

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

GOVERNMENT SERVICES COMMITTEE

Thursday, February 11, 2010
Harvest Room, State Capitol
Bismarck, North Dakota

Representative Ken Svedjan, Chairman, called the meeting to order at 9:00 a.m.

Members present: Representatives Ken Svedjan, Randy Boehning, Kari L. Conrad, Bette B. Grande, Karen Karls, Ralph Metcalf, Michael R. Nathe, Louise Potter, Blair Thoreson, Dave Weiler; Senators Dick Dever, Robert M. Horne, Elroy N. Lindaas

Members absent: Representatives Larry Bellew, Glen Froseth, David S. Rust, Alon C. Wieland; Senators Richard Marcellais, Carolyn Nelson

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

See attached [appendix](#) for additional persons present.

It was moved by Senator Lindaas, seconded by Representative Thoreson, and carried on a voice vote that the minutes of the December 16, 2009, meeting be approved as distributed.

CLASSIFIED STATE EMPLOYEE COMPENSATION SYSTEM AND STATE ELECTED OFFICIALS' SALARIES STUDY

Chairman Svedjan announced the procedure for hearing presentations for proposals relating to the classified state employee compensation system study. He said two proposals were submitted and each vendor would be given sufficient time for the proposal presentation and questions. He said the committee would discuss the proposals immediately after the presentations and again at 1:00 p.m. He said the committee will determine if a consultant will be used and, if so, select a vendor after the 1:00 p.m. discussion.

Hay Group

Chairman Svedjan called on Mr. Neville Kenning, Vice President of Hay Group, Philadelphia, Pennsylvania, to present Hay Group's proposal. A copy of the Hay Group proposal is on file in the Legislative Council office. Mr. Kenning said Hay Group was established in 1943 in Philadelphia. He said the organization has over 2,600 employees in 85 offices in 47 countries. He said the organization has experience in evaluating employee compensation systems in 28 states and Guam.

Mr. Kenning said the six components of an effective classification and compensation plan include a compensation philosophy, classification, job evaluation, pricing, pay delivery, and plan

administration. He said the project approach will include the following six-step workplan:

- Project management and communications process.
- Gathering data.
- Interviews and plan perception questionnaire.
- Analysis.
- Recommendations and reporting.
- Transition and implementation planning.

Mr. Kenning said the project will involve significant client partnership and participation, regular interaction, and agreement with the methodology being used. He said the outcomes of the project will identify the appropriate expenditure of compensation dollars.

In response to a question from Senator Lindaas, Mr. Kenning said the firm typically reviews five years to seven years of compensation history.

In response to a question from Representative Svedjan, Mr. Kenning said equity funding should be occupationally targeted rather than agency targeted. He said equity funding is useful to address market salary issues.

In response to a question from Representative Svedjan, Mr. Kenning said several states have more than one pay plan to accommodate groups of employees that have no relation to one another. He said all pay plans must have consistent principles.

In response to a question from Senator Dever, Mr. Kenning said the value of a benefits package is a perceived value that will differ among employees. He said benefits are typically expressed as a percentage of salary which will decrease as pay increases are given. He said a myth exists that because the benefit package is good, salaries do not need to be competitive.

Fox Lawson & Associates

Chairman Svedjan called on Mr. Jim C. Fox, Project Director, Fox Lawson & Associates, St. Paul, Minnesota, who presented the proposal for Fox Lawson & Associates. A copy of the Fox Lawson & Associates proposal is on file in the Legislative Council office. Mr. Fox said Fox Lawson & Associates was an independent firm for 15 years and is currently a division of Gallagher Benefit Services, Inc. He said the organization specializes in government classification and compensation systems and has over 25 years of experience. He said recent clients include several cities and counties in North Dakota;

the North Dakota Supreme Court; and six other states, including Alaska, Arkansas, Colorado, North Carolina, Washington, and Wyoming.

