

2017 HOUSE GOVERNMENT AND VETERANS AFFAIRS

HB 1200

2017 HOUSE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee
Fort Union, State Capitol

HB 1200
1/19/2017
27152

- Subcommittee
 Conference Committee

Committee Clerk Signature

Carmen Hart

Explanation or reason for introduction of bill/resolution:

Relating to space obtained outside the state capitol; and to provide an effective date

Minutes:

Chairman Kasper opened the hearing on HB 1200.

Rep. Al Carlson introduced the bill by saying we probably don't need it. Over the years we have had issues with large dollar volume leases that are hard to build in the budgets. What this bill would have simply done is said that they can approve anything over \$100,000 unless it had been approved from the legislative assembly. From the appropriations standpoint, you somehow have to keep a handle on your costs. I am going to recommend that you do not pass this bill. It is good to put people on notice that there must be the proper chain of command followed on these leases so we understand what our costs to government really are.

John Boyle, OMB, concurs with Rep. Carlson. I have a goal for this next biennium to reduce our lease costs by \$1.5 million. Right now just in the Bismarck market we pay just under \$7 million a year in rent. Our two top leases are ITD and West Central Human Service Center. ITD is about \$1.4 million a year, and the West Central Human Service Center is a little bit more than \$1 million. It would equate to about 11%.

Chairman Kasper: I happened to get a copy of all the leases and the rents that the state of North Dakota pays. I was overwhelmed by some of the lease terms and the cost per square foot and how much space is leased. When was the last time a study was done on the dollar advantages or disadvantages or having the state build their own buildings and rent or lease from itself?

John Boyle: About every other biennium, the Interim Government Services Committee has a study done. Usually it's do we have enough space for state employees? Along with that, if there is additional space that is required, do we need to build or lease and there is a lease versus build analysis done. This next biennium the new administration would like to experiment with telecommuting. If we could telecommute with some state employees, could

we then take smaller agencies and eliminate those leases and move those into vacant space? It has been about four years since a study has been done.

Chairman Kasper: Do you have the authority to do a study like that on your own, or do you require legislative approval to do it?

John Boyle: It probably would be legislative approval. It is always good for us to present our findings to an interim committee. We kind of review the leases on an ongoing basis so that we are at least in market. On big lease dollar amounts like the ITD building we went out to RFP, and we had three developers submit proposals and they did go with the least cost. That space is \$12 a square foot and another \$5 a square foot for the pass throughs, but they have 400 people there. One thing that I think would be more beneficial than just the overall cost is looking at how many FTEs you have in a space. ITD has 400 spaces up there so they are around 220 square feet a person. We could have another agency that could be leasing 5,000 square feet and only have 10 people and they are 500. If we said you have to be within 200 square feet or less per FTE in your leases, that probably would be more beneficial. It also helps to share conference rooms. There is a cost to the agency as well. Every time there is a lease and a space, they are paying a fee to have the ITD lines all brought to the space.

Chairman Kasper: Could this bill be amended?

John Boyle: Sure.

Rep. Olson: Are you saying they have to put special lines in? Can't they use a regular common internet carrier?

John Boyle: I am not an ITD expert, but I do know that they have run lines to buildings just to accommodate. The Health Department just leased a 20,000 square foot building south of Sam's Club. It is the first time a state agency has been in that building, so ITD had to run a line to that building. I don't know if it is a security issue or what.

Chairman Kasper: If we were to consider amending this bill to requiring a study, would it be possible to talk to different people if it would be helpful to consider amending this bill into a study of space needs and so on?

John Boyle: I can have those conversations and report back to your committee.

Chairman Kasper: You can send an email if it appears that it may be something you might want to consider. Then I would ask that you would work with OMB and come up with a proposed amendment that you could come back and present to the committee and we could further discuss.

Chairman Kasper closed the hearing.

2017 HOUSE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee Fort Union, State Capitol

HB 1200
1/26/2017
27498

- Subcommittee
 Conference Committee

Committee Clerk Signature

Carmen Hart

Explanation or reason for introduction of bill/resolution:

Relating to space obtained outside the state capitol; and to provide an effective date

Minutes:

Attachment 1

Chairman Kasper opened the meeting on HB 1200. The hoghouse amendment was handed out. Attachment 1.

