Council staff and the Central Personnel Division to address the difficult issue of employee bonuses. While NDCC 54-14-03.1 defines bonus payments as 'fiscal irregularities', the Budget Section recognized that bonuses can be an effective management tool for rewarding truly exceptional or superior effort.

A 1999 survey of employers nationally by the American Compensation Association reported that 63% of the responding employers use some form of variable pay -- pay that changes (up or down) periodically based on performance. Performance bonuses are a very common form of variable pay.

Bonuses allow a very strategic focus to the dollars spent. A bonus rewards an employee without incurring the liability of sustaining a base pay increase into the future.

This bill, as proposed, places several specific management requirements on agencies. Subsection 1 requires:

- a. A written performance evaluation policy or program must have been in place for at least 1 year before granting any bonuses
- b. The performance policy must recognize at least 3 levels of performance, i.e. not a pass/fail process
- c. The agency must adopt and communicate a written policy for granting the bonuses

The Central Personnel Division, as is our practice, will develop a basic model policy which agencies can then use to develop their own internal policy.

The bill also defines some eligibility requirements for employees. Subsection 2 requires:

- a. An employee must have been employed in a classified position for at least 1 year
- b. A bonus awarded for a specific significant accomplishment must be supported by an overall performance appraisal reflecting a high level of performance
- c. A recipient must be a regular classified employee

NOTE: We would request an amendment that on p1, line 22, replace the word 'permanent' with 'regular'.

Subsection 3 limits an employee to one bonus per year and no more than \$1,000 in a blennium.

Subsection 4 limits bonuses to 20% of classified employees and specifies that funding is from the agency salary and wages budget.

Subsection 5 simply ensures that this chapter does not conflict with the 'fiscal irregularities' section.

HB 1119

Chairman Klein, members of the Government & Veterans Affairs Committee, my name is Ronald Leingang. I am a Human Resource Director with the Department of Human Services. The Department of Human Services supports HB 1119. We feel that this method of compensating employees for exceptional performance and achieving major accomplishments in their job is a useful management tool. We feel that this type of program could be successfully implemented in our Department. We therefore urge your favorable consideration of HB 1119.

HOUSE GOVERNMENT AND VETERANS' AFFAIRS COMMITTEE

January 18, 2001

**North Dakota Department of Transportation
Tom Freier, Deputy Director**

HB 1119

The N.D. Department of Transportation supports HB 1119, which gives us more tools, similar to those of our counterparts in the private sector, to help recruit and retain employees in certain hard-to-fill occupations.

A bonus program is critical in today's employment market. Employees deserve to be recognized and rewarded for their individual achievements that exceed their job description.

The workload of many NDDOT employees is subject to the weather and environmental conditions. Other NDDOT employees' workload is driven by the increasing number of highway projects that must be designed and constructed each year. Competition for employees with critical skills has increased. While higher salaries for our employees would be appropriate, the bonus program outlined in HB 1119 would be a meaningful way—regardless of salary level—to reward the above-average work required to accomplish our mission.

Testimony on HB 1119
Ken Purdy, Acting Director
OMB Central Personnel Division
March 1, 2001

HB 1119 came from discussions during the current biennium wherein the Budget Section asked Legislative Council staff and the Central Personnel Division to address the difficult issue of employee bonuses. While NDCC 54-14-03.1 defines bonus payments as 'fiscal irregularities', the Budget Section recognized that bonuses can be an effective management tool for rewarding truly exceptional or superior effort.

A 2000 survey of employers nationally by the American Compensation Association reported that 61% of the responding employers use some form of variable pay – which they define as performance-based, lump-sum cash rewards.

Bonuses allow a very strategic focus to the dollars spent. A bonus rewards an employee without incurring the liability of sustaining a base pay increase into the future.

Section 1 of the bill contains provisions for implementing the performance bonus program. Subsection 1 requires:

- a. A written performance evaluation policy or program must have been in place for at least 1 year before granting any bonuses
- b. The performance policy must recognize at least 3 levels of performance, i.e. not a pass/fail process
- c. The agency must adopt and communicate a written policy for granting the bonuses

The Central Personnel Division, as is our practice, will develop a basic model policy which agencies can then use to develop their own internal policy.

The bill also defines eligibility requirements for employees. Subsection 2 requires:

- a. An employee must have been employed in a classified position for at least 1 year
- b. A bonus awarded for a specific significant accomplishment must be supported by an overall performance appraisal reflecting a high level of performance
- c. A recipient must be a regular classified employee

Subsection 3 limits an employee to one bonus per year and no more than \$1,000 in a biennium.

Subsection 4 limits bonuses to 20% of classified employees and specifies that funding is from the agency salary and wages budget.

Subsection 5 specifies that bonuses are not included in base salary.

Subsection 6 simply ensures that this chapter does not conflict with the 'fiscal irregularities' section.

Section 2 provides that this act expires in two bienniums.

**TESTIMONY BEFORE THE SENATE GOVERNMENT AND
VETERANS AFFAIRS COMMITTEE
REGARDING HOUSE BILL 1119
March 1, 2001**

Chair Krebsbach, members of the Government & Veterans Affairs Committee, my name is Laurie Sterloti Hammeren. I am a Human Resource Director with the Department of Human Services. The Department of Human Services supports HB 1119. We believe that this method of compensating employees for exceptional performance and achieving major accomplishments in their job is a useful management tool. This type of program could be successfully implemented in our Department. We therefore urge your favorable consideration of HB 1119.