Mr. Fox said the project approach would include an evaluation of:

- The process for position classification, recruitment, and retention.
- Methods used to set pay ranges and fringe benefits.
- Labor market definitions for state jobs.
- Internal equity within agencies and state government.
- Long-term pay administration practices and policies.
- Funding mechanisms and administration.
- State compensation philosophy.

In response to a question from Representative Svedjan, Mr. Fox said pay philosophy should determine how much an organization will deviate from market ranges for certain jobs. He said equity adjustments should be fair to the budget process and those not receiving equity adjustments.

In response to a question from Representative Nathe, Mr. Fox said increases must be made by a percentage across the board for a compensation system to retain its integrity. He said a flat dollar amount plus a percentage may be acceptable for some compensation plans. He said a flat dollar amount increase is not appropriate since it does not treat job differences fairly.

Chairman Svedjan called on Mr. Ken Purdy, Classification and Compensation Manager, Human Resource Management Services, Office of Management and Budget, who presented information regarding recent changes in contribution rates for family health insurance plans in 10 states, including Colorado, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, Oklahoma, South Dakota, and Wyoming. A copy of the information presented is on file in the Legislative Council office. Mr. Purdy said 8 of the 10 states currently pay a higher percentage of health insurance premiums cost than paid in 1999. He said from 2008 to 2009, four states have increased the percentage of the state contribution, three states did not change the percentage of the state contribution, and three states reduced their percentage of the state contribution.

The committee recessed for lunch at 12:15 p.m. and reconvened at 1:00 p.m.

COMMITTEE DISCUSSION AND VENDOR SELECTION

The committee discussed the vendor presentations and proposals.

The committee discussed whether to proceed with hiring a consultant to assist the committee in its study.

Representative Nathe said he supports hiring a consultant to review the compensation system and to suggest solutions to resolve problem areas.

Representative Svedjan said a consultant would provide the state an opportunity to review the state employee classification and compensation system to determine if it is effective and efficient for the state and fair and equitable for all employees.

It was moved by Representative Thoreson, seconded by Representative Grande, and carried on a voice vote that the committee recommends proceeding to hire a consultant to assist the committee with the classified state employee compensation system study.

Representative Conrad said she believes the Hay Group proposal would allow the state to move forward and bring equity to the professional jobs where the state needs to offer competitive salaries. She said the concept of more than one pay plan should be explored.

Representative Grande said she believed Hay Group provided a more thorough project approach.

Representative Al Carlson, Chairman, Legislative Management, joined the committee via telephone at 1:25 p.m. Chairman Svedjan informed Representative Carlson that the committee has recommended to proceed with hiring a consultant.

It was moved by Senator Dever, seconded by Representative Grande, and carried on a roll call vote that the committee recommends that the chairman of the Legislative Management and the Legislative Council contract with Hay Group to conduct the classified state employee compensation study. Representatives Svedjan, Boehning, Conrad, Grande, Karls, Metcalf, Nathe, Potter, Thoreson, and Weiler and Senators Dever, Horne, and Lindaas voted "aye." No negative votes were cast.

OTHER COMMITTEE RESPONSIBILITIES

Mr. Lonnie Wangen, Commissioner, Department of Veterans' Affairs, Fargo, presented information regarding:

- The status of visits to county veterans' service offices, including issues identified and county commissioners' responses.
- The status of the accreditation process for county veterans' service officers.
- Mill levy funding provided by counties for county veterans' service officer salary, office space, and training.
- Options for improving services to North Dakota veterans.
- The status of funds in the veterans' postwar trust fund and the department's emergency grant program, including the level of funds available and applications.

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

Mr. Wangen said he has conducted 21 official site visits to county veterans' service offices across the state. He said the results of the visits and

recommendations were provided to county commissioners after each visit.

In response to a question from Senator Horne, Mr. Wangen said he does not have authority to enforce recommendations. He said the responses by the counties have been positive and many recommendations have been implemented.