Rep. Steiner: I like the amendment and don't have a problem with it. Is there an appetite to study who owns those state buildings?

Chairman Kasper: I obtained a list of the buildings that are rented by state departments from John Boyle who heads the capitol grounds committee. It is amazing. We are renting lots of square footage all over the city and outside of the city as well. He told me that OMB did not wish to study this particular issue, and I felt it might be something to consider studying.

Rep. Steiner: Who are we renting from?

Chairman Kasper: The list that he can provide shows us that. Everything in the bill disappears, and this amendment would replace the bill. He read through the amendment. (1:38-2:16) I had asked them to put in here to do a study updating the capitol grounds masterplan. I see that is not in here. I would like to consider adding to this proposed amendment that we would include not only studying the amount of office leased by state agencies outside of the state capitol, etc. and do an update study of the capitol grounds masterplan. That was last looked at in 2009, and there is very little action taken on the masterplan back then.

Rep. Vetter: Is this the bill that Majority Leader Al Carlson told us to not pass?

Chairman Kasper: Yes.

Rep. Dockter: That is why we are hoghousing it.

Rep. P. Anderson: Section 54-21-24 still stays in?

Chairman Kasper: No, the whole bill is going away. This amendment takes its place.

Rep. P. Anderson: If space is insufficient, there is no direction of what to do over the next couple years?

Chairman Kasper: This would be a study to decide what changes we might want to consider. This is just a study on the space that is out there. What should we do with it? Should we build or not? Should we change the masterplan of the capitol grounds? If the study is selected, then the interim committee would determine the grounds of the study based on this bill.

Rep. Dockter: Rep. Steiner, last session we had a spreadsheet showing whose space, the entity, and it has the business entity. It won't have the individual names. It will have the entity that it is actually renting from. Almost all of them that are private are an LLC so they can name it whatever. That is what you will see when you get the information from John Boyle.

Rep. Steiner: Is there any way for LLCs to be exposed? One of my concerns is there could be state office holders or House or Senate members who serve on appropriations who have significant interest in leasing, and they have to decide leasing questions. I think it would be interesting to know, especially appropriators, who are owners of those buildings.

Rep. Dockter: When you fill out to be a LLC with the Secretary of State, you usually have a managing partner. You could go into their filing and check and get some of the information. Usually whoever heads up the project is the managing partner, and they sign off and represent the whole LLC.

Rep. Vetter made a motion to adopt the amendment.

Rep. Steiner seconded the motion.

Rep. Schneider: Do we have the exact language that we should write in on the update to the capitol grounds?

Chairman Kasper read what the law intern added into the amendment. (8:54-9:45)

A voice vote was taken. Motion carried.

Rep. Vetter made a motion for a DO PASS AS AMENDED on HB 1200.

Rep. Schneider seconded the motion.

Rep. C. Johnson: Shall consider makes that study optional?

Chairman Kasper: Correct.

A roll call vote was taken. 12 Yeas, 0 Nays, 2 absent.

Rep. Vetter will carry the bill.

Rep. Schneider: Is there a way that we can find out the full ownership on some of these?

Rep. Dockter: The Secretary of State would be able to answer that.

Rep. Schneider: It would be nice to know before if we want this to succeed.

January 26, 2017

1/26/17 DO

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1200

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a legislative management study of the amount of state office space leased by state agencies compared to the cost of building additional office space on the capitol grounds and the capitol complex master plan.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. LEGISLATIVE MANAGEMENT STUDY - STATE OFFICE SPACE - CAPITOL COMPLEX MASTER PLAN. During the 2017-18 interim, the legislative management shall consider studying the amount of office space leased by state agencies outside of the state capitol; the costs associated with leasing the space compared to the cost of building additional office space on the state capitol grounds; and the feasibility and desirability of updating the capitol complex master plan. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-sixth legislative assembly."

Renumber accordingly

Date: 1-26-17
 Roll Call Vote #: 1

**2017 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1200**

House Government and Veterans Affairs Committee

Subcommittee

Amendment LC# or Description: 17.0329.03002

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Vetter Seconded By Steiner

Representatives	Yes	No	Representatives	Yes	No
Jim Kasper-Chairman			Pamela Anderson		
Scott Louser-Vice Chairman			Mary Schneider		
Jason Dockter					
Craig A. Johnson					
Daniel Johnston					
Karen Karls					
Ben Koppelman					
Vernon Laning					
Christopher D. Olson					
Karen M. Rohr					
Vicky Steiner					
Steve Vetter					

*Voice
 Vote
 Motion
 Carried*

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

This included adding language on the update to the Capitol grounds

Date: 1-26-17
 Roll Call Vote #: 2

**2017 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1200**

House Government and Veterans Affairs Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Vetter Seconded By Schneider

Representatives	Yes	No	Representatives	Yes	No
Jim Kasper-Chairman	X		Pamela Anderson	X	
Scott Louser-Vice Chairman	X		Mary Schneider	X	
Jason Dockter	X				
Craig A. Johnson	X				
Daniel Johnston	X				
Karen Karls	X				
Ben Koppelman	Ab				
Vernon Laning	X				
Christopher D. Olson	X				
Karen M. Rohr	Ab				
Vicky Steiner	X				
Steve Vetter	X				

Total (Yes) 12 No 0

Absent 2

Floor Assignment Vetter

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

REPORT OF STANDING COMMITTEE

HB 1200: Government and Veterans Affairs Committee (Rep. Kasper, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (12 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). HB 1200 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a legislative management study of the amount of state office space leased by state agencies compared to the cost of building additional office space on the capitol grounds and the capitol complex master plan.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. LEGISLATIVE MANAGEMENT STUDY - STATE OFFICE SPACE - CAPITOL COMPLEX MASTER PLAN. During the 2017-18 interim, the legislative management shall consider studying the amount of office space leased by state agencies outside of the state capitol; the costs associated with leasing the space compared to the cost of building additional office space on the state capitol grounds; and the feasibility and desirability of updating the capitol complex master plan. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-sixth legislative assembly."

Renumber accordingly

2017 SENATE GOVERNMENT AND VETERANS AFFAIRS

HB 1200

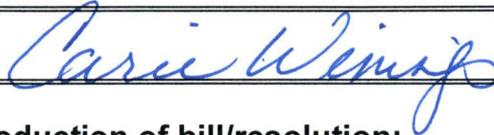
2017 SENATE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee
Sheyenne River Room, State Capitol

HB 1200
3/17/2017
Job Number 29400

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide for a legislative management study of the amount of state office space leased by state agencies compared to the cost of building additional office space on the capitol grounds and the capitol complex master plan.

Minutes:

No Attachments

Chairman Poolman: Opened the hearing on HB 1200.

Representative Carlson, District 41: Testified as sponsor and in support of the bill. We have an amazing amount of property that we lease off the capitol grounds. I have always been concerned about the lease agreement and making sure that they have a contingency in the lease that says subject to legislative appropriation. There are some of these that have gotten past that and they need to be reviewed. It basically says that the director of OMB may not enter into a contract or lease for space for a term that exceeds the biennium, which is always crucial. And we are facing those issues on some other things at this very time. For an amount exceeding \$100,000 unless the director has received prior approval from the legislative assembly. The ITD building that we built last time was quite controversial. It was very large and was a very big dollar figure. They have had some issues with the building and that was kind of not done in the right way in my opinion. It is like us appropriating money – just like the PERS issue. Should we be involved in it after it happens or should we be involved before it happens. This basically says that if this big dollar number is out there we should be looking at them. This time there is a study in for space utilization. Whether or not we are properly using all of our spaces around the state. It simply puts us back in control. It is not a life or death issue, but it does to bring to light that we need to have a good handle on the spaces that we lease. I do not mind off site leases. I think it is a good idea. The private sector pays tax on that property and it helps the city.

(4:35) Vice Chairman Davison: We had an offsite contractor that built the ITD building. Was your concern with the lease, the process, or the quality of the building?

Representative Carlson: I had all of those concerns after the fact. I was concerned that we were entering into a long term agreement. Because if I was going to build a brand new building for ITD, I would surely not do it on a two-year lease. Those renewals of those leases

should also be subject to our appropriation without an automatic extender or inflator or can charges built into them etc. All of those things are costs that we pay. Should we be engaged in that? (Gave an example of a building leased to Human Services in Fargo.) Space utilization is a big deal for the state. We have all of these people wanting to move off site or on site or expand on the site that they have and we need to make sure we are in charge of that because it is a huge part of the costs of operating those agencies. The state is people and programs. That is what the state does. If we look at where the budgets are, \$1.7 billion in salaries and benefits per biennium and that doesn't count the rent and cost of maintaining the buildings. We need to be good stewards of that. I am not sure if this solves it or not, but it just kind of brings it to light. We could probably do it without if we told OMB to make sure they don't miss any. They will probably tell you that they don't. I want to make sure that we are in control of those off site leases. Especially those big dollar ones.

Vice Chairman Davison: I am looking at wording of the study. So, you are comfortable with the current process or do you not think it is a quality process?

Representative Carlson: I do not want to micromanage, but I think we need to know those large numbers that we are incumbent for. Space utilization is always an issue and that is probably more important than the lease. If you have ever looked at the capitol grounds plan, there was a plan for a big office complex at one point in time. There was even a plan for a covered parking ramp. Those are plans that were drawn years ago and they never have come to the forefront, but part of space utilization is if it is more effective to be here or for us to lease and putting those spaces on the tax roll. In the end we are forced to make the decision. I just don't want to be forced after it is done.

Senator Bekkedahl: I looked at this last night. I agree this is a good bill. I did not know this has not happened before and it has not been happening. You talk about office space leased by state agencies outside of state capitol and then you talk about a comparison of building additional office space on the state capitol grounds, and then you mention the Job Service building - would adjacent to capitol grounds be included in the study?

Representative Carlson: It definitely would. That is laying in budgets right now. They wanted to sell these buildings and roll the proceeds in. There was one in Rolla, Minot, and in Bismarck. Then there was discussion as to whether it would be beneficial to use. There was a plan for building a commerce building next to the bank. Those things need to be part of the big picture when you do it and then you can make your decision after that. My only concern is if you have to put a lot of dollars into a building to use it, it might not be as good of a buy as you may think.

(10:30) Pam Sharp, Office of Management and Budget: Testified in opposition to the bill. I think what the bill before you has is a study to look at the lease space. I think Representative Carlson was talking about the original draft that talked about the legislature approving leases. I am just going to talk about the study before you. This study has been no less than 4 times. It was not done last interim, but the exact study was done the previous interim. Facility management actually provides all of the information and it goes to the committee. We still have all of that information. I do not think it is even relevant to look at building a building on the capitol grounds during this interim. What we find in looking at the spaces is that we have plenty of space, and we are looking at reallocating some of the space in the capitol building.

All of the leases outside of the capitol are approved by the Attorney General and John Boyle. He negotiates a lot of those leases and works with the agencies. I think we have a lot of processes in place. I don't think we need to do this study again this coming interim. We literally just did that study. Maybe you just want to review that study.

Chairman Poolman: It would be easy for you to provide information for the study.

(12:25) Senator Bekkedahl: Could you provide that to us?

Pam Sharp: Yes.

Senator Bekkedahl: In terms of the leases that we currently have negotiated, are they triple net leases or do they run the gambit on all types of lease arrangements?

Pam Sharp: they run the gambit of all different types of lease arrangements, but all of them have an out clause for every biennium that if funding is not appropriated the lease is done.

Senator Bekkedahl: Is there a way you can provide the committee how much we have out there in terms of gross square footage of office space off campus and what the average cost of square footage is?

Pam Sharp: We have a large spreadsheet that shows all the leases and the costs and we can get that for you. It is a lot.

Vice Chairman Davison: We are not being asked to approve the study. We are just being asked to put it in the hopper and others on legislative management who have been around a while will determine whether or not to do that study. Don't you thing the environment has changed since the last study has been done? That there has been a significant difference in our economy and how things are and that may impact that work.

Pam Sharp: Yes, our economy has changed and leasing space has changed. John Boyle has a mission to go out and renegotiate as many of the lease contracts that he can to try and save a million dollars. That is his goal. The environment is changing because you know that we are going to lose a bunch of FTE's. Agencies are going to require less space. They are able to deal with that and able to negotiate those leases or find different space. I know that this is just a study to be considered. If it is picked, I will tell you that it takes a tremendous amount of time for facility management to put all of this information together again.

Vice Chairman Davison: My observation over the last couple of sessions is that studies on particular things are not necessarily meaning that people are doing a bad job. I think they can be beneficial to those people that are doing that job because it gives legislators better information on the quality of work being done and it engages and builds the trust among those departments and the work that is being done and the legislature to make better decisions. I think there are multiple purposes to studies other than just the information itself. It is building those stronger relationships with those departments or those areas where people are employed.

Senator Marcellais: I had an opportunity to sit on the interim committee for facility management/capital grounds committee several sessions ago. This study has been done. If we are looking at cost savings, then why are we reinventing the wheel all of the time. In regard to Rolla, our Job Service moved out and our Social Services office staff needs a new office; is there a possibility that they can just transfer over to that new facility? Or, do we have to go through some process?

Pam Sharp: That is in the conversation. It is part of HB 1119. It seems like they should do a quick claim deed for a dollar and be done with that. I do not know how that will shake out though. Job Service is certainly not looking to make money on it.

Chairman Poolman: No further testimony was present. Closed the hearing on HB 1200.

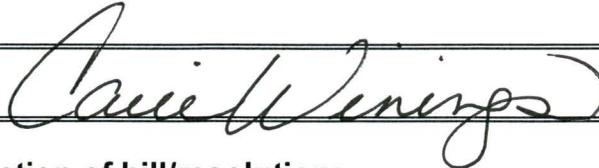
2017 SENATE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee
Sheyenne River Room, State Capitol

HB1200
3/23/2017
Job Number 29603

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide for a legislative management study of the amount of state office space leased by state agencies compared to the cost of building additional office space on the capitol grounds and the capitol complex master plan.

Minutes:

No Attachments

Chairman Poolman: Opened HB 1200 for committee discussion. We heard from OMB that they just did a study like this. We did talk about the fact that things have changed in the last couple of years too certainly in the financial aspect. With losing some people do we need as much space as we have now as well. It might be prudent.

Senator Bekkedahl: I do think this is a good bill. We did have significant testimony from the agencies that it has been done before several time and it requires a lot of effort on their part to bring this together. I still think that there is no harm in advancing it to the floor for their consideration. It is a shall consider study, so if it gets to legislative management and there are people there that have had a longer tenure that I have had and have seen this before and can enter into that discussion. I think that is the appropriate place to have it.

Senator Bekkedahl: Moved a Do Pass.

Vice Chairman Davison: Seconded.

Chairman Poolman: Any discussion?

Senator Meyer: What is the cost of an average study?

Chairman Poolman: It depends on the study. Certain studies require an expert consultant and they would have an appropriation connected to them. These studies that are a shall consider study are taken up by interim committees that are meeting anyway. Certainly, the fact that we meet in the interim costs money, but it is hard to quantify how much each study that we look at costs.

Senator Marcellais: This study has been done, and I know John Boyle will just bring in the plan that is already completed. I sat on the grounds committee. It has been done. If we are trying to find cost savings, why would we want to do a study that we have already done four times.

Senator Bekkedahl: I appreciate your input because you have been there and done that. I would guess that if the studies have already been done there is a template and they would just update it or add any additional information. This may ultimately fail on the floor if we pass it out of here because of those concerns, or it may not be picked up by legislative management. We have several points of review here.

Vice Chairman Davison: Last session in GVA we heard the same thing from the OMB director. Well, that was two years ago. I was not convinced at the last session that we should not be looking at this. Now we have lost 600-700 positions and there have been some other kinds of downsizing and I think it is appropriate.

A Roll Call Vote Was Taken: 5 yeas, 1 nay, 0 absent.

Motion Carried.

Vice Chairman Davison will carry the bill.

REPORT OF STANDING COMMITTEE

HB 1200, as engrossed: Government and Veterans Affairs Committee (Sen. Poolman, Chairman) recommends **DO PASS** (5 YEAS, 1 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1200 was placed on the Fourteenth order on the calendar.

2017 TESTIMONY

HB 1200

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1200

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a legislative management study of the the amount of state office space leased by state agencies compared to the cost of building additional office space on the capitol grounds.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. LEGISLATIVE MANAGEMENT STUDY. During the 2017-19 interim, the legislative management shall consider studying the amount of office space leased by state agencies outside of the state capitol and the costs associated with leasing the space compared to the cost of building additional office space on the state capitol grounds. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-sixth legislative assembly."

Renumber accordingly