Mr. Wangen said currently 6 of the 53 county and tribal veterans' service officers are accredited by the National Association of County Veterans Service Officers. He said 44 county and tribal veterans' service officers are registered for accreditation training in April 2010.

Mr. Wangen said options for improving services to North Dakota veterans include additional education officers and training officers. He said the Department of Veterans' Affairs has provided several laptop computers to county veterans' service offices, but there is a need for more computers and scanners. He said the scanners would save storage space. He said assistance is needed to transport homeless veterans to shelters and the Department of Veterans' Affairs hospital.

Mr. Wangen said the State Treasurer determined \$200,000 of veterans' postwar trust fund income would be available for the 2009-11 biennium. He said the department has received \$74,181 to date, of which \$41,400 has been allocated for the emergency grant program, \$26,831 has been used for obligated billings, \$2,000 has been used for lodging for the volunteer van drivers, \$3,300 has been used for Stand Down events to provide services to homeless veterans, and \$650 has been used for appeals. He said the remaining \$125,818 of estimated veterans' postwar trust fund income will be provided to the department throughout the remainder of the biennium. He said the department may now receive donations and a donation page has been added to the department's website. He said Emergency Commission approval will be needed to spend any donations received.

Mr. Wangen said \$33,150 in emergency grants have been approved, \$35,500 in eligible grants are pending approval, and \$25,592 in eligible grants have not been funded.

Representative Conrad requested information be presented at a future committee meeting regarding the eligibility requirements for Medicaid and the emergency grant program.

Mr. Terry Traynor, Assistant Director, North Dakota Association of Counties, said counties support the requirement in North Dakota Century Code Section 37-14-18 that county veterans' service officers be accredited through the National Association of County Veterans Service Officers. He said eligibility requirements for veterans' benefits are complex and adequately trained officers are needed to assist the veterans. He said there is a statewide need for veteran access to medical and other veterans' benefits.

In response to a question from Representative Boehning, Mr. Traynor said most counties would like to retain their county veterans' service officer positions. He said most counties would allow an officer to work more hours if funding was available for the additional costs. He said counties are limited to levying no more than two mills for veterans' service officers pursuant to Section 57-15-06.7(18). He said some counties with low tax bases have other sources of income which may be used for these costs.

Mr. Gene H. "Skip" Wing, Mountrail County veterans' service officer, Stanley, said it is important to have a trained veterans' service officer in every county. He said Mountrail County has a successful transportation program for its veterans, but there is a need for transportation programs in other rural counties.

Mr. A. G. "Skip" Thomas, Kidder County veterans' service officer, Steele, said the veterans' service officers should not be regionalized. He said he is concerned that he may not be able to retain accreditation with the National Association of County Veterans Service Officers if he does not work enough hours per week.

Mr. Ron Otto, Morton and Oliver Counties veterans' service officer, Mandan, said he is currently accredited through the National Association of County Veterans Service Officers. He said the national association has a memorandum of understanding that allows cross-accreditation with veterans' organizations.

Mr. Mark Landis, Burleigh County veterans' service officer, said veterans' service officers are required to work at least 20 hours per week for accreditation with state organizations. He said this requirement does not apply to national association accreditation, including accreditation by the National Association of Veterans Service Officers.

In response to a question from Representative Svedjan, Mr. Landis said a veterans' service officer can help any veteran regardless of the service organization the veteran has chosen to represent the veteran at the federal level. He said an advantage of being accredited with various service organizations is that the officer would have access to the veteran's data held by the service organization.

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

Representative Conrad asked that information be presented at the next committee meeting regarding maintenance costs for buildings located on the Capitol complex and state-owned buildings off the Capitol complex.

Chairman Svedjan said the next meetings of the Government Services Committee are tentatively scheduled for March 10 and April 22, 2010.

No further business appearing, Chairman Svedjan adjourned the meeting at 3:25 p.m.

Becky Keller
Senior Fiscal Analyst

Allen H. Knudson
Legislative Budget Analyst and Auditor

ATTACH